



Bernanke Unlikely to Return as Fed Chair, Yellen's Job for the Taking

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Isaac Boltansky

202.534.1396

iboltansky@compasspointllc.com

During an [interview](#) released overnight, President Obama was asked whether he would re-nominate Ben Bernanke as Federal Reserve Chair and stated: "Ben Bernanke's done an outstanding job. He's already stayed a lot longer than he wanted or he was supposed to." We believe that this comment should remove any lingering doubt that Bernanke will remain at the Federal Reserve. We discuss below our thoughts regarding the timing of the new nomination, Bernanke's replacement, and the resulting composition of the FOMC.

Timing. We expect the White House to announce a new Fed Chair nominee by this fall. As we noted in our [earlier review](#) of Fed Chair confirmation timelines, the period between Bernanke's nomination and his confirmation was about 100 and 150 days for the first and second term, respectively. Given that Bernanke's current term expires on January 31, 2014, we believe that the official White House announcement should occur by September. Our expectation is that the White House will begin testing the waters regarding Bernanke's replacement shortly after his semiannual Humphrey-Hawkins testimony on July 17-18 and that the official announcement will occur before the fall.

Replacement. We continue to believe that the Fed Chairmanship is Janet Yellen's job for the taking despite the fact that she is decidedly more dovish than Bernanke. We believe that Yellen's candidacy benefits from three specific realities: (1) her experience on the FOMC since 2004; (2) the recent release of 2007 Fed transcripts which showed that Yellen was concerned about frothiness in markets prior to many of her colleagues; and (3) other openings on the FOMC allow the White House to craft a "Noah's Ark" nomination deal similar to ones it successfully used for the FDIC and the Fed during the last Congress. We fully detail the support for our view [here](#).

Doves or Hawks? The current composition of the FOMC gives the White House some latitude to craft a "Noah's Ark" confirmation compromise as it has previously done for Fed nominees. The "Noah's Ark strategy" is, in effect, a compromise which lets each party advance one nominee it prefers (this strategy was used for current Fed Governors Jeremy Stein and Jerome Powell). Our assessment of the FOMC's composition in 2014 shows that two seats are likely available for the White House to offer in a Noah's Ark confirmation strategy (highlighted below). To this end, the White House could offer Republicans two FOMC seats in exchange for confirming Yellen as the FOMC Chair. These individuals would presumably be more hawkish in their ideology. As the below table illustrates, the FOMC would likely remain dovish into 2014 even if the White House were to exchange two currently dovish seats in exchange for Yellen's confirmation.

2014 FOMC Membership

	Federal Reserve Official	Dove/Hawk Rating	Appointment Date	End of Chair / Vice-Chair Term	End of Term as Governor
Board of Governors	Ben S. Bernanke	Moderate/Dove	2/1/2006	1/31/2014	1/31/2020
	Janet L. Yellen	Dove	10/4/2010	10/4/2014	1/31/2024
	Elizabeth A. Duke	Moderate/Dove	8/5/2008		1/31/2012*
	Daniel K. Tarullo	Moderate/Dove	1/28/2009		1/31/2022
	Sarah Bloom Raskin	Dove	10/4/2010		1/31/2016**
	Jeremy C. Stein	Dove	5/30/2012		1/31/2018**
	Jerome H. Powell	Moderate	5/25/2012		1/31/2014**
	William C. Dudley	Dove	1/27/2009		
Fed Bank Presidents	Sandra Pianalto	Dove	2/1/2003		
	Charlie Plosser	Hawk	7/23/2007		All terms end in 2016
	Richard Fisher	Hawk	4/4/2005		
	Narayana Kocherlakota	Moderate/Dove	10/8/2009		

* Expired term, law dictates that a Governor with an expired term "shall continue to serve until their successors are appointed" so this spot could be filled in the next term.

**Filing a previously unexpired term.

Note: Highlighted cells represent seats likely to be considered in a Fed nomination deal.

Source: Federal Reserve, Compass Point

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Neutral	60	50	Neutral	1	2
Sell	6	5	Sell	0	0
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