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FOMC

The FOMC downshifts its medium-term outlook and takes the easing steps of extending the steady funds-rate "commitment" through "late 2014" and seems to suggest that the next move on policy, should one be necessary, will be an "adjustment" of its securities holdings.

Not unexpectedly, Richmond Fed President dissents from the action--though his disagreement, at least as summarized in the text, is only with the date-driven nature of the rate commitment.

Notably, the justification for the easing move seems to follow not from the longstanding dovish opinion that growth is too slow to restore the unemployment rate to an acceptable level over an acceptable time period, but from an explicit new negative judgment on the outlook for growth--now expected to be "modest" over coming quarters, rather than at the "moderate pace" projected as of the last meeting.

Also, the inflation picture appears to have been clarified, at least for the voters, in a way that removes it as an upside risk in current policy decisions--with the view now being that "inflation will run at levels at or below those consistent with the Committee's dual mandate," as opposed to the view, last month, that it "will settle, over coming quarters, at levels at or below those consistent..."

Presumably, these relatively abrupt changes--not totally in line with market views that the economy is strengthening, if anything--reflect the "less hawkish" composition of the 2013 Committee. But, the shift in mindset is coming faster than might have been expected--suggesting that harder-core doves are driving the consensus sooner and more forcefully than might have been expected.

Perhaps Chairman Bernanke is tipping to the dovish side in a way he did not seem to until now--buying into the view that lower long-term rates remain a potentially effective, and readily manipulable tool.

While, improbable, it is not impossible that he, as some Obama appointees seem to be doing, is erring unconsciously on the side of working for a visibly healthier economy as of election day. After all, the leading Republican candidates have rewarded his hard work and serious personal strain with cheap shots and promises to fire him.

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