



FedFin Daily Briefing

Monday, August 8, 2022

Progressives Press Price Controls

Last week, a group of progressive Democrats and CBC members introduced H.R. 8658, legislation designed to press the President to institute price controls and give him greater authority to do so. The bill is supported by major labor unions and consumer/public-advocacy groups which argue that price controls are essential to prevent profiteering in goods such as energy and food and services such as rental housing. The measure includes no express provisions affecting financial services, but additional discussion of it is likely to provoke calls also for lower and fewer bank fees, higher consumer deposit rates, and reduced mortgage rates. We do not expect anything akin to this legislation to be enacted, but bring it to client attention because of its implications for public debate and broader pressures on the White House.

FRB-Dallas: Fed Policy Hiked Current Inflation

A new Federal Reserve Bank of Dallas [study](#) reaches a conclusion likely to exacerbate criticism of current monetary policy: the 2020 flexible-average inflation targeting (FAIT) construct increased inflation over what would otherwise have been predicted by 1.8 percentage points on average. Models-based and thus an assessment FAIT on a preferred construct, the paper also finds that FAIT may have large effects over short time periods due to delayed intervention. These delays can, the study notes, have the FOMC's intended effect of preventing the Fed from over-reacting to transitory shocks; the study does not provide insights into whether delays and the 1.8 pp increase was appropriate given that inflation did not prove transitory and may now have become more difficult to combat. As the study notes, the FOMC's statement on FAIT does not address the challenges of "make-up" policies after inflation has advanced. The study also finds that FAIT's impact from 1984 to 2021 would have varied, but was "not trivial" in comparison to prior policy outcomes. However, FAIT is found to be responsible only for some recent inflation, not all of it, and the Fed's very accommodative forward guidance may also have played a significant role altering market expectations and fostering inflation. As the paper notes, its concerns echo those recently expressed by [Gov. Waller](#), but none of these yet appear shared by Chairman Powell or other FOMC members.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **LIBOR8:** Moving belatedly but now expeditiously to implement legislation governing legacy-contract benchmarks when there is no contractual fallback rate, the Fed has proposed a new framework for derivatives, consumer loans, certain GSE contracts, and any other legacy contracts without clear LIBOR-replacement provisions and a "determining person" to effectuate them.
- **GSE-072122:** We yesterday provided a complete assessment of Sandra Thompson's sojourn on HFSC's [griddle](#), noting the lack of any insights into essential issues such as conservatorship's end or the full scope of CRT's new beginning.

- [GSE147](#): At her first hearing as confirmed FHFA Director, Sandra Thompson made it clear to House Financial Services that she is committed to expanding credit-risk transfer (CRT), encouraging equitable finance via new GSE activities, and recapitalizing Fannie and Freddie as quickly as possible.
- [GSE-071922](#): As noted earlier today, the Fed has finally brought forth its LIBOR-transition [proposal](#) specifying permissible benchmarks for legacy contracts without contractual fallback rates.
- [CRYPTO30](#): As part of its response to the President's digital-asset executive order, the Department of the Treasury is seeking views on the broad policy questions on which it believes answers might guide the Administration's next steps.
- [GSE-070822](#): A new Fed staff [note](#) contains startling statistics on how much the housing market has changed in just a few months at grave cost to lower income households.
- [CRYPTO29](#): Global banking regulators are trying a new, but still stringent, approach to governing bank exposures to certain types of crypto assets, revising an initial consultation to focus more on supervisory limitations than on extremely punitive capital requirements for what are deemed to be lower risk cryptoassets.