A Year in Review

President Bullard (left) often travels throughout the St. Louis Fed's District to share his views on the economy and to listen to the perspectives of others. In September, he visited Dot Foods, the nation's largest food redistributor, in Mount Sterling, Ill.

St. Louis Fed President James Bullard, a noted economist and scholar, has been a participant in Federal Open Market Committee (FOMC) deliberations since April 2008. Bullard actively engages with many audiences—including academics, policymakers, business and community organizations, and the media—to discuss monetary policy and the U.S. economy and to help further the regional Reserve bank's role of being the voice of Main Street.

Some of his key policy presentations during 2017 are summarized below, in chronological order. To see all of Bullard's public presentations, please visit www.stlouisfed.org/from-the-president.

Five Macroeconomic Questions for 2017

Jan. 12, 2017: In New York, Bullard discussed key questions related to the overall economy and to the Fed in particular. Bullard said the St. Louis Fed's recommended policy rate (the federal funds target rate) depends mostly on the safe real rate of return, and such rates are exceptionally low and are not expected to rise soon. "This, in turn, means that the policy rate should be expected to remain exceptionally low over the forecast horizon," he said. "The new administration's policies may have some impact on the low-safe-real-rate regime if they are directed toward improving medium-term U.S. productivity growth."

The Role of the Fed's Balance Sheet for the U.S. Monetary Policy Outlook in 2017

Feb. 28, 2017: Now may be a good time for the FOMC to begin allowing the balance sheet to normalize by ending reinvestment, Bullard said at George Washington University in Washington, D.C. "Adjustments to balance sheet policy might be viewed as a way to normalize Fed policy without relying exclusively on a higher policy rate path," he said. He also noted that current FOMC policy is distorting the yield curve. "Ending balance sheet reinvestment may allow for a more natural adjustment of rates across the yield curve as normalization proceeds and for 'policy space' in case balance sheet policy is required in a future downturn," he said. (The Fed began gradually reducing the size of its balance sheet in October 2017.)

Current Growth, Inflation and Price Level Developments in the U.S.

May 26, 2017: In Tokyo, Bullard said that U.S. macroeconomic data have been relatively weak, on balance, since the FOMC met in March and raised the policy rate. For instance, he noted that U.S. inflation and inflation expectations have surprised to the downside in recent months. He also said that even if U.S. unemployment declines substantially further, the effects on U.S. inflation are likely to be small. Regarding the U.S. price level, he said that it "has begun to deviate noticeably from the 2 percent path established in the mid-1990s." The price level is 4.6 percent below the previously established path.

The Path Forward for U.S. Monetary Policy

June 23, 2017: In Nashville, Tenn., Bullard said the Fed can wait and see how the economy develops before making any further adjustments to the policy rate. He noted that the U.S. policy rate has been rising while key policy rates abroad have remained fixed. He said the U.S. economy remains in a "regime" of low growth, low inflation and low interest rates, and that the current level of the policy rate is likely to be appropriate for this regime over the forecast horizon. "Many future developments could impact this policy path, but the Fed does not need to pre-empt any of them," Bullard said.

When Will U.S. Inflation Return to Target?

Nov. 14, 2017: Inflation has been mostly below the Fed's 2 percent target since 2012 and is unlikely to return to target anytime soon, Bullard said in Louisville, Ky. "Inflation data during 2017 have surprised to the downside and call into question the idea that U.S. inflation is reliably returning toward target," he said. If the FOMC is going to hit the inflation target, "it will likely have to occur in 2018 or 2019," he added.

Assessing the Risk of Yield Curve Inversion

Dec. 1, 2017: In Little Rock, Ark., Bullard said that there is "a material risk of yield curve inversion" over the forecast horizon if the FOMC continues on its present course for raising the policy rate, as suggested in September's Summary of Economic Projections. Such an inversion—where short-term interest rates exceed long-term interest rates—has helped predict recessions in the past. He noted that yield curve inversion is best avoided in the near term by caution in raising the policy rate. "Given below-target U.S. inflation, it is unnecessary to push normalization to such an extent that the yield curve inverts," he said. Ω