



## Yellen Poised to Rival Obama With Financial Power

By Caroline Salas Gage and Steve Matthews - Oct 28, 2013

Janet Yellen, nominated by President Barack Obama to succeed Ben S. Bernanke as chairman of the Federal Reserve, is poised to become the most economically powerful woman in the world.

Yellen, 67, would be the first female head of the 100-year-old Fed and also the first woman to lead any central bank among the Group of Seven economies, which include the U.K., Germany and Japan. Her appointment, if confirmed by the Senate, would put a woman at the pinnacle of the economics field, helping change a history of male-dominated culture among policy makers across the globe.

“Given the shortage of women in important positions within our profession, she has not only broken the glass ceiling, she has completely smashed it to pieces,” said Mark Gertler, a New York University economist who has coauthored research with Bernanke and praised Yellen’s qualifications. “Just about everyone with any connection to the world of monetary policy is vigorously applauding Janet Yellen’s nomination.”

It “is very significant,” Gill Marcus, the first woman to head South Africa’s central bank, told reporters in Cape Town Oct. 9. “When you talk about women governors, well, it will be a great advance.”

If she is confirmed, she will have an influence on every American’s finances -- from credit-card bills to mortgages and food prices -- in addition to running the regulator of the nation’s largest banks and nonbank companies deemed systemically important, said Mark Calabria, director of financial-regulation studies at the Cato Institute in Washington.

### **Bigger Impact**

“There is arguably no other institution that has a bigger impact on the American economy than the Fed,” Calabria said. The chairman “is second only to the president in terms of impact of economic policy.”

Yellen’s selection comes as women ascend to top posts at other central banks -- including Karnit Flug in Israel and Elvira Nabiullina in Russia -- and those without female leadership increasingly

are being scrutinized. The European Central Bank is under pressure to appoint a woman to its new financial-supervisor job amid an outcry its top management would become an all-male club.

Flug, former Bank of Israel Governor Stanley Fischer's deputy, was nominated Oct. 20 to succeed him after being passed over twice for the job.

### **Diversity Delivers**

"Economic research is very clear: Diversity with credentials always delivers a better outcome than homogeneity," said Diane Swonk, chief economist at Chicago-based Mesirow Financial Inc. Women have been making inroads in the field of economics for "a long time," though "it just took this long for the rest of the world to recognize" their success.

While women have been scarce as heads of central banks, they have populated the Fed's senior ranks for years. In addition to Yellen, Esther George, president of the Federal Reserve Bank of Kansas City, will vote on policy at the two-day Federal Open Market Committee meeting that begins tomorrow. Officials will refrain from paring the \$85 billion monthly pace of their bond buying, according to economists surveyed by Bloomberg News.

Elizabeth Duke also had a say on policy before she left the Board of Governors at the end of August, and Sarah Bloom Raskin, nominated by Obama as deputy Treasury secretary, is still on the board, though she didn't attend the September FOMC meeting in anticipation of her departure.

### **'Cowboy' Risk-Taking**

"It's all about inclusive behavior and breaking old club-like group think; the U.S. is leading the way," said Martin Malone, a global macro policy strategist at Mint Partners Ltd. in London. "We are seeing the same developments across all policy makers getting rid of the 'cowboy' risk-taking of the entire financial system."

Women held 40 percent of the Fed board's senior level executive positions in 2012, and about 45 percent of all employees were female, according to the central bank's March report to Congress on the Office of Minority and Women Inclusion. The central bank was required to establish this office by the Dodd-Frank financial-overhaul legislation passed in 2010.

They still are outnumbered in the profession, however. There are 2.9 male economics majors in U.S. colleges for every female, according to the American Economic Association. Among the top 100 universities, women account for just 28 percent of economics majors.

### **Discuss Inequality**

Claudia Goldin, AEA president and a labor economist at Harvard University in Cambridge, Massachusetts, said she was "incensed" one year in the 1990s when she attended the Kansas City Fed's Jackson Hole, Wyoming, gathering -- the most prominent monetary-policy conference in the world -- and found no women on the program discussing labor markets and inequality.

“I offered to be a discussant” and “was rebuffed,” Goldin said.

While it’s unclear to what extent Yellen’s ascent will increase the number of women in the field, “the impact will grow as she shows herself to be an effective maker of policy and an articulate leader of the nation’s central bank,” Goldin said.

Yellen’s candidacy has been cheered by female peers at the top of her field. International Monetary Fund Managing Director Christine Lagarde looks forward to a woman joining the ranks of central bank governors and will “no longer feel as lonely” at some male-dominated meetings, IMF spokesman Gerry Rice said.

### **About Time**

Former Federal Deposit Insurance Corp. Chairman Sheila Bair said it was time for a woman to run the Fed in a July 22 Fortune magazine column.

“The segment most directly involved in overseeing the nation’s financial markets and the big financial institutions” has lacked women leaders, she wrote. “Testosterone-laden Wall Street usually feels more comfortable dealing with guys than gals.”

When Obama named Yellen on Oct. 9 as his pick to succeed Bernanke, he “could not have found a better-qualified candidate for this historic nomination,” Bair said in an e-mailed statement.

As the first woman Fed chief, Yellen will be criticized even more heavily than a man would be if she can’t attain the central bank’s goals of full employment and price stability, according to Michelle Ryan, a professor of social and organizational psychology at the U.K.’s University of Exeter.

### **‘Glass Cliff’**

Ryan and Exeter Professor Alex Haslam’s research coined the phrase the “glass cliff” to describe the phenomenon where minorities and women are more likely to be promoted to leadership roles with a higher risk of scrutiny and failure.

The public is “extra-specially going to be watching her and seeing her as a woman in that job as well,” Ryan said. “If she fails, it will be a woman that fails.”

For now, Yellen is an inspiration to Ana Rocca, 29, a graduate economics student at the University of California at Berkeley, where Yellen taught from 1980 to 1994 and again from 1999 to 2004.

“There’s a dearth of women role models in the field and there are few other females in classes with you,” said Rocca, from Fort Collins, Colorado, who founded a student group to provide support and mentorship for her peers in the department. “Having a woman in such a prominent and influential position is bound to have an effect on females’ perceptions of economics.”

