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Economists Place One-in-Five Odds of Trump Reappointing Yellen As Fed Chair

By Harriet Torry July 14, 2017

Economists place long odds on President Donald Trump nominating Federal Reserve Chairwoman Janet Yellen to a second term, but have little consensus on who might take her place.

A recent Wall Street Journal survey found economists placed a 20.8% average probability on Ms. Yellen getting the nod, the largest share won by anyone named in the poll. While Ms. Yellen isn't expected to be picked, Mr. Trump hasn't ruled it out.

The second most likely candidate, according to the survey respondents, was National Economic Council Director Gary Cohn, who garnered a 13.7% probability. Mr. Cohn, former Goldman Sachs Group Inc. president, is managing the White House's search for a nominee to take the helm when Ms. Yellen's term ends in early February.

Other contenders include Kevin Warsh, a Fed governor from 2006 to 2011, to whom economists assigned a 11.5% probability of becoming the next chairman.

Respondents put roughly the same odds, 11.3%, on the top Fed position going to John Taylor, the Stanford University economist who developed an eponymous policy rule for setting short-term interest rates according to a mix of economic variables, including inflation and employment measures.

The Journal surveyed 63 economists in its monthly survey from July 7-11, and asked them to assign probability to candidates from a list of 14 names analysts

have mentioned as potential Trump choices to run the Fed. Respondents also could assign probability to someone not on the list. The survey results were an average of their responses, although not every economist submitted estimates or comments for the question.

Bernard Baumohl of the Economic Outlook Group viewed Ms. Yellen's chances for reappointment as favorable, placing a 40% probability on her renomination, "because her cautious approach to monetary policy has been good for the stock market."

Ms. Yellen has said on numerous occasions that she intends to serve out her current term as chairwoman. When asked if she would accept a request from the president to nominate her for another term during testimony Wednesday, Ms. Yellen told the House Financial Services Committee that the matter of a renomination has "not been something that's come up," but she is prepared to discuss it with the president.

In separate testimony to the Senate Banking Committee on Thursday, Ms. Yellen said she hasn't decided whether she would accept renomination if offered it.

The economists polled assigned some uncertainty to the overall nomination process in their comments, citing the unpredictable nature of the Trump White House so far.

"Who can read President Trump's mind?," said James Smith, chief economist at Parsec Financial.

"Surprise appointments have been Trump's hallmark," Joel Naroff of Naroff Economic Advisors said.

Further down on the list of potential nominees, with an average 6.5% probability of being chosen, was Columbia University Professor Glenn Hubbard, who was chairman of the Council of Economic Advisers under President George W. Bush. Fed governor Jerome Powell garnered 5.6%, while former Dallas Fed President Richard Fisher got 4.8%.

The respondents put a 3.9% probability on Kevin Hassett, current chairman of the White House Council of Economic Advisers, and at 3.2% J.P. Morgan Chase & Co. Chief James Dimon.

One wild-card name on the list was Bank of England Gov. Mark Carney, a Canadian who previously ran the Bank of Canada. His term as head of the British central bank doesn't end until June 30, 2019, however, more than a year after Ms. Yellen's term as chairwoman expires. Economists placed just a 0.3% probability on him netting the hat trick of governing the Canadian, U.K. and U.S. central banks.

Ms. Yellen's term as Fed chairwoman ends on Feb. 3, 2018. She was nominated by former President Barack Obama. She previously served as Fed vice chairwoman and as president of the San Francisco Fed.

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