

## SPECIAL REPORT: **Likely Priorities of U.S. Treasury Secretary Nominee**



*“While the pandemic is still seriously affecting the economy, we need to continue extraordinary fiscal support, but even beyond that I think it will be necessary. We can afford to have more debt, because interest rates will probably be low for many years to come.”*

~ Janet Yellen, October 19, 2020 on Bloomberg Television

President-elect Joe Biden nominated Janet Yellen as Treasury Secretary on Monday, November 30. If confirmed, she will become Biden’s de-facto Cabinet member in charge of the American economy as it faces a painstaking recovery from the shock of the COVID-19 pandemic.

One of the top U.S. policymakers of her generation, Dr. Yellen previously served as Chair of the Federal Reserve, President of the San Francisco Federal Reserve, and Chair of the White House Council of Economic Advisers under President Bill Clinton.

Assuming she is confirmed by the Senate, she will play a significant role in jolting the U.S. economy into sustainable recovery while keeping financial markets stable, most likely via billions of dollars of new stimulus called for by President-elect Biden.

AMG expects Dr. Yellen’s decision-making to be firmly rooted in her experience at the Fed, which she led through a controversial tightening cycle in 2017 as the central bank tried to normalize its monetary policy in the latter stages of the recovery from the Great Financial Crisis. At the macro level, AMG expects that Dr. Yellen will try to avoid a repeat of what many economists considered a failure of fiscal and monetary policy coordination following the 2008–09 Great Financial Crisis, when a gradual return to fiscal austerity coincided with the Fed’s effort to spur growth through a series of quantitative easing programs. AMG expects the presumptive Secretary’s first year to focus on the following:

- 1. Heal the U.S. economy:** Even though a vaccine is on the horizon, many economists fear lasting damage to businesses and the labor market could weigh on the performance of the economy for years. Dr. Yellen recently said the Fed’s policy of lower-for-longer interest rates should coincide with greater government spending, reaffirming her openness to large stimulus. As recently as August, Dr. Yellen penned an op-ed in *The New York Times* with Jared Bernstein, a member of Biden’s transition advisory board, appealing for large-scale stimulus.
- 2. Collaborate with the Fed:** Dr. Yellen and current Fed Chair Jerome Powell have years of shared working history between them, which could smooth their efforts to support the fragile recovery from the pandemic. She was among the more dovish monetary policymakers, placing slightly more weight on the “full employment” clause vs. “inflation” clause of the Fed’s dual mandate.
- 3. Reassess global trade:** Economic negotiations with the largest U.S. trading partners have traditionally been handled by the U.S. Treasury Secretary. Having attended Group of 20 meetings, Dr. Yellen understands well the importance of close national and international policy coordination. She also has extensive experience dealing with Chinese economic officials. Dr. Yellen is highly regarded by foreign finance ministers and central bankers.

**4. Revisit the resilience of financial markets and institutions:** Dr. Yellen will likely strive to bolster the resilience of the Treasury market after the pandemic shook core funding markets in March. The Treasury will likely also re-examine the conservatorship of Fannie Mae and Freddie Mac.

While at the Fed and in public speeches, Dr. Yellen also drew attention to the costs of unevenly distributed growth and government policies that would boost the participation of women in the workforce. Chair Jerome Powell has called even more attention to those issues and enshrined them in the Fed's policy framework this past August. At the Treasury, Dr. Yellen will have a more direct path to influencing socioeconomic policy, but AMG expects those efforts to take the backseat.

## DISCLOSURES

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