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## **Yellen: Economy Still Needs Fed Aid**

By: Victoria McGrane - November 13, 2013

*Cato Institute's Mark Calabria on keys to look for in Federal Reserve chair nominee Janet Yellen's Senate confirmation hearing, including setting out a clear Fed strategy and whether she'll announce a tapering schedule.*

The U.S. economy has grown "significantly stronger" since the 2008 financial crisis and ensuing recession, and but it still needs help from the Federal Reserve as it continues to mend, Janet Yellen will tell senators Thursday.

Ms. Yellen, who has been nominated to be the Fed's next leader, is set to speak before the Senate Banking Committee in her confirmation hearing.

"We have made good progress, but we have farther to go to regain the ground lost in the crisis and the recession," Ms. Yellen, the Fed vice chairwoman, will say in her opening statement, according to her prepared remarks released Wednesday.

Ms. Yellen's statement didn't send any new signals about Fed policy. It did set up several points she might use to defend the Fed's \$85 billion-a-month bond-buying program, which is likely to draw criticism from Republicans during the hearing.

The program is aimed at lowering long-term interest rates to spur spending, hiring and investment. Many Republican members of the banking committee oppose the program because they are skeptical of its benefits and worried it will stoke excessive inflation.

In her statement, Ms. Yellen highlighted that the Fed is missing the mark on both sides of its "dual mandate" to pursue maximum employment and stable prices. Unemployment, at 7.3% in October—down from a recent peak of 10% in 2009—"is still too high, reflecting a labor market and economy performing far short of their potential," Ms. Yellen said. Inflation is below the central bank's 2% target and will likely remain low for some time, she said.

### Wealth of Policy Experience

- Personal: Born Aug. 13, 1946, in Brooklyn, N.Y.; married to George Akerlof, winner of the 2001 Nobel Prize in economics; one son, Robert Akerlof, an economist at the University of Warwick in the U.K.
- Education: Graduated summa cum laude from Brown University with a degree in economics in 1967 and earned a Ph.D. in economics from Yale University in 1971

- Current affiliations: Vice chairwoman, Federal Reserve Board of Governors; professor emeritus at University of California, Berkeley

#### Milestones:

- 1971-76 Served as assistant professor in Harvard University's economics department
- 1977-78 Served as economist for the Federal Reserve Board of Governors, division of international finance
- 1978-80 Served as lecturer at the London School of Economics and Political Science
- 1980 Joined the faculty at UC Berkeley
- 1994-97 Served as Federal Reserve governor
- 1997-99 Served as chairwoman of the White House Council of Economic Advisers
- 1997-99 Served as chairwoman of the Economic Policy Committee of the Organization for Economic Cooperation and Development
- 2004-10 Served as president of the Federal Reserve Bank of San Francisco
- Oct. 4, 2010-present Fed vice chairwoman under Chairman Ben Bernanke

Ms. Yellen said both factors are motivating the Fed's efforts to boost the economy. She said a stronger recovery would allow the Fed to stop relying on unconventional tools such as the bond-buying program. "I believe that supporting the recovery today is the surest path to returning to a more normal approach to monetary policy," she said.

Ms. Yellen pledged to make sure the Fed uses its regulatory powers to "reduce the threat of another financial crisis," highlighting a topic that is likely to receive significant attention during the hearing. She offered no specifics on how she saw that task being accomplished.

Ms. Yellen expressed support for Fed Chairman Ben Bernanke's efforts to make the Fed "a more open and transparent institution," highlighting the role she played in developing some of the policies aimed at achieving those goals. She pledged to continue the more open stance if confirmed as chairwoman. Mr. Bernanke's term ends in January.

Ms. Yellen's testimony Thursday will mark the first time since June that she will make extended public remarks. She has made no public comments since her brief statement last month after President Barack Obama announced her nomination. She is likely to try to avoid signaling any major policy changes.

Senators from both parties expect that she will win confirmation. A number of Republicans are likely to oppose her, but Democrats are expected to remain united in support of her.

"We need her expertise at the helm of the Fed as our nation continues to recover from the Great Recession, completes Wall Street Reform rulemakings, and continues to enhance the stability of our financial sector," Senate Banking Chairman Tim Johnson (D., S.D.) will say in his opening statement at Thursday's hearing, according to an excerpt from his prepared remarks.