Choosing Financial Regulatory Agency Mandates

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Summary

This note discusses how U.S. legislators can address the difficult problem of choosing between different ways of dividing up the responsibilities of federal financial regulatory agencies.

The analysis suggests that:

- regulation by objective is an attractive approach for the United States going forward;
- if, as seems likely, no "pure" approach will actually be adopted, then the eleven principles applied here can act as a useful checklist for spotting places where ongoing inter-agency cooperation and Congressional scrutiny should perhaps be especially intense.

The note is divided into four sections:

- the first looks at four different approaches that have been widely discussed and advocated as ways of achieving completeness, consistency and efficiency;
- the second enumerates eleven principles that could be used to gauge whether specific divisions of responsibility between agencies are sound or not;
- the third uses the principles to evaluate the four approaches; and
- the final section concludes with some examples of how these principles can be applied usefully when political constraints are taken into account.