

## **Richmond Fed eBrief**

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June 2012

### **Unsustainable Fiscal Policy: Implications for Monetary Policy**

Federal government debt held by the public reached 67.7 percent of gross domestic product in 2011, and trends point to large budget deficits for many years to come. Our 2011 Annual Report features an essay that explores the implications for monetary policy if the United States ever approached its “fiscal limit.” In that scenario, the Federal Reserve might face pressure to produce inflation revenue. We conclude that the United States must place fiscal policy on a more sustainable path to avoid this scenario.

### **The Effects of Dodd-Frank on Community Banks**

As the implementation of the Dodd-Frank Act unfolds, discussion related to how the law affects community banks has increased. We look at specific provisions affecting community banks, including debit interchange, stress testing, FDIC insurance, capital requirements, charter conversions, and savings and loan holding companies.

### **Weathering the Storm: A Case Study of Healthy State Member Banks Over the Recent Downturn**

The financial crisis and subsequent economic downturn resulted in a significant number of bank failures. However, in the midst of the crisis and ensuing recession, some institutions did more than endure — they maintained strong financial conditions and above average regulatory ratings throughout. How? In what ways do they differ from weak or failed banks? We explored these questions in recently conducted interviews of bankers who successfully navigated the crisis.

### **Our Bank’s Contributions to the Community**

As one of 12 regional Reserve Banks, the Richmond Fed provides a variety of resources that strengthen communities throughout the Fifth Federal Reserve District. Our 2011 Annual Report details these contributions.

### **Labor Markets Soften in the Fifth Federal Reserve District**

According to the latest Regional Update, labor markets in the Fifth District softened in April 2012. Generally, unemployment rates declined slightly or held steady, but overall employment numbers also declined because of workers leaving the labor force.

### **Microenterprise and the Small-Dollar Loan Market**

Businesses with fewer than five employees are served primarily by the small-dollar loan market. What are the needs of these borrowers and what are the challenges facing lenders, including nonprofit groups such as microenterprise development organizations?

### **Fifth District Economic Snapshot for June 2012**

The recovery in the Fifth District economy cooled a bit in recent months.

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