



Yellen Praised by Senate Democrats Who Balked at Summers

Kathleen Hunter and Mark McQuillan - Oct 9, 2013

Janet Yellen's nomination as chairman of the U.S. Federal Reserve probably will face little resistance in the Senate, a contrast to Lawrence Summers, whose candidacy sparked a rebellion among Democratic lawmakers.

"She's an excellent choice, and I believe she'll be confirmed by a wide margin," Charles Schumer of New York, the Senate's No. 3 Democrat, said in a statement. Democrats control the Senate by 54 votes to 46 for Republicans and have a two-seat edge on the Senate Banking Committee.

President Barack Obama today will nominate Yellen to head the central bank, to replace Ben S. Bernanke, a White House official said in an e-mailed statement.

Obama turned to Yellen, 67, currently the Fed's vice chairman, after Summers, a former Treasury secretary and onetime economic adviser to the president, withdrew from consideration amid mounting complaints from Democrats on the Senate banking panel, which has jurisdiction over Fed nominees.

"She has a depth of experience that is second to none," Senate Banking Committee Chairman Tim Johnson, a South Dakota Democrat, said in a statement. Johnson pledged to work with the committee "to move her nomination forward in a timely manner."

Yellen will meet some Republican objections. Senator Bob Corker of Tennessee, one of the top Republicans on the banking committee, said her record will come under scrutiny.

"I voted against Vice Chairman Yellen's original nomination to the Fed in 2010 because of her dovish views on monetary policy," Corker said in a statement. "We will closely examine her record since that time, but I am not aware of anything that demonstrates her views have changed."

Bond Buying

As a top deputy to Bernanke, Yellen supported the Fed's unprecedented bond-buying programs and was a driving force behind a new strategy to commit the central bank to goals on inflation and unemployment.

"She's not going to go by unanimous consent on the floor," said Mark Calabria, a former top aide on the banking committee who's now with the libertarian Cato Institute in Washington. "She's got probably 20-25 votes against her."

After Summers, 58, withdrew his name, Schumer, who has close ties to the White House and Wall Street, threw his support behind Yellen. Twenty other Senate Democrats had already taken the unusual step of signing a July 26 letter urging Obama to nominate her.

Although the senators' pro-Yellen letter didn't mention Summers by name, several signers later said they would oppose his nomination. They cited his efforts to deregulate the financial industry while serving in President Bill Clinton's administration, a move that some lawmakers said contributed to the 2008 financial crisis.

'Historic Moment'

Two of the at least five Democrats on the Senate banking panel who had said they wouldn't support Summers hastened to praise Obama's decision to choose Yellen, who would be the first woman to head the Fed.

"Today is a historic moment for the Federal Reserve, for women everywhere, and for all of us who care about job creation," Ohio's Sherrod Brown, who led the letter campaign for Yellen, said in a statement. Describing her as a consensus-builder, Brown said Yellen "will work to prevent future bailouts, boost our housing markets, and give the Fed's mandate to maximize employment the attention it deserves."

Oregon's Jeff Merkley, in a separate statement, said Yellen has been "one of the strongest voices on the Federal Reserve Board for job creation and the middle class, and has been consistently correct in her economic predictions."

'Difficult Time'

Merkley called the White House on Sept. 13 to notify the administration that five Democrats on the banking panel would vote against Summers, according to a Senate Democratic aide. Days later, Summers withdrew his name.

"Mr. Summers read the situation correctly: He was going to have an extremely difficult time in the banking committee and even among Democratic senators," Richard Durbin of Illinois, the Senate's No. 2 Democrat, said at the time. "And I think he's right. If he'd have gone forward, there would have been a pretty bitter fight."

In an e-mailed statement last night, Summers praised Yellen, calling her “a terrific choice to lead the Federal Reserve. I have admired and learned from her ever since she taught my first macroeconomics graduate class in 1976.”

U.S. Senator Jack Reed, a Rhode Island Democrat and senior member of the Banking Committee, called Yellen’s nomination “a smart and historic” decision. “Ms. Yellen deserves to be confirmed with strong bipartisan support,” he said.

Shelby Reaction

Alabama’s Richard Shelby, another top Republican on the banking panel, has concerns about Yellen’s “proclivity to print more money and her record as a bank regulator,” according to Jonathan Graffeo, a spokesman for the senator.

Shelby nonetheless favors letting “the confirmation process play out, and looks forward to discussing her record at the upcoming hearing,” Graffeo said in an e-mail.

The nomination comes as the nation’s capital has been embroiled in the budget impasse between Democrats and Republicans that has led to a federal government shutdown and the threat of a historic U.S. debt default.

“From the White House perspective, this might actually be a good strategy in terms of betting the Republicans won’t block this because they are essentially focused on other issues,” said Calabria of the Cato Institute.

“Ultimately,” he said, she’ll get more than 60 Senate votes because “Wall Street is very comfortable with her.”