



FEDERAL RESERVE BANK *of* ST. LOUIS

CENTRAL TO AMERICA'S ECONOMY®

WWW.STLOUISFED.ORG

**Opening remarks by President James Bullard**  
**36th Annual Federal Reserve Bank of St. Louis Fall Conference**  
**Federal Reserve Bank of St. Louis**  
**Oct. 20-21, 2011**

It is my pleasure to welcome you to the St. Louis Fed's fall conference. This is the 36th year for this conference. I want to thank B. Ravikumar and Juan Sanchez for putting this very provocative program together. I am looking forward to the stimulating discussion these papers are sure to inspire over the next day and a half.

At the St. Louis Fed, we have long tried to provide perspectives on whether the policies adopted in the past still serve us well today and whether recent developments at the frontier of research can be fruitfully applied to improve policy. This agenda has become especially important in the last few years, as the Fed and central banks around the world have struggled to devise appropriate policy responses to the current macroeconomic situation.

In polite economist society, there has long been a distinction between what is known as "frontier" research and what is sometimes called "policy" research. In my view, this has been and continues to be a false dichotomy. There is no such distinction: "Policy" and "frontier" research are two sides of the same coin. We need to understand both how fundamental mechanisms in the economy operate as well as how current data can be interpreted in terms of fundamental theory.

In short, advanced economic theory has to be made more relevant for actual policy, and actual policy has to understand and embrace the difficult ideas advanced in the theoretical world. The Federal Reserve Bank of St. Louis has long been a leader in supporting basic research at the intersection of economic theory and economic policy.

We are fortunate this year to have an outstanding group of speakers whose research expands our understanding of key contemporary issues in macroeconomics. This year's conference covers a wide range of topics: From economic fluctuations to sovereign debt; from international trade to innovation and long-run growth.

On the more current and shorter-term macroeconomic issues, we have papers examining

- optimal monetary and fiscal policy at the zero lower bound,

## FEDERAL RESERVE BANK *of* ST. LOUIS

---

- the role of self-fulfilling prophecies in business cycles and in the sovereign debt crisis in Europe,
- the role of demand shocks in business cycle fluctuations,
- why global trade dropped so much during the Great Recession, and
- the implications of the tax treatment of debt on financial leverage.

We also have a group of papers studying longer-term macroeconomic issues, including

- the role of informational frictions in finance and development,
- understanding innovation policy,
- the relationship among health investment, consumption, and wealth, and
- how the allocation of talent affects long-term growth.

I know that these papers and the ideas they contain will contribute importantly to the macroeconomic discussion in the coming years as the papers are eventually published and the results become more widely known in the profession. The St. Louis Fed is proud to provide this forum for discussion and analysis of the leading issues of the day.

Let me again welcome all of you to the St. Louis Fed's fall conference. Thanks very much for coming, and now let's get to work!

James Bullard, President and CEO  
Federal Reserve Bank of St. Louis