

## Macro Roundup Article

**Headline:** [The Financial System Is Slipping into State Control](#)

**Article Link:** <https://www.economist.com/finance-and-economics/2023/05/18/the-financial-system-is-slipping-into-state-control>

Author(s)	Economist Staff
Publication	The Economist
Publication Date	May 18, 2023

**Tweet:** [. @TheEconomist argues that the financial system is slipping into greater state control. Americans can park cash in money-market funds, which in turn park it directly at the Fed, circumventing the banking system altogether.](#)

**Summary:** The real risk comes when policy preferences interfere with lending rules. In America this already happens in the mortgage market, which is dominated by two government-backed enterprises: Fannie Mae and Freddie Mac. Together the two institutions now underwrite credit risk for more than half of mortgages. Their guarantees enable the 30-year fixed-rate, prepayable mortgages Americans have come to expect. They also help explain why America's financial system bears more interest-rate risk than Europe's, where floating-rate mortgages are common.

**Primary Topic:** Banking

**Topics:** Banking, Monetary Policy, News article

**Permalink:** <https://www.edwardconard.com/macro-roundup/theeconomist-argues-that-the-financial-system-is-slipping-into-greater-state-control-americans-can-park-cash-in-money-market-funds-which-in-turn-park-it-directly-at-the-fed-circumventing-the-bank?view=detail>

### Featured Image

**Link:** <https://www.edwardconard.com/wp-content/uploads/2023/05/Economist-state-control.jpg>