The Daily Dish

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The Nuclear Regulatory Commission has cleared Yucca Mountain for storing nuclear waste indefinitely. The administration pulled the site's application in 2010. Chairman of the House Energy and Commerce Committee Rep. Fred Upton told reporters "The release of this game-changing report marks a critical milestone in restoring America's nuclear leadership." Senator Reid has vehemently opposed the Nevada site commenting, "I will continue doing everything in my power to ensure that the project is never resurrected…"

Cover Oregon, the state's own online exchange, is now investigating the 18th security breach of its system. The AP reports, "This is the 18th low-level security breach in the past six months… In addition, Cover Oregon reported 12 other high-level security breaches" over the last two years. The "high-level" breaches included leaks of users' names, addresses, dates of birth, and social security numbers.

The Federal Reserve is considering turning its annual stress test into a crisis prevention tool. According to Reuters, "If deployed, the modified tests could force banks to retain billions of dollars that otherwise would have gone to shareholders. While the move would help cool off sectors at risk of overheating, it could spark the ire of bank executives, who complain of rising regulatory burdens."

Eakinomics: WSFD

What Should the Fed Do? The equity and bond market volatility of the past two weeks have caused some to wonder how the Fed will react, or even advocate for the Fed to intervene. This line of reasoning was elevated by the surprising remarks of St. Louis Fed president James Bullard. Normally considered a hawk, Bullard speculated that the Fed might continue its quantitative easing past the planned end date of October. Bullard's argument was framed in terms of keeping inflation expectations unchanged, but was quickly interpreted as countering the impact of equity declines on growth.

The Fed should do nothing of the sort. It is a bad market to conduct monetary policy in order to keep the stock market happy. The focus should be on the quality of real economic growth, tightness in the labor market, and the pace of inflation (and expected inflation). If those fundamentals are taken care of, the stock market will be just fine. Thus far, the Fed has built its strategy of exiting the extraordinarily loose monetary policy around tightening based on the data for those variables, especially the labor market. It would create tremendous uncertainty and confusion to appear to switch strategies in midstream.

Nothing substantial or sustained has changed in the real economy. The Fed should stick to its plan, a few weeks of volatility notwithstanding.