

Why Janet Yellen is the right person to lead the Fed

By Kevin Carmichael

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Let's keep something in mind about Janet Yellen as we wait for President Barack Obama to officially nominate her to lead the Federal Reserve Wednesday: She is among the most qualified people ever tapped to lead the institution.

The reason to keep that in mind is because that simple fact could get lost in the considerable background noise that will mute what would otherwise be a thunderous announcement. The rancor over Washington's latest budget impasse will continue to drown out almost everything else, even the naming of a new leader for the most important central bank in the world.

Ms. Yellen's nomination cracks the glass ceiling that separates women from positions of real influence in economics around the world. Her likely confirmation by the Senate would shatter it. Women would lead the world's most powerful central bank, one of its strongest economies (Germany's Angela Merkel) and the International Monetary Fund (Christine Lagarde.)

Role models like that stand as good a chance at narrowing the gender gap in economics and finance as hiring quotas or other policies. Ms. Yellen will have changed the world before she ever chairs a meeting of the policy-setting Federal Open Market Committee.

This is an excellent reason to nominate Ms. Yellen, who currently is the No. 2 at the Federal Reserve Board in Washington. The only way to close the gender gap is to appoint qualified women when they are available. And the Yale-educated Ms. Yellen is both qualified and available.

She has served in the Fed system in some capacity for two decades. Ms. Yellen also worked in the White House for former

president Bill Clinton. When it comes to the art of policy making, she has more experience than did her current boss, Ben Bernanke, and the previous Fed Chairman, Alan Greenspan, when they were chosen to lead the U.S. central bank. The Senate will have to search hard for reasons to disqualify her.

"We need a Federal Reserve Chair who is both qualified and experienced, and who would look at policy-making through the lens of what's best for the middle class," Jeff Merkley, a Democratic senator from Oregon, said in a statement Tuesday. "Janet Yellen is exactly that."

Ms. Yellen would be the first Democrat nominated to lead the Fed in a generation. Yet she exposed a rift between the White House and the party's progressive wing. Mr. Obama clearly wanted to nominate his former adviser, Lawrence Summers, who now is a professor at Harvard University.

To do so, the White House for much of the summer carried out what was one of the loudest stealth campaigns Washington ever had seen. But a band of anti-Wall Street senators in the Democratic party pushed back. Mr. Merkley, Elizabeth Warren of Massachusetts and Sherrod Brown of Ohio disapproved of Prof. Summers's role in loosening financial regulation in the 1990s as a member of the Clinton administration.

All three have seats on the Senate Banking Committee, a hurdle the Fed nominee must clear before being put to a vote by the full Senate. Prof. Summers pulled himself out of the race last month, saving his former boss the trouble of having to cut deals with Republican senators to secure a Summers nomination. Ms. Yellen has been the heir apparent ever since.

Still, she will go forward with the stigma of being the president's second choice. Her nomination also will compete with the government shutdown and worries that the U.S. could breach the debt ceiling and become a deadbeat.

It seems likely that Mr. Obama chose to announce Ms. Yellen's nomination now to change the channel. Tensions were running high Tuesday. Mr. Obama spoke to reporters for about an hour at the White House and almost all the questions related to the week-long shutdown of all non-essential government services and the incredible possibility that House Republicans might actually follow through on their threat to force a default. The president continued to describe his opponents as hostage takers and insisted he would not negotiate until the government reopens and the borrowing limit is raised. Republicans refused to budge.

Financial markets are getting noticeably edgy. The decision to finally confirm that Ms. Yellen will be the nominee to replace Mr. Bernanke could calm them a little. Ms. Yellen is one of the architects of current Fed policy and it's

unlikely that she would deviate from the current path. Investors will appreciate the clarity, especially right now.

Senators also will have a go at the nominee once she appears at the banking committee for her confirmation hearing. Those who dislike the Fed's policy of keeping downward pressure on interest rates by creating money to purchase bonds will give Ms. Yellen a hard time. Some Republicans will vote against her because they will associate her emphasis on unemployment as softness on inflation. A close look at her record suggests there is little reason to worry.

There also could be questions about her knowledge of the finance industry since she never worked on Wall Street. Given the Fed's role in banking regulation, this is a fair point to raise. Ms. Yellen, who had a front-row seat for the financial crisis, can answer that she has had the best on-the-job training one could ever need.

She also could point out that Mr. Bernanke had no experience on Wall Street when he became Fed chairman. And some people now call him a hero.