



The Daily Dish

The FSOC Makes a U-turn

DOUGLAS HOLTZ-EAKIN | DECEMBER 12, 2025

Over the years since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ([Dodd-Frank](#)), Eakinomics has spilled a lot of ink over the misbegotten, pointless, and periodically harmful Financial Stability Oversight Council (FSOC). The basic notion was that the FSOC would monitor and make policy to minimize systemic risk in the financial markets. Unfortunately, there is no agreed-upon definition of systemic risk or ability to measure systemic risk, so there is no way for the FSOC to do its stated job. (The corollary to “If you measure it, you can manage it” is “If you cannot measure it, you will not be able to manage it.”) Unmoored from any real mission, the FSOC has simply wandered around doing stuff for the sake of doing (usually damaging) stuff under Democrats and doing nothing under Republicans.

Yesterday, however, [CNBC](#) reported:

Treasury Secretary Scott Bessent is proposing a major change in how the government approaches financial regulation and stability.

In a letter set to be released Thursday, Bessent will recommend altering the approach of the Financial Stability Oversight Council. Whereas the agency’s focus had been tightening regulations and oversight of the institutions it oversees, the new plan will switch that, and push for looser regulation and a freer approach.

The letter will say, “the Council will work with and support member agencies in considering whether aspects of the U.S. financial regulatory framework impose undue burdens and negatively impact economic growth, thereby undermining financial stability.”

This as a dramatic turnabout in two ways. First, the FSOC will have an actual, executable mission: undoing stuff that inhibits more rapid economic growth. Second, it acknowledges that the chain of causality can run from the real economy to the financial markets, as well as the reverse. In the aftermath of the financial crisis and Great Recession, perhaps understandably, the presumption was that disruptions would originate in financial markets and spill over to the real economy. But it is easily the case that poor growth in real standards of living may raise the risks of household financial distress, and weak sales or unexpected cost shocks make it hard for businesses to service their debts.

Eakinomics would still rather not have an FSOC at all. But this mission is better than the last. Let's see if it can actually do it.