Welcome to SOMC meeting October 30, 2026

Mickey D. levy

Welcome, on behalf of the Shadow Open Market Committee at the Center for Financial Stability.

Our goal is to provide analysis and guidance for sound monetary policy and policies that maintain financial stability. Sound monetary policy is an obvious starting point, and the recent high inflation highlight how getting back on the right track hasn't been easy. But sound monetary policy is not a sufficient condition for maintaining financial stability. Policymakers must understand how the many changes in financial intermediation and alternatives, and the challenges they pose.

Our meeting today, entitled "The Fed's Next Chapter: Inflation, Financial Stability, and the Balance Sheet" will address critical issues that now face the Fed.

The next chapter has already begun under Chair Warsh who has begun steering the Fed in a different direction from past practices.

While economic performance has been solid, with growth exceeding standard estimates of potential and healthy labor markets with low unemployment, inflation is the obvious big problem and challenge facing the Fed.

Today's meeting starts with a session entitled "Finishing the Job of Returning Inflation to the Fed's Target" which will provide a path forward for the Fed. We have another session on the Fed's balance sheet featuring two former Fed members; a session with two SOMC members on stable coins and the implications for regulation and financial stability; and a session on "Implications of Private Credit Markets and Nonbank financial Intermediation for the Fed and Financial Stability" that features two of the leaders in the credit market financial sector and a leading finance scholar who has conducted a micro-based study of the private credit industry.

Alberto Musalem, President of the Federal Reserve Bank of St Louis, who brings a background in the financial arena plus his tenure in the policymaking role, will express his views on critical topics in monetary policy and finance.

Before we start, is it fair to ask a cynical question: If the midterms were not next week, would the Fed have needed more time and data before deciding its next policy step? I have two comments: First, the Fed has identified the balance sheet as an important monetary policy tool, but its purpose seems to have evolved. I note that the Fed's primary focus on the balance sheet seems to be on the potential costs of reducing its size rather than how it helps achieve the Fed's dual mandate.

Second, earlier this week, the Financial Times ran a front-page headline entitled “Should Monetarism Stage a Comeback?” This is interesting. The SOMC’s roots are monetarist; several SOMC members are actively involved in research on money and conferences relating to monetarism at the Bank of England and ECB, and the Center for Financial Stability includes on its website monthly data on Divisia money.

Perhaps these issues will be discussed today.

I really look forward to today’s meeting.