MarketWatch
THE WALL STREET JOURNAL.

Janet Yellen's rookie mistake?

Opinion: Similar to Bernanke, but more specific and perhaps more passionate

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March 20, 2014

Like students on a new teacher's first day of school, economists and pundits switched on Janet Yellen's initial press conference as chair of the Federal Reserve to see how she compared to the other guy.

They got very similar substance, and a peek at what many economists took as a style that is more specific than that of her predecessor Ben Bernanke — willing to answer questions about the Fed's criteria for monetary policy in more detail, even while ditching the Fed's target of beginning to raise interest rates around the time the U.S. unemployment rate hit 6.5%.

Indeed, the one glitch that got people talking was when Yellen was a little too specific: Answering a question about how long the Fed might wait to raise interest rates after the Fed stopped its post-financial crisis policy of buying bonds to hold rates down, she committed what columnist Mike Kinsley has long called the ultimate Washington gaffe — she said what she apparently meant. "About six months," she said.

And the yields on 10-year bonds popped — just like that — as the market cowered at the prospect of early rate hikes. Or so the legend will go.

"You could tell from her face she was uncomfortable answering with that kind of specificity, and she regretted it as soon as it was out of her mouth," said **Bernard Baumohl, chief economist of the Economic Outlook Group** in Princeton, N.J. "The market way overreacted to that, and it doesn't surprise me."

Actually, the reaction wasn't that big. The yield on 10-year Treasurys had bounced as high as 2.76% before Yellen spoke, bounced down, then up, and finally closed the day at 2.77%. But, gnashed the tooth-gnashers, the market spiked by 8 basis points on the day! Yeah, to the highest yield the 10-year has seen since, since, Monday of last week! Oh. Big deal.

It wasn't hard to find economists yesterday who said Bernanke would not have made such an overcommitment. Memories must be short.

Bernanke, after all, is the one who spent a fine May morning last year telling the Joint Economic Committee that the economy was too weak to begin winding down the Fed's monthly bond purchases — then $85 billion a month. Under questioning from a Texas Republican who wanted to know if the Fed could begin winding up quantitative easing by Labor Day, Bernanke politely allowed as how the Fed might consider that if the data were to suddenly improve, even though Bernanke had just spent a half hour on how bad the data actually looked.

The 10-year went up nine basis points that day — and within a few weeks the furor over the end of quantitative easing had reshuffled trillions of dollars of economic value and put a summertime hitch in the housing recovery. And that was just because Bernanke had passed on a chance to be rude to a congressman.

And — a month later — Bernanke said quantitative easing would be over by the time unemployment reached 7%.

"While six months is consistent with expectations for a rate increase in mid-2015, putting a specific time on it was likely a mistake," Moody's Analytics chief economist Mark Zandi said. "It reminds me of Bernanke's comment that QE would end when the unemployment rate was 7%."

Here's what I thought the biggest difference was: Yellen's invocation of the continuing struggles of people involuntarily working part-time, and the ongoing struggle of workers around the middle of the income strata to get a raise of much more than 2% a year. Delivered with what passes for passion among economists, it was a sharp contrast with Bernanke's last press conference in December, where he mentioned wages only in passing and

didn't mention the part-timers at all.

If anything, Yellen's more explicit, more intense focus on other measures of regular folks' hours and earnings — which Bernanke also talked about sometimes, to be fair — also points to interest rates staying low for longer. Score one for the bond market. Her argument was that inflation can't be close if wage gains are lousy and 5% of U.S. workers are stuck in part-time jobs — even if, as she acknowledged, the latter number is getting better rapidly now and even a few measures of wages are picking up a little.

A Fed that worries as much about part-timers as plutocrats? Is that a gaffe?

Maybe on K Street. Probably, on parts of Wall Street. On Main Street, it's a breath of fresh air.

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