



## **Potential Fed pick Cain says deflation bigger worry**

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WASHINGTON (Reuters) - Former pizza chain executive Herman Cain, who is under consideration for a seat on the Federal Reserve's board of governors, said on Friday the U.S. central bank should be more concerned about deflation than inflation.

Cain did not confirm whether he had met with President Donald Trump to discuss the Fed position, but said he would be honored to be considered. A senior Trump administration official said on Thursday that Cain was being considered.

"I would try to encourage the Fed not to make inflation a fear factor because deflation ... is more of a fear factor than inflation," Cain said in an interview with Fox Business Network.

Cain said he would also bring in wages as a "key factor" as a monetary policymaker.

"Wages are finally starting to move, but the Fed reluctantly is going to stay off of raising rates for a while because they're more afraid of inflation than deflation," he said. "It's like a car - you can accelerate in a car a lot slower than you could decelerate if you slam on the breaks. That's what I think that the Fed is trying to balance."

It was not immediately clear what he meant by the comment.

The Fed's preferred inflation measure, the personal consumption expenditures (PCE) price index excluding food and energy, has been hovering just below the central bank's 2 percent target.

Year-on-year wage growth has exceeded 3 percent for four months running, and if booming job growth continues, the wage gains will likely put upward pressure on inflation, said **Bernard Baumohl, chief global economist for the Economic Outlook Group.**

"If he were to actually pursue interest rate policy based on wages, he would be then inclined to raise interest rates now," **Baumohl** said.

Given Trump's vociferous criticism of the Fed's rate hikes last year, it's a safe assumption that any White House pick would be opposed to further Fed moves to lift borrowing costs, **Baumohl** added.

The Fed raised rates four times in 2018, but on Wednesday signaled its three-year-drive to tighten monetary policy may be at an end amid a suddenly cloudy outlook for the U.S. economy due to global headwinds and impasses over trade and government budget negotiations.

There are currently two vacancies on the seven-member Fed board. Board members have a vote on setting interest rates every time U.S. central bankers meet, making them among America's most powerful officials for economic policy.

Cain, 73, sought the Republican presidential nomination during the 2012 campaign and led in the polls for a period. But his popularity slipped amid sexual harassment allegations from several women. Cain denied the accusations.

From 1989 to 1996, Cain served as a director at the Kansas City Fed, which is one of 12 regional Fed banks that help process payments in the U.S. banking system and whose presidents take turns voting on rate policy.

**Baumohl** said that while that experience gives Cain some familiarity with the Fed, "if we are looking for an economist, someone that has good solid training in monetary policy and how it affects the macro economy, I'm not sure he is the right person."

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