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Baum's View on Money

By Caroline Baum Aug 29, 2013

Good morning, dear readers. Here are the stories I've lined up for you today.

Janet Yellen handicaps her own horse race.

Yellen is downplaying her chances of becoming the next Federal Reserve chairman, according to the Wall Street Journal's Jon Hilsenrath. She must be reading the same articles as the rest of us and wondering if the PR campaign for Larry Summers isn't being directed from the White House. Even Yellen is "uncomfortable with the contentious public spectacle that the succession has become, according to people who have spoken to her." Who can blame her?

How does an overseas assignment sound?

Israel is still vetting candidates to succeed former Bank of Israel Governor Stanley Fischer, who left in June. Legislators are complaining about a leadership vacuum. Perhaps Prime Minister Benjamin Netanyahu should cast a wider net, the way Israel did when it recruited U.S. citizen Fischer. The U.S. is teeming with qualified candidates to succeed Ben Bernanke. I bet they'd trade Washington's power lunches for Jerusalem's hummus in a heartbeat!

Someone doesn’t care about the taper.

Make that something: small cap stocks, according to Thompson Clark at the Daily Reckoning. All else equal, higher interest rates, which are used to discount future cash flows, imply lower equity valuations. Apparently all else isn't equal, because small cap stocks have weathered previous cycles of rising interest rates without missing a beat.

Six down, many more to go.

The Cato Institute's Tad DeHaven says the six budget showdowns over the last 2 1/2 years have one thing in common: We had big government before each budget battle, and we still have big government today. Yes, the size of the federal government hasn't changed much this year, but its scope is growing by leaps and bounds. And Obamacare's rules and regulations are just getting started.

Big enough to drive a truck through.

Financial regulators just carved out an exemption to the rule requiring mortgage securitizers to hold 5 percent of the risk on their books as mandated by Dodd-Frank. An estimated 98 percent of the loans made last year would have qualified for the exemption. The change was "a win for a coalition of mortgage lenders, real-estate agents, home builders, civil rights groups and consumer advocates," who lobbied for the change, claiming tighter rules would hurt housing and the economy, according to the Wall Street Journal. Let's hope their win isn't a loss for the rest of us.

(Caroline Baum is a Bloomberg View columnist. Follow her on Twitter.)