

# There's a lo...ng regulatory road ahead

---



Prof. Alan S. Blinder  
Princeton University  
Levy Institute – Minsky conference  
New York  
16 April 2009

# 1. Extricating the government from its “private sector” roles



- ❑ What to do about Fannie and Freddie, AIG,...?
- ❑ Weaning companies off the FDIC's Temporary Liquidity Guarantee Program
- ❑ Phasing out the extraordinary Federal Reserve lending and purchase programs: TALF, TAF, CPPP, MBS,...

## 2. Improving the existing regulatory structure



- ❑ Rearranging the regulatory agency deck chairs (FRB, OCC, OTS, SEC, CFTC,...)
- ❑ \* Regulating liquidity as well as capital (also: fixing Basle II?)
- ❑ Taking consumer protection much more seriously (a new agency?)
- ❑ \* An orderly resolution mechanism for large, complex financial institutions
- ❑ \* cross-border bank supervision
- ❑ \* cross-border bank regulation

*Note:* \* indicates: international coordination needed

# 3. Extending regulation into new domains

---



- ❑ A systemic risk regulator (the Fed)
  - Implies adding some costs to being “too big to fail”?
- ❑ \* Regulating hedge funds (What should be regulated and how?)
- ❑ \* Regulating derivatives (push into organized exchanges or clearing houses?)
- ❑ A national mortgage regulator (with a suitability standard)
  - More generally, we need a whole new system of mortgage finance.

## 4. Other stuff



- ❑ Reduce financial sector concentration (related to “too big too fail”)
- ❑ \* What to do about the rating agencies?
- ❑ Several major corporate governance issues
  - Waking up corporate boards
  - Compensation systems
  - Risk management

Conclusion:

---



We have miles to go  
before we sleep.