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San Francisco Fed Names Research Head Williams President to Succeed Yellen

By Vivien Lou Chen - Mar 1, 2011

John C. Williams, research director for the Federal Reserve Bank of San Francisco, was named as the bank's new president to succeed Janet Yellen, who became the Fed board's vice chairman in October.

The move is effective today, said bank spokeswoman Carol Eckert. Williams, 48, has served as executive vice president and research director since 2009.

The economist, who has worked in the Fed system since 1994, joins the central bank's efforts to bolster growth and reverse a jobless rate stuck at 9 percent or more since May 2009. He represents a nine-state western region that accounts for 20 percent of the economy and has had 73 commercial banks fail since 2004.

"John Williams is certainly a very good compromise candidate after a long, protracted search," said Sung Won Sohn, an economics professor at California State University-Channel Islands and former chief economist at Wells Fargo & Co. "He doesn't have the real-world experience the San Francisco Fed board was looking for, but he knows the Federal Reserve System and knows Wall Street reasonably well," Sohn said.

The Fed's newest district bank president will participate in policy discussions and vote on the Federal Open Market Committee once every three years, starting next year. The San Francisco Fed chief is typically the highest-paid regional Fed bank president: Yellen earned $410,800 in 2009.

'Extraordinary Work'

Williams "has distinguished himself as one of the most respected economists in the Federal Reserve System because of his extraordinary work in the field of monetary policy analysis," Douglas W. Shorenstein, the San Francisco Fed's board chairman, said in a statement.

The board considered a "wide range of candidates," said Shorenstein, who is also chairman and chief executive of Shorenstein Properties LLC in San Francisco. The search was already under way in July, when Yellen was still the San Francisco Fed's president and awaiting a confirmation hearing in

Washington.

Fed presidents are appointed by each regional Fed bank's boards and approved by the central bank's governors in Washington. The head of the San Francisco Fed is the first named under new legislation signed into law by President Barack Obama in July, which keeps private-sector bankers who serve on regional Fed boards out of the selection process.

"The San Francisco Fed has long had a reputation for wanting to have fairly well-known economists as president," said Gerald O'Driscoll, a former Dallas Fed vice president and now senior fellow at the Cato Institute in Washington.

Shift Away

The selection of Williams reflects a shift away from a prominent economist in favor of a less well-known insider at the Fed, O'Driscoll said. Williams joined the staff of the Fed board in 1994, and spent eight years in Washington before becoming an adviser to the San Francisco regional bank in 2002.

A graduate of the University of California at Berkeley, the London School of Economics, and Stanford University, Williams was a senior economist for the Council of Economic Advisers during the Clinton administration. The Sacramento-native has published more than 30 articles on topics ranging from forecasting recessions to inflation targeting and monetary policy.

"He's really a first-class analyst and will be an excellent member of the FOMC," said Stanford University Professor John Taylor, who advised Williams while he was a graduate student at Stanford.

Objective

"His research and analysis is objective, thorough," said Taylor, who has criticized the Fed's asset purchases and response to the financial crisis. "It's respected by people with different views."

Williams co-wrote a paper released in January outlining the benefits from the central bank's asset purchases and concluding that the Fed's two rounds of quantitative easing will create a total of 3 million jobs by 2012.

While backing the Fed's asset purchases, Williams's views on inflation have sometimes contrasted with those of Fed Chairman Ben S. Bernanke.

In a 2009 paper titled, "Heeding Daedalus: Optimal Inflation and the Zero Lower Bound," Williams argued that the Fed's goal for 2 percent inflation may be too low, hampering its ability to provide stimulus.

Bernanke, during testimony today before the Senate Banking Committee in Washington, rejected the idea of allowing inflation to exceed 2 percent.

“We do not have the illusion that allowing inflation to get high is in any way a constructive thing to do,” he said.

In his most recent speech last month, Williams said that while monetary policy is likely to remain accommodative for some time, policy makers will reverse course at the appropriate moment.

“Being an insider has its advantages and disadvantages,” O’Driscoll said. “He knows how the Fed works. That’s good. The challenge for an insider is always establishing your independence.”

Williams ranks in the top 2 percent of economists by citations and popularity, ahead of most members of the Fed’s Open Market Committee, except for Bernanke and regional Fed presidents Narayana Kocherlakota from Minneapolis, Philadelphia’s Charles Plosser, and Charles Evans of Chicago, according to RePEc: Research Papers in Economics, an online database of economic material operated by volunteers.

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