
JEREMY SIEGEL INTERVIEWS JANET YELLEN ON "BEHIND THE MARKETS"

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Professor Jeremy Siegel had the opportunity to interview Janet Yellen live at the University of Pennsylvania last week, and a recording of their conversation was released on our "Behind the Markets" podcast.

Some observations from their discussion:

Yellen believes we are running out of slack in the labor market and that the U.S. economy cannot continue to have job growth of 180,000 to 200,000 a month without putting more pressure on the labor market. She suggested that there may be a tiny bit of slack in the prime-age male participation rate, but overall, our natural rate of employment growth should be 80,000 to 120,000. Yellen further sees the bounce in the participation rate in last month's employment report as temporary and unsustainable. This big-picture worldview is what leads to the three to four quarter-point interest [rate hike](#) [s](#) that many are factoring in for 2018, and nothing Yellen said suggests any hesitation on the [Federal Reserve \(Fed\)](#) embarking on this course.

Yellen is quite concerned about long-term deficits, and she worries that fiscal spending is out of control. This could be compounded by worries about the Fed running off its [balance sheet](#), which could lead to a spiraling of interest rates.

Regarding productivity, Yellen is not a pessimist in the long run, but she doesn't know why productivity growth has been so low in recent years.

Siegel asked Yellen about stock prices, and she did think they were high but not unusually so given the low-interest-rate scenario. She did say that commercial real estate is high, but this judgment also ties into the long-run view of the appropriate level of interest rates.

All in all, it was a great conversation and an honor for Professor Siegel to be the first to interview Yellen outside of Washington since she stepped down as chair of the Fed.

You can listen to the full conversation at the podcast link below.

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Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Balance sheet : refers to the cash and cash equivalents part of the Current Assets on a firms balance sheet and cash available for purchasing new position.