



Dissent in the Halls of the Federal Reserve

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Not every member of the Federal Reserve's Open Market committee thinks the central bank's job in handling the financial crisis is done, reports the *New York Times*. The Fed is taking steps to end some of the programs it had started to prop up the housing market through the collapse, but according to minutes from the committee's mid-December session, the decision wasn't universally viewed as the final action: "If [economists] are wrong, and the modest pace of economic growth slows or mortgage markets significantly deteriorate, 'a few members' of the Federal Open Market Committee believe that 'more policy stimulus' may be desirable, the Fed minutes said." James Bullard, the president of the St. Louis Federal Reserve Bank, has publicly said the Fed should keep its program of buying mortgage-backed assets—to the tune of \$1.25 trillion—alive. But Bullard isn't currently a member of the committee, which decides such matters, though he will become one later this year. It's already been estimated that ending the program will push mortgage rates back up by half a point to a point, squeezing some potential buyers out of the housing market. The Fed is walking a "tightrope," as one economist puts it, between weaning the private sector off of the Fed's beneficence and sending the housing market off another cliff.

The *Washington Post* and *Wall Street Journal* come to opposite conclusions about how Chris Dodd's retirement will affect the financial regulatory reform legislation he had been championing through the Senate. The *Post* headlines its story, "Dodd's retirement decision may boost chances for financial regulatory overhaul." Meanwhile, the *Journal* quotes a Cato Institute director as saying, "If Dodd still wants a bill, he can get one; he just has to compromise much more than he would have had to before." That contrasts with the *Post*'s lead expert quote, from the head of U.S. PIRG, saying Dodd's retirement "could play to our advantage. He can worry more about the policy and not the politics. My guess is he's worried more about his legacy than he is about making compromises." The *Post* plays lip service to the idea that Dodd's departure could mean a looser bill, especially if his successor as banking committee chairman is the more conservative Sen. Tim Johnson. The *Journal*, meanwhile, says financial executives believe "any legislation that passes will likely be more industry-friendly than what was under consideration even a few weeks ago."

Ed Whitacre, the CEO of General Motors, told reporters the company will be profitable in 2010, according to the *Journal*. It's the first time in a while that a GM CEO has offered financial guidance to the public, though of course the company is literally a shell of its former self. One analyst said, "[Y]ou can't underestimate the overhead and cost structure that has been taken out" of the restructured company. The other half of the equation is, of course, a bet that the economy will continue its recovery, add jobs, and rebound over the course of the year. The company also gained a former Microsoft (MSFT) executive as its CFO, and potential future CFO, though Whitacre seems to be in no rush to exit the big chair. Meanwhile, a story in the *Washington Post* notes that due to a complicated set of rules, Japan's version of Cash for Clunkers excludes American cars from being eligible for the discount. That's a bone of contention for American lawmakers who were cajoled into allowing Japanese cars to be eligible here, after initially planning to exclude them. The article doesn't explain why Korean and European automakers have been able to take steps to be eligible for the Japanese program, while American manufacturers have not.

Congress is looking again at the "carried interest" tax, which, by reclassifying the fees they earn, would double the rates on private equity and hedge fund managers, to the tune of an additional \$24.6 billion over the next decade, reports the *Journal*. New York's governor wants to create an international insurance exchange that would facilitate the issuing of complicated policies in the United States, rather than from offshore companies or exchanges, reports the *Times*. Sony (SNE), reports the *Journal*, is leading the charge on making 3-D a ubiquitous part of video entertainment, rolling out TVs and cameras and partnering with filmmakers and television producers to boost the level of 3-D content out in the world. Finally, the *Times* reports, a \$2.5 billion lawsuit by U.S. firewall company Cybersitter alleges that the Great Firewall of China was built, at least in part, with computer code that the Chinese government stole from it.

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