

LEADERSHIP

Book Review: Empathy Economics

by Laura D. Tyson



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Empathy Economics captures what has made Janet Yellen the leader of the US's key economic policy institutions.

✔ **INSIGHT** | NOTE 13 Feb 2023

Empathy Economics by Owen Ullmann is a terrific read, well researched and well written. The author captures the characteristics that have made Janet Yellen the leader of three of the nation's key economic policy institutions, the Council of Economic Advisers, the Federal Reserve and the Treasury. She is the only woman – indeed the only person – to have held all three positions. Throughout her academic and policy careers, Janet has excelled in a male-dominated profession and in male-dominated position, providing an inspiring role model to women around the world.

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Janet combines sharp intelligence and a deep commitment to fact-based objective economic analysis, with empathy, a big heart and a deep dedication to public service. She is strong yet humble; she has taken on leadership roles and their onerous 24/7 responsibilities not for prestige or power but to improve the lives of ordinary Americans. No one has brought more knowledge, experience and empathy to addressing the core economic challenges facing the nation.

Janet started her career as an academic economist, working in the field of macroeconomics. She excelled in research and in teaching, with numerous publications in outstanding journals and with rave teaching reviews from her students. I am honored that I played a role in recruiting her to the Haas School of Business, UC Berkeley, where I got to know her and her work. The book documents her many contributions to Haas and the many friendships she developed there. She was held in high esteem by her colleagues as an outstanding economist and as a team player. She embodies the defining principles of the Haas School: confidence without attitude, beyond yourself, question the status quo and student always.

The book also provides a fascinating history of the evolution of Federal Reserve policy during Yellen's tenure as Vice-Chair and then as Chair. As Vice-Chair, she worked closely with Chair Ben Bernanke to create new policies to address the new challenges following the 2007-2009 financial crisis, including unprecedented and controversial quantitative easing. In 2012, the Fed adopted an explicit inflation target, something she had first proposed 17 years earlier. She had also long championed greater transparency into the Fed's views of economic trends. Now the Fed regularly issues projections of key economic variables by Board members and the Chair regularly signals the markets about Fed thinking and future actions.

Janet was the ideal choice for Treasury Secretary by President Biden. She was not seeking this position, indeed she had reservations about accepting it. But her commitment to public service convinced her to take the job, reflecting her belief that good policies can make a huge difference to people's lives. In her words, she "wants to be part of the solutions."

The book documents the key roles that Janet has played in the development of President Biden's economic agenda, an agenda that has restored the economy to its pre-pandemic strength, resulting in record low unemployment, record job creation, rapid wage growth, especially for low-income workers and declining deficits. But inflation has also hit a forty-year high as a result of both demand strength and supply shortages, and Janet has acknowledged that she, like most macroeconomists, underestimated inflation. The Administration's Inflation Reduction Act contains important measures to combat inflation, including deficit reduction through imposing a corporate minimum tax of 15% and providing resources to the IRS to collect an estimated \$600 billion in uncollected taxes. Janet has long been an advocate of adequate IRS funding and she has led the charge for a global agreement, now signed by more than 130 countries, for a minimum corporate tax rate of at least 15%. This agreement will be an important legacy of the US Treasury under Janet's visionary leadership.



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