viewed as a “no-recession regime.” Regarding labor productivity growth, he noted that it has been low on average at least since 2011. Hence, this is viewed as a “low-productivity-growth regime.” Turning to the real rate of return on short-term government debt, Bullard noted that it has been exceptionally low by recent historical standards. This is viewed as a “low-real-rate regime.”

“We think of low real rates of return on government paper (safe assets) as reflecting an unusually high liquidity premium on government debt,” he said. While not all real returns in the economy are unusually low, he noted that the real returns on safe assets are the ones that are most closely linked to monetary policy.

He acknowledged that there are some risks associated with the projected policy rate, including the fact that these fundamental factors could switch into new regimes. Overall, he said that the risks are likely to the upside.

Bullard concluded, “If a regime switch does occur, the policy rate path would have to change appropriately—it remains data-dependent.”

1For more discussion of the St. Louis Fed’s new approach, see Bullard’s webpage at www.stlouisfed.org/from-the-president/key-policy-topics.

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- **July 15, 2016**. Moderated Discussion. Fed Presidents Bullard and Kashkari Discuss U.S. Economy, Official Monetary and Financial Institutions Forum, St. Louis.

Fed Presidents Bullard and Kashkari Discuss U.S. Economy

July 15, 2016

St. Louis Fed President James Bullard and Minneapolis Fed President Neel Kashkari discussed monetary policy and the outlook for the U.S. economy during a moderated discussion at a meeting of the Official Monetary and Financial Institutions Forum held in St. Louis.

Bullard also provided an overview of how the St. Louis Fed's new approach to near-term U.S. macroeconomic and monetary policy projections differs from the old approach. See his related presentation delivered on July 12, " [A Tale of Two Narratives](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2016/a-tale-of-two-narratives)."

- **July 15, 2016**. Article. "The State of the Debate on 'Too Big to Fail'," Federal Reserve Bank of St. Louis *The Regional Economist*, July 2016. This article also appeared in the *St. Louis Fed On the Economy* blog, July 18, 2016.

The State of the Debate on "Too Big to Fail"

Following the financial crisis, many new regulations have been implemented to address systemic risk within the U.S. financial system, including measures that address capital requirements, liquidity ratios and leverage levels, among others. Even with the enactment of the Dodd-Frank Act, which has yet to be fully implemented, debate continues as to whether "too big to fail" (TBTF) remains an issue or whether the legislation has mitigated this risk to the U.S. economy. Among those who believe TBTF remains a key problem for the U.S. economy, proposals to address the issue range widely. Recent symposiums held at the Minneapolis Fed, under the leadership of President Neel Kashkari, explored several of these proposals. [1](https://www.stlouisfed.org#endnotes)In this column, I provide a brief overview of them and share some of my perspectives on the topic.

Some researchers, such as Simon Johnson from MIT, have suggested limiting bank size. Others, such as Anat Admati from Stanford, have suggested much higher capital requirements for large banks. A third proposal, by John Cochrane from Stanford, emphasizes changing the treatment of leverage in the tax code as a way to mitigate financial fragility. A fourth proposal seeks to improve the bankruptcy laws in a way that will