St. Louis Fed's Bullard Addresses Strength of U.S. Economic Recovery and State of Regulatory Reform

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ST. LOUIS — In remarks today to the Century Club at Washington University's Olin Business School, St. Louis Fed President James Bullard discussed the strengthening U.S. economy and the need for regulatory reform that enhances the Fed's regulatory authority and its ability to remain independent from politics.

In his presentation, "Assessing the Strength of the U.S. Economic Recovery," Bullard pointed to a growing number of economic indicators showing improvement.

"There are continued signs of recovery. GDP growth has been positive for three consecutive quarters," Bullard said. "Manufacturing has rebounded, and labor market conditions are slowly improving."

One risk to the outlook, according to Bullard, is the fallout from potential sovereign debt default as conditions continue to deteriorate in Greece and other countries. He pointed to the rising costs of sovereign debt protection in Greece, as well as in Portugal, Spain and Italy.

Financial Regulatory Reform

Turning to the current debate in Congress about U.S. financial regulatory reform, Bullard called for the Federal Reserve to retain its supervisory role. "The Fed should continue to supervise state member banks and bank holding companies of all sizes. Understanding the entire financial landscape helps the Fed make sound monetary policy decisions," Bullard said. He also explained how the Federal Reserve's regional structure was designed to keep some power out of New York and Washington and allow for input on key policy questions from around the U.S. "It is important that the Fed remain connected with Main Street America, and not become biased toward the very large, mostly New York-based institutions," he said.

Bullard added that current proposals for auditing monetary policy could diminish the independence of the Fed. He noted that the Fed is already extensively audited and said, "erosion of Fed independence could result in a 1970s-style period of volatility. The consequences for the U.S. and the global economy would be large. No one would be served well by this outcome."