

OFF THE NEWS

The Hero of the Recent Bipartisan Debt Limit Deal

Once President Joe Biden and House Speaker Kevin McCarthy (R-CA) decided they needed to negotiate a deal, they made key personnel decisions. Biden assigned three administration insiders to head up negotiations—head of White House Legislative Affairs Louisa Terrell, Office of Management and Budget Director Shalanda Young, and, most importantly, Steve Ricchetti, Biden’s former chief of staff as vice president and now a top White House aide. Republicans knew Ricchetti from his days working in the Clinton administration and have always considered him a natural deal maker. He was involved in last year’s bipartisan infrastructure compromise which led to the enactment of the President’s infrastructure bill.

Sensing that the President was for once serious about negotiation, McCarthy assigned Representative Garret Graves (R-LA) as his key point man. Graves is one of the few GOP House members trusted by both the extremist Freedom Caucus and the more traditional Republicans.

In the end, the assignment of Ricchetti was key. His assignment became a powerful signal to House Republicans that Biden was serious about negotiating.



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The White House’s Steve Ricchetti, a natural negotiator.



Philip Jefferson: *Fed vice chair designee arrives on the scene.*

Inside Jay Powell’s Brain

Roughly a week before the Federal Open Market Committee’s decision at its June meeting to not raise short-term interest rates, new Fed vice chair designee Philip Jefferson was put in an awkward position. The Fed leadership had sent Jefferson out to hint strongly that the Fed would skip a rate hike at the June meeting before potentially raising rates again.

Then, two days later came the surprise announcement of significantly more robust than expected employment data. Would the Fed have normally raised rates in June were Jefferson’s credibility not been unfairly put at risk by such a move? “Probably,” said a long-time Fed strategist, though Jefferson may prove to be correct depending on upcoming data.



The Fed's Curious Lending

One of the great mysteries for financial markets lately is that despite aggressive monetary tightening and two major bank failures (First Republic and Silicon Valley), the U.S. banking sector has for now remained relatively unstressed. There is a reason for that.

The U.S. Federal Reserve appears to have been aggressively lending to the Federal Deposit Insurance Corporation. By some accounts, the Fed may have already lent the FDIC upwards of \$200 billion against collateral that is said to be opaque at best. As one long-time Fed strategist put it, “Never before in history has the Fed lent like this to another Federal agency.”

The Accountability of Tech Tycoons

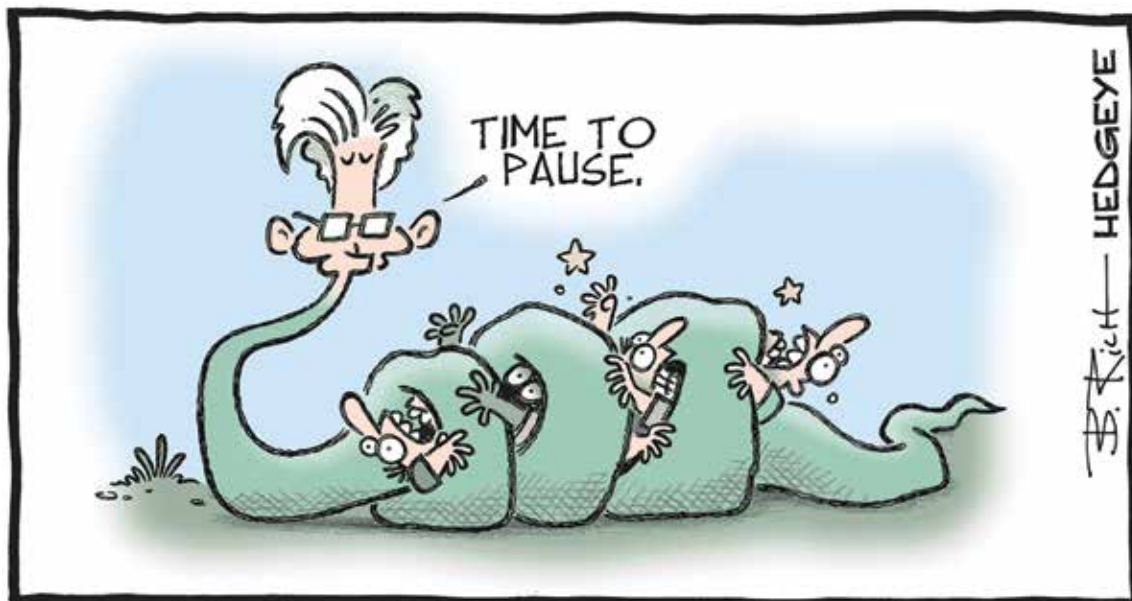
“If the digital order becomes increasingly dominant and governments erode in their capacity to govern—and we’ve already seen the beginning of this—technology companies will become the dominant actors on the global stage. ... And that will determine whether we have a world of limitless opportunity or a world without freedom.

“There is no pause button on these explosive and disruptive technologies. ... These technology companies are not just Fortune 50 and 100 actors. These technology titans are not just men worth \$50 or \$100 billion. They are increasingly the most powerful people on the planet. ... [A]re they going to act accountably as they release new and powerful artificial intelligence? What are they going to do with this

unprecedented amount of data that they are collecting on us? And the [question] that should concern us all right now the most: Will they persist with these advertising models driving so much revenue that are turning citizens into products and driving hate and misinformation and ripping apart our society?

“When ... the [Berlin] Wall fell, the United States was the principal exporter of democracy in the world. Not always successfully. Often hypocritically. But number one, nonetheless. Today, the United States has become the principal exporter of tools that destroy democracy. The technology leaders who create and control these tools ... are they going to do something about it? We need to know.”

—Ian Bremmer, *TED Talk*, 2023



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