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Stephen Miran has questioned the Federal Reserve's institutional legitimacy. NIKKI RITCHER FOR WSJ

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Fed Board Nominee Sees Tariffs as Positive for Economy

BY NICK TIMIRAOS

Stephen Miran, the economic adviser President Trump plans to nominate to the Federal Reserve, would add a voice inside the central bank that is explicitly critical of the conventional wisdom around how tariffs might affect inflation and economic growth.

Many Fed officials are worried tariffs will weaken the economy while raising prices, creating a difficult trade-off between cutting rates to support the economy or holding them steady to contain inflation. Miran says this is backward: that the economy will benefit from tariffs with no noticeable impact on prices, allowing the Fed to resume rate cuts it paused at the beginning of the year.

The question is whether his arguments will prove persuasive enough to influence the broader committee's thinking— or whether they will even be needed if fears of job-market weakness lead Fed officials to resume cutting rates anyway.

Beyond policy disagreements, though, Miran has questioned the Fed's institutional legitimacy itself. He has accused central bank officials who frame their decisions as apolitical of being politically motivated, and lambasted Fed policymakers for what he calls "tariff derangement syndrome." In a paper last year, he argued that all of the Fed's top officials should be subject to at-will dismissal by the White House.

His potential appointment would give Trump a staunch ally who brings the president's views to the Fed's boardroom and challenges the Fed's consensus-driven culture and its influential research staff. Interest-rate decisions are deliberated by a committee of 19 policymakers, 12 of whom vote on policy actions. Individual central bankers are effective only to the extent they can persuade their colleagues.

Miran, who has a Ph.D. in economics from Harvard, is currently the head of the White House Council of Economic Advisers. Trump late Thursday said he would nominate Miran to fill a new vacancy on the Fed's board of governors. The seat unexpectedly came open after Fed governor Adriana Kugler announced last week that she was resigning. The term for that seat will expire in January.

Trump also said he planned to name someone else to fill the seat who, in turn, could succeed Fed Chair Jerome Powell next spring. Miran's appointment buys more time for Trump to watch how aspirants for the job defend his views on television—or, in the case of Miran and another candidate he named to the board in his first term, Fed governor Christopher Waller, how they vote on rates.

Miran's contrarian challenge centers on two main claims: that tariffs won't meaningfully affect aggregate prices or consumers' expectations of future inflation, and that Trump's broader economic policies are "extremely disinflationary."

The Powell Fed cut rates in 2019, after Trump imposed more modest tariffs on China, because officials were worried about growth and inflation was low. But policymakers are more concerned today because inflation has been running above their target for several years.

Miran last fall suggested that tariffs wouldn't lead prices of tariffed materials or goods to rise because a stronger dollar would offset some of the impact. That hasn't happened this year. Instead, the dollar has weakened against foreign currencies.

In a Bloomberg Television interview on Thursday, Miran said there has been "zero macro-economically significant evidence of price pressures" from new trade barriers imposed by Trump. Even if some individual prices rise, the effects would be temporary because services inflation— which dominates the consumer-price index—has been running at modest rates, he said.

So far, those arguments have had little traction inside the Fed, with only two officials— both Trump appointees—concluding that the central bank can cut rates because they think tariff effects will be short-lived. A few other officials, however, have indicated in recent days they could support cutting rates for another reason: They are worried the labor market may be weakening in a way that would make inflation less worrisome.

While Miran's nomination stems from the Trump administration's objections to Fed policy, it highlights how deep those disagreements now run—and how they could push the central bank farther along a shift where officials vote along the party lines of the presidents that appointed them rather than on economic analysis.

Miran's criticisms go far beyond policy. What began as technical disagreements about monetary-policy transmission evolved into sweeping charges about democratic accountability.

Last fall, he railed against the Fed's decision to begin lowering interest rates from a two-decade high, saying that Fed officials were unserious about bringing inflation down to their 2% goal.

"I can't think of anything more 'Deep State' and corrosive of our democracy than democratically unremovable officials at the Federal Reserve tacitly accepting permanently higher inflation in spite of Congress' delegated instructions for 'stable prices,'" he wrote on his social-media account last September in a post he later said was "phrased hyperbolically."

Miran said he was so confused by the Fed's actions, coming nearly two months before the presidential election, that he couldn't help but conclude they were motivated by politics—a charge that Powell and most of his colleagues categorically reject.

Now, with Trump pushing for lower rates, Miran has said he doesn't think inflation is likely to be a problem. Miran has said his views about trade-offs in managing inflation haven't changed but that economic policy has, including Trump's push to cut taxes and deregulate businesses.

In written answers for his Senate confirmation to the CEA in March, Miran said his prediction that the Fed's rate increases in 2022-23 would cause a recession was wrong in part because the central bank hadn't moved aggressively enough to tighten interest rates and in part because the Treasury Department had inappropriately interfered with debt management.

"My analysis assumed that the Fed would successfully pursue policies to offset" the Biden administration's "inflationary forces," he said.

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