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Why I'm Very Happy About Janet Yellen

By Justin Wolfers - Oct 8, 2013

President [Barack Obama](#) plans to nominate [Janet Yellen](#) as the next chairman of the Federal Reserve Board. In doing so, he will promote the pre-eminent policy economist of her generation to the role of the most powerful central banker in the world.

Yellen is quite simply more qualified for the job than any of her predecessors. She's an imaginative and technically adept economist possessed of a brilliant and precise mind. As a researcher, she has made fundamental contributions to our understanding of unemployment and the importance of smoothing out the ups and downs of the economy. She has demonstrated an ability to navigate political corridors, having served successfully as the chairman of President [Bill Clinton's Council of Economic Advisers](#).

She's also battle-tested, having worked in key policy roles through both the Asian financial crisis and the recent global financial crisis. She has spent most of the past two decades as a leading voice within the Fed, initially as a member of the Federal Reserve Board of Governors, then as president and chief executive officer of the San Francisco Federal Reserve Board, and over the past four years as vice chairman of the Federal Reserve.

No Fed chairman has ever been subject to as robust a public vetting as Yellen has over the past two months. It's notable that through the drawn-out public debate over who should replace current Fed Chairman [Ben Bernanke](#), not a single economist who has ever worked with Yellen has had a bad word to say about her.

Historic Moment

Yellen's appointment is also a historic moment: If confirmed by the Senate, she will be the first woman ever to lead the Fed. Economics remains an excessively male-dominated field, and this is particularly evident among the world's central bankers. The [European Central Bank's](#) governing council, for example, counts no women among its 23 members. Likewise, there are no women on the [Bank of England's](#) Monetary Policy Committee.

On a personal note, I've known Janet Yellen and her husband [George Akerlof](#), a Nobel laureate in economics, for more than a decade. They are both deeply passionate about the capacity for economics

to improve people's lives, and are also refreshingly human. Yellen shares the ability of her doctoral adviser, the late Nobel laureate [James Tobin](#), to translate dry economic data into an understanding of the lives that those numbers depict. Hence, her appointment reflects concern for Main Street, though it comes with a deep understanding of [Wall Street](#).

She's also remarkably humble. I remember being a visiting scholar at the San Francisco Fed when she was president of the bank. Typically, Fed presidents remain safely cloistered in the executive offices, away from the great unwashed. Not Janet. It wasn't unusual to see her in the cafeteria, tray in hand, looking for a table of friendly economists to join. She had an enviable ability to make even the most junior staffers feel at ease and valued.

But Yellen is a tough and natural leader. I saw this most clearly when she took the helm of the San Francisco Fed. She transformed what had been a sleepy outpost of the [Federal Reserve](#) System, boosting the quality of analysis along with the bank's international prominence. It has been a key leader in monetary policy debates ever since. These same leadership skills will invigorate the Fed in [Washington](#) when she takes over.

Powerful Advocate

Many will be keen to characterize Yellen's appointment in the usual hawk-dove spectrum, with most analysts suggesting that she's more concerned about reaching full employment than controlling inflation, making her a dove.

This framing misses something important: While it's true that Yellen has forcefully advocated for more monetary stimulus in recent years, what's more notable is that she has gotten the big calls right. Those who argued for tighter monetary policy have been proven wrong. Inflation rates that have been persistently below target, and unemployment has been too high.

If Yellen had been in charge of the Fed over the past few years, millions fewer would be jobless, and we would be less concerned about the danger of deflation. The point is that Yellen's pragmatic reading of the macroeconomic tea leaves has led her to avoid the errors of her theory-bound colleagues who have seen the threat of inflation around every corner. Both hawks and doves should applaud this appointment.

Yellen's appointment should be viewed as an investment in the Fed's dual mandate, which emphasizes the central bank's role in taming both unemployment and inflation. The unemployed should rejoice that they have a powerful advocate willing to battle the hard-money types willing to consign them to the economic scrap heap.

The transition to a Yellen Fed should also put to rest questions about the central bank's willingness to

follow through on promises to keep [interest rates](#) low. Yellen has been a staunch supporter of this forward guidance. Moreover, while Bernanke has struggled over recent months to communicate with markets, I expect policy statements issued in Yellen's Brooklyn accent to be clear and direct, as she says precisely what she means.

Tonight, I feel reassured that my daughter's economic future is in good hands. I also plan to tell her that she, too, can grow up to become the most powerful economist in the world. It's a potent stimulus.

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