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**President James Bullard Addresses
Questions on Regulatory Reform Proposals
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What are your thoughts on a regulatory council?

What the legislation is calling for — it's a huge piece of legislation. There's many facets to it, and it will have a big impact on the economy, so that's one reason why I've kind of argued for people to go slower and think more about what they're doing here. If you don't write the rules in the right way, it could have really dramatic implications and unintended consequences. One part of the legislation, as it stands now, is to have this regulatory council that's supposed to be the overseer of systemic risk for the nation. To me, that's like putting a committee on it. So you say, "And who's going to be on this committee?" Oh, well, the Treasury Secretary's going to be on there, the Fed Chairman is going to be on there, and then the heads of all the other regulatory agencies — that's kind of the idea.

The hardest thing is, suppose you're in 2005, and suppose this committee meets and they decide, "Oh, it looks like there's a housing bubble." That would have been the easy part, because you could pick up *The Economist* magazine, and it would tell you, "Housing Bubble in the U.S." — that would be the cover story. It's not hard to identify the problem. The problem is now the Systemic Risk Council is supposed to do something. And what would they have to do? They'd have to say, "I think we should slow down the rate of mortgages, or

rate of mortgage origination in the country, or we should put extra requirements, we should force people to have down payments,” or something like that. Can you imagine that they would actually do anything like that when everybody’s making money? Everybody says, “It’s a new era. It’s different this time. You guys are being worry warts, and it’s not going to happen.” So I’ve been kind of critical of this.