

We Need Peter Doocy at a Fed Presser

The most fun anyone has had at a Jerome Powell presser was when a reporter asked about President Trump removing Powell from his job. Otherwise, almost all the questions are about when and how much the federal funds rate will be cut.

The reason we bring this up is that there are only certain reporters allowed in the Fed’s press briefing, and, other than hearings on Capitol Hill, it’s the only chance the nation has to ask questions. If a member of the Press Corp asked about New Jersey drones, they might not get invited back. But it seems to us that there are very obvious and important questions that never get asked. Who will be the Peter Doocy of the Fed Press Corp?

So, just in case there is a member of the press who is willing to push the envelope here are a few questions we suggest.

First, about two years ago the Fed drew attention to something called “SuperCore” inflation, which excludes all goods, food, energy, and housing rents. At the time, SuperCore inflation was running less hot than overall inflation. Today, the CPI version of SuperCore is up 4.3% in the past year and is running hotter than it was a year ago. The PCE version is likely to be up at least 3.5% in the year ending in November, well above the Fed’s 2.0% inflation target. And yet the Fed now seems to ignore SuperCore. What changed? Did the Fed have second thoughts about the usefulness of SuperCore? If so, why did the Fed change its mind? Or did the Fed stop talking about it because the message from SuperCore is that inflation is nowhere near stabilized?

Second, the M2 measure of the money supply soared more than 40% in the first two years of COVID, and what followed was the highest inflation in four decades. The M2 money supply then dropped and, initially, inflation dropped fast. Do you think these were just coincidences, or do you think keeping track of the

money supply might actually help the Fed predict future inflation trends? Do you know of any other measure that did a better job of predicting the COVID-era inflation trends than M2? If so, why weren’t you using it before the high inflation hit or back when you were claiming inflation was “transitory?”

Third, the Fed has been running operating losses of about \$100 billion per year for each of the past two fiscal years. Those operating losses are covered by the Treasury Department out of general revenue. And yet Federal Reserve Banks around the country, and perhaps even at the Board of Governors itself, are still paying for and publishing non-monetary research.

For example, the Chicago Federal Reserve Bank is very concerned about childcare and lead water pipes. There are multiple other government agencies that focus on these issues. Doesn’t the Fed feel a responsibility, at time when it’s running huge losses, to at least temporarily stop spending taxpayer money on these activities? How much of the research in the past two years is on topics outside the Fed’s jurisdiction, which, under law, is supposed to be monetary policy and bank regulation? What other initiatives outside these key topics are the Fed funding with taxpayer money? Do you think the Fed itself should be the sole arbiter of what kind of research it pays for? Is there any dollar limit the Fed should have on research and other spending?

Unfortunately, we doubt anyone in the press will ask Powell these questions. Maybe the new Department of Government Efficiency (DOGE) will ask. Somebody needs to. The Fed’s balance sheet has grown about 7X (700%) since the start of QE in 2008, and it seems that it has done so with very little oversight, from Congress, the White House, or the Press Corp.

| Date/Time (CST) | U.S. Economic Data | Consensus | First Trust | Actual | Previous |
|-----------------|------------------------------|-----------|------------------|------------|-----------|
| 12-16 / 7:30 am | Empire State Mfg Index – Dec | 10.0 | 2.3 | 0.2 | 31.2 |
| 12-17 / 7:30 am | Retail Sales – Nov | +0.5% | +0.6% | | +0.4% |
| 7:30 am | Retail Sales Ex-Auto – Nov | +0.4% | +0.5% | | +0.1% |
| 8:15 am | Industrial Production – Nov | +0.3% | +0.3% | | -0.3% |
| 8:15 am | Capacity Utilization – Nov | 77.3% | 77.3% | | 77.1% |
| 9:00 am | Business Inventories – Oct | +0.1% | +0.1% | | +0.1% |
| 12-18 / 7:30 am | Housing Starts – Nov | 1.344 Mil | 1.340 Mil | | 1.311 Mil |
| 12-19 / 7:30 am | Initial Claims – Dec 14 | 230K | 233K | | 242K |
| 7:30 am | Q3 GDP Final | +2.8% | +2.8% | | +2.8% |
| 7:30 am | Q3 GDP Chain Price Index | +1.9% | +1.9% | | +1.9% |
| 7:30 am | Philly Fed Survey – Dec | 2.8 | 2.5 | | -5.5 |
| 9:00 am | Existing Home Sales – Nov | 4.100 Mil | 4.130 Mil | | 3.960 Mil |
| 12-20 / 7:30 am | Personal Income – Nov | +0.4% | +0.4% | | +0.6% |
| 7:30 am | Personal Spending – Nov | +0.5% | +0.5% | | +0.4% |