Interview with James Bullard  
Conducted by Karen Branding, David Wheelock  
July 26, 2023

Branding: Today is Wednesday, July 26, 2023. And we're with President Jim Bullard, who on July 13th announced his upcoming departure from the Federal Reserve Bank of St. Louis to become inaugural dean of the Mitchell E. Daniels, Jr. School of Business at Purdue University on August 15th, 2023.

Meantime, President Bullard sat down with us today to have a discussion about his experiences as President of the St Louis Fed for the past 15 years and his overall 33-year tenure at the bank.

Let's start with introductions. My name is Karen Branding. I'm the Senior Vice President of External Engagement and Corporate Communications and the Bank's corporate secretary. Dave.

Wheelock: I'm David Wheelock. I'm an economist and Senior Vice President and senior policy adviser in the office of the President of the Federal Reserve Bank of St Louis.

Branding: Jim.

Bullard: I'm Jim Bullard. Up until recently, I was president and CEO of the Federal Reserve Bank of St Louis. Now I'm departing.

Branding: Well, let's get started. Okay. By way of background, Jim, tell us about how you came to join the St Louis Fed, your position at that time and how your role has evolved over your 33-year career at the Bank?
Bullard: Uh, I came to the Bank from Indiana University, where I got my Ph.D. There's an annual job market for PhDs. I had many interviews at that job market, over 30, as I recall, some of them elsewhere in the Federal Reserve. But the St Louis Fed made me the best offer, and so I came and joined the staff here as a staff economist. So, it was a good place to work at that time, and still is, but it had a good combination of plenty of time to do research but also a policy angle to it. So that appealed to me as a budding Ph.D. researcher.

Branding: Mm hmm. Well, now, let's fast forward a bit. When you became president in early 2008, the Federal Reserve was just beginning to grapple with the financial crisis. The Federal Reserve responded with a variety of new programs, as well as a vigorous monetary policy response that set the stage for a long recovery. Can you tell us about your experience as a member of the Federal Open Market Committee, the FOMC, at the time, and what the Fed learned from that episode?

Bullard: Yeah, I became president of the Bank in April 2008, and I would refer listeners to this to a slide deck that I have called the Notorious Summer of 2008, because it was a key moment in U.S. macroeconomic history.

But I'll give you just a gist of what was going on at that time as I joined. I think one thing to keep in mind is that I'd been on the research staff for 18 years before I became President, and I was also FOMC Class I, which is sort of the top level as far as monetary policy is concerned.

And so, I was I had access to the key monetary policy documents and discussion all the way through the 1990s and up until 2000–and up until the present, really. So, when I came in in 2008 as President, the crisis had already been going on for some time. The crisis really started in August, in earnest, in August of 2007, and to be specific, August 9th and 10th of 2007.

That's the point where the Fed really went into emergency mode as far as the global financial crisis was concerned. That's the those are the days where the major banks of the world started to distrust each other. And that is the hallmark of that particular crisis. So, the Fed had taken actions in the fall of 2007, and especially in the winter of 2007/2008, when interest rates were lowered dramatically.

And by the time you got to the spring of 2008, you know, you were already nine months or so, eight months into the crisis, there was a Bear Stearns event right around that time. And I was named president shortly after that. I actually had a call with then Chair Ben Bernanke at the time. So, the way this works is it's all very quiet when, you know,
you're going through the search process and, you know, it's announced at 10:00 and then at 10:30, the chair gives you a call.

And I knew Ben Bernanke from the academic world and from times that we had dinner together and done other things. And so, I was expecting him to say that, “Hey, welcome to the Fed, glad you're joining the team,” you know. But instead, he told me all about the Bear Stearns deal and the mezzanine notes and the special arrangements that have been made. So, I think I've always told that story because I think it reflects the intensity of the times and the intensity of the crisis that, you know, Bear Stearns was such a major play.

Now, basically, the Fed intervened in that one. And I've since been saying that the problem with the global financial crisis was that the Bear Stearns intervention was pretty successful. And it gave a sense of complacency that that could be repeated if one of the other investment banks had significant problems.

That turned out to be an inaccurate view. But that was the view that was held during the notorious summer of 2008, that if Lehman was going to have trouble, that you'd be able to play the same trick again. You'd be able to get a marriage partner for Lehman, and then you'd be able to escape serious problems because that's what happened in the Bear Stearns case.

Also, I think in the summer of 2008, it was possible to argue that the U.S. was not in recession. The real time data said that the U.S. economy was not in recession at that time. There was not negative GDP growth. And it was also possible to say that because the crisis had been going on for a year and we had taken lots of action, that it was possible that we'd skate through and avoid recession. That was a typical thing that was being said in early August of 2008, which was one year anniversary of the crisis itself.

That all came unraveled. I think the reason that became unraveled was because in the meantime, during that year, oil prices had doubled all the way up to $145 a barrel. And that slowed down the economy in other ways. And then that slowdown made the financial crisis much, much worse. You got the failures of Fannie Mae and Freddie Mac, and then later Lehman did have further difficulties and collapsed. And then you found out about AIG on top of that. And so, then the risk of recession was really on at that point.

But I think that the initial thinking right around that time was that in the summer and in, let's say, early August 2008, was the idea that the Fed had taken lots of action, that the crisis had been going on for a year, firms had had time to adjust, and if something further did happen, you could play the Bear Stearns card again.

And most of that came unraveled in the fall—all of that came unraveled in the fall of 2008. So, then the crisis was really on and the recession is usually dated to December
2007. But if you look at it, it was far more serious when you got to the third quarter and fourth quarter of 2008 and beyond that.

So, it was a difficult time, obviously, for the FOMC and a fascinating time to get baptized as incoming president.

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**Branding:** Well, just a follow-up question to that. Do you think that that experience in the Fed’s response to it, did it help the Fed in some ways prepare for what it had to go through with COVID and the pandemic?

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**Bullard:** COVID is a different shock. It was, you know, I think one thing to stress is that the global financial crisis originated on Wall Street and reverberated around the world, whereas COVID was nature driving health problems all across the world. And so, it was a very different and more out—it’s a shock originating outside the financial system, I suppose, at the heart of the financial system.

So, in some ways it’s the polar opposite of what happened during the Global Financial Crisis. However, we did pull out many of the same ideas from the Global Financial Crisis response playbook to respond to the pandemic. And I think one of the best things that happened was that those actions forestalled a financial crisis that could have occurred in March and April of 2020, but did not occur.

The measures of financial stress during March and April of 2020 rivaled those of 2008. So, as far as the amount of stress in the financial system, is almost as bad or just as bad in March and April of 2020 as it was in 2008. But, because of all these rapid actions that were taken jointly with the U.S. Treasury, we were able to forestall a financial crisis that could have occurred on top of the pandemic. And that was one of the great success stories about the pandemic.

One of the things that we did locally here during the pandemic era is we provided lots and lots of analysis right around in March and April of 2020, some of the best analysis I think that existed at that time about the effects of the pandemic on the economy.

We had an analysis that was the prediction about what would happen in sort of the May-June timeframe. So, you had March and April of 2020, and you basically had people predicting that the Great Depression was upon us. But what actually happened was that May and June were quite strong and one of the manifestations of that was that the May—let’s see, April, March, April, May, yeah—the May jobs report was going to come out in June, the first week of June of 2020.
And Wall Street thought that it would be -10 million. So, ridiculously large job loss that they were predicting. We had an analysis here that said it would be plus a couple of million. So, we actually didn't know what to make of it when I first saw that. But as it turned out, that was accurate. So, Wall Street was totally wrong.

So, this is a miss of like, you know, epic proportions, biblical proportions. As far as a miss on that particular jobs report. We got that. Our analysis here got that exactly right. And so that was a big success story. I remember sitting—of course, you couldn't talk to anybody, you're all remote during the pandemic—but I remember sitting on my porch and reading that, and then I sent email to all the researchers in the whole Federal Reserve System and said, “Hey, maybe you better pick up this analysis and take a look at it.”

So, that was—I would say I just put that anecdote in there as an illustration that, you know, we do a lot of very serious basic research that's headed for journals and stuff, but we also turn around and do great and timely research about current policy issues.

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**Branding:** Thanks, Jim. One other thing before I turn it over to Dave is, you know, throughout your time as President, you made transparency and public outreach priorities for your communication strategy internationally, domestically and across our seven state Federal Reserve district.

So, talk more about the importance that you put on communications and the role it plays for the monetary policymaker.

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**Bullard:** Yeah, we've done a lot of outreach. We've had a very careful, carefully designed outreach strategy, especially for the district, but also nationally and internationally. You know, former Chair Bernanke once quipped that monetary policy is 98% talk and 2% action, and he's very right about that. That sounds crazy if you're not involved in it. But that comes from the idea that most of what's going on is a shaping of expectations about future policy.

And it's those expectations about future policy that feed back to actual decision making today by businesses and households. So, in some ways, a lot of monetary policy is actually this guidance about how are we going to play this going forward. Of course, you have uncertainties abound and all kinds of things are happening in the macroeconomy at any point in time. So, this requires a continuous nurturing and a continuous process to keep the expectations consistent with what's happening in the economy.
So, I think it's been a great development, and I credit former Chair Bernanke in unleashing the transparency revolution for the Federal Reserve and changing the attitude from the Volcker-Greenspan Era. And Greenspan did do some things in the in the realm of transparency, but Bernanke did a lot more.

And you've set up now a system where FOMC and other central bank policymaking committees are very active in constantly communicating their current position and their expected future position as part of the normal course of how to conduct monetary policy. I also think the FOMC, being the most powerful committee in global finance and being a member of that committee, it's incumbent that you talk to people both on Main Street in your local jurisdiction, also to people nationally, understand national trends and businesses, some of which might not be in your particular district or your particular area, but also internationally.

The Fed is very important all across the globe, and I think it's important to, at least at times, be in other locations around the world so that you can get a sense of what's going on in Asia, what's going on in Europe, and even other parts of the world that are up and coming, such as the Middle East, Latin America, Africa and elsewhere.

So, you know, it's when you're outside the country, you just can't realize how important the FOMC is for everybody all around the world.

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**Branding:** You know, just to follow up on that, you know, I would say that you were out front on the transparency revolution in the Fed. You know, the nature of your communications in 2008 was probably a bit untraditional or nontraditional for Fed policymakers back then.

For example, you know, you talk to media frequently and in giving public presentations on your policy views, you moved away from the Fed's typical approach of a prepared long speech in favor of PowerPoint presentations. So, explain how that approach helped facilitate your broader strategy in terms of transparency in communications.

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**Bullard:** Well, I think in an interview or a fireside chat, you can talk more conversationally with people. And if you have enough confidence in in your positions and in your views, then I think you can get them across in those kinds of settings, in those kinds of formats.

I liked using the PowerPoint presentation partly because a picture is worth a thousand words. I think that's one aspect of it. But also, you can summarize the presentation in a few bullet points at the beginning and the end, and those are often the things that will get picked up in the media as the summary statement. But you've designed the summary statements, so that you get the thing picked up in the right way. If you write a
long speech, it's harder to predict. It's harder for reporters, I think, to know what exactly you want to say here, because you're summarizing so much information in a verbose way.

So, I think also a part of our brand is to provide background and detail and data. And, you know, by using other formats, more lengthier formats, we did Wharton Radio and other things, you know, hour-long format. So, these are places where you can talk in more detail about maybe tangential issues or more minor issues with respect to monetary policy, instead of just talking about the absolute headline, you know, what's inflation today or what's the interest rate going to do today.

So, you know, macroeconomics is a complicated subject; you're talking about tens of trillions of dollars globally every single day. Many hundreds of trillions probably in assets being traded every day. So, you can't summarize all that in just, you know, a few words. So, you have to have some more expansive formats in order to be able to talk about things in more detail.

[00:19:54]

Wheelock: So, Jim, let me pursue this this line about communication. So, you are recognized as a particularly influential member of the FOMC. So, in your experience, what's the best way to influence the FOMC? Is it primarily through speeches and interviews or more through your statements at the actual FOMC meetings?

[00:20:15]

Bullard: Yeah, I think I guess I have a two-prong answer to this.

One part is to recognize and admit that U.S. monetary policy is being debated 365 days a year, 24 hours a day through global media. And most of the participants in this debate are actually not the people on the committee, but the people in financial markets. They have positions that they're arguing for, and they have books of business that they're arguing for.

So, I love them and a lot of them are former Fed people. But on the other hand, they're not the actual policy makers and they should not by themselves be shaping actual monetary policy decisions. So, I think, in order to have a successful policy, you have to have ways to talk from the policymakers’ perspective about the monetary policy debate and what the policy is trying to accomplish, not necessarily what the private sector would like to accomplish.

And so, this sets up a 24-hour-a-day, a global debate going on, which I love, I love the debate. And this is, this is how it works. But I think you should just admit that from the beginning that that's what's going on and that's how it works.
So, you have to participate in that. I think it’s great to have a big committee because you can have many people have various events at various times. A lot of those events are scheduled way ahead of time. But on a given day they can say, “Well, I thought the jobs report was, you know, it was a little weaker than I expected” or “I thought—I’ve changed my view slightly. And now I think, you know, rate should go up a little bit more.” That’s part of the daily kind of adjustment in monetary policy.

And I think it’s great to have a big committee. It’s too much for the chair. The chair has, does a great job but has certain junctures where the chair can do the communication on behalf of the entire committee. But individual members can give their own views in various formats and various places as you go through the year.

The other part of this is that the meeting itself—which is a great thing, a great checkpoint—but the meeting is just one day out of these 365 days. And so, and it’s a big formal meeting. And so, you can’t really expect the chair to allow, you know, a kind of wild conversation. And we’re not sure how the meeting is going to come out. It all has to be pretty much set by the time you get to the meeting. It’s too big a group and too heavy of consequences to have that not be lined up ahead of time. So, that means that when you actually get to the meeting, what you’re going to do on that particular day is usually pretty clear and most of the debates about, I think, is about the future moves in policy, not at that particular meeting, but in the subsequent meetings to that.

So, it is a good checkpoint. It is a good place to hear everyone’s views and it’s good for everyone to sort of look at the same data on the same day and make sure they’re all on the same—that they understand everyone else’s positions at that point in time, and especially the chair’s position. But I don’t think you can really have expectations that you’re going to come into the meeting thinking it’s going to go one way and then it’s going to go quite a different way.

The committee does get into trouble sometimes when there’s a lot of financial market volatility, right as you’re trying to go into the meeting. That sometimes upsets the plans for the meeting and can lead to a bit of chaos. I can think of two instances in particular that I sometimes cite.

One is August 2011 where—you can check the transcript—Chair Bernanke came in at the beginning of the meeting, said, “We’re going to have to do something different than what I previously thought.” People were taken by surprise. It was a hot debate. He got three dissents on the day, and it was unclear whether that was really a good policy choice or not. We spent a long time unraveling that particular policy choice over the next 18 months.

Another one was the June 2013 ‘taper tantrum’ meeting; I think that one also was a bit chaotic. The transcript is out about that. Again, you had unclear direction coming from financial markets and or even the chair as you came into that meeting and kind of split
committee and didn't go well. Over the summer real interest rates went up by 100 basis points and it caused tremendous dislocation around the world. I dissented on that one. I thought it was a good dissent on the day, that we should have had a sharper policy there. We were downgrading our outlook for the economy and for inflation, but we nevertheless said that we were going to have a more hawkish policy, basically on that day. So, I didn't think it was a good one, and I dissented on that one.

So, there are cases where the committee does make adjustments more on the fly, but it's not basically it's probably not best practice. Sometimes you get you get forced into it.

We also had just one other dimension is the Sunday March 15th meeting in 2020. You know, the committee was already planning to meet two days later, but because of the pandemic, you know, things were moving so quickly that, no, we had to move it up to an all-day meeting on Sunday and try to announce before close of business, before Asian markets opened on Sunday, that the committee had lowered the policy rate all the way to, 100 basis points on the day, all the way to zero.

And so, the committee did agree with that. But it does show that you can move quickly if necessary. And the committee is willing, and Jay was willing to respond to developments in a timely manner. And that one was probably the fastest moving of all.

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Wheelock: I've got a couple more questions about the actual meeting itself and how you approach the meeting.

So, I often remember hearing you say that the purpose of your remarks at an FOMC meeting is not so much about today's policy, but about setting up future policy or influencing the debate about the future meetings. Is that a fair characterization, and what were you trying to accomplish with your statements at FOMC meetings?

[00:27:07]

Bullard: Yeah, I think last I was just saying the meeting itself, it's very formal.

It's not at times it's been a little bit more open and other times a little bit more sedate, I would say. But it is a moment where you get to hear everyone's statements and positions, kind of see where everybody's at. If you're following this all the time, you can detect subtleties and changes in people's positions and how they interpret various pieces of data that have come in in recent days or during the intermeeting period.

And so, it is useful, but it's not really a point where you can change the decision on that particular day. But I think you can have tremendous influence on monetary policy by leading the discussion over the 365-day meeting that's occurring all year long, and especially if—on certain occasions, I do think that the committee gets out of line with
reality and you start to get too much groupthink going in a certain direction and that's a good moment for individual members to call that out and to make the case that maybe we should be doing something a little bit different.

I also think that the big committee is extremely helpful in the sense that you have presidents who are not inside the Beltway or in New York City. They can play the role of muses in the sense that they can introduce potential policies that might be beneficial in the future but might not be initially considered to be, you know, that useful on the day.

So, I think that, the example I liked—I think I did some of this—but the example I like to give is my colleague Charlie Evans, who had the idea about thresholds, and we should during the twenty-teens, he was suggesting that we should not raise the policy rate until certain conditions were met with respect to unemployment or inflation.

And when he first gave those speeches, he was the only one that was talking about that. And he developed that position. About six months later, those started to show up in policy alternatives. About six months after that, they actually got adopted as actual policy. So that was a case where you had Evans playing the role of muse saying, “Well, here's a way that we could make our policy more state contingent.” And initially, you know, no one, I didn't even know what he was talking about. But then after a while that actually became policy. So that shows you how if the chair can't do that, the chair can't just muse about “well, hey, maybe we could do this, maybe we could do that,” because the chair has too big a microphone and it would be too jarring to introduce that kind of idea suddenly.

So, the role was to socialize the idea and then shepherd it through to a policy outcome. So, I did some things that were like that, but that's a clear example of the role I think that the presidents can play.

[00:30:29]

Wheelock: So, you mentioned a minute ago about dissenting at a couple of meetings, and I'm interested in your view about policy dissent and whether there's a strategic role in dissent. You know, as you know, some members of the committee dissented serially, several times in a row, whereas other members never dissent.

[00:30:48]

Bullard: Yeah.
Wheelock: I think by my count, you dissented four times. I could get the number wrong. But, well, you know, what's the strategy? What's the threshold there? And is there a reason to dissent other than just... [Talking over each other].

[00:31:00]

Bullard: Yeah, I mean, I respect my colleagues, but generally speaking, I think the idea that, you know, monetary policy took a wrong turn, you know, three years ago and therefore we're totally on the wrong track, and, you know, should be doing something totally different—without articulating that more, more clearly, I don't think it's that effective to say that we're just totally on the wrong planet, as far as monetary policy. I think it's far more effective—I would recommend for anybody coming on of the committee in the future that if you want to dissent, you should dissent for a good reason on that particular decision on that particular day and say, “this is not what you should be doing on this day.” And then you're ready to come back at the next meeting and say, well, the committee could make the right decision at the next meeting, and you're ready to work with your colleagues there. So, I think, you know, it could be that you'd have multiple dissents in a row. But I think it's probably most effective to just have this idea about, you know, on this day, I didn't think that the policy choice was the right one.

Now, I was going to say something else about this which is now slipping my mind. Oh, I was going to say that the idea of dissenting also is losing value, and probably isn't that informative because people give their own views and their own speeches in between the meetings. So, if you come out of the meeting and you're kind of lukewarm on a particular decision, then that's going to come out in the speech that you give. And does it really matter if you actually dissented at the meeting or even if you were actually voting at the meeting? You know, you could say, and I have done it where I said, “well, if it had been up to me, I wouldn't have done it that way. I would have done it this other way.” And so, since everyone's giving their views all the time, which is part of the transparency juggernaut unleashed by Bernanke. What does it really matter, you know, if you formally dissent or not? How important is that really? You also had the specter of Kevin Warsh going along with a decision at one point and then coming out with an op ed the next day saying he actually opposed the decision.

So, I think it's great. It's a very collegial organization. And I do think it's great that the organization rallies around the chair. The chair does a great job of trying to split differences between people on the committee. But since you have all the views of everyone on the committee, if they're communicating regularly, observers can assess for themselves. Here's where the committee's at; here's the arguments that the different people are making. And they can assess for themselves about what that means for the future direction of monetary policy.

[00:34:13]
Branding:

Jim, at the time of your retirement announcement, you were the longest sitting Reserve Bank president and FOMC participant, 15 years, and you’ve been at the Fed for more than 30. During that time, a lot of the history that you’ve covered so far, including being part of the centennial commemorations, and I think about that time, at least that I’ve been here throughout your presidency, you’ve kept Fed history and the Bank’s legacy in front of us.

The Bank has a reputation as a historic leader on monetary policy. So, I’d like to hear more. How do you see the St Louis Fed’s role historically and did your perceptions about that role change at all during your presidency?

[00:34:57]

Bullard:

I see the St Louis Fed as part of the world's leading central bank, but it's an iconic part of the world's leading central bank. It has a great tradition of supporting economic research. This was the first Bank to sort of get serious about academic style research inside the central bank. That model was later copied, especially in Minneapolis, but now all around the Federal Reserve System. You've got very powerful research groups in Chicago and San Francisco and elsewhere around the system. So, what was once innovative and unusual became commonplace throughout the system and not only in the in the U.S., but now around the world, as has become standard in central banks to have very good research teams that sort of straddle the academic literature and the literature that you would read in the economic journals, and also the day-to-day policy issues that central banks face. So, it's iconic in that sense.

And also, our emphasis on data, data collection and the power of understanding the facts is something that was unusual in, let's say, in 1958 when Homer Jones originally came here, but became more and more commonplace over time. And now is epitomized by our FRED and friends database that's free for all users around the world.

And I think there's still blue sky ahead for that, that could expand even further, and we could do even more in that dimension. But, you know, to open up the Wall Street Journal every day and say, you know, look at a chart and it says St Louis Fed. I think that that shows that we're the people that are dedicated central bankers who, we know the history, we know the nitty gritty, we know all arguments, we know all the data. We're sort of at the center of the action, not that there aren't other great players. There certainly are across the country, across the Fed, across academia and around the world. But we're sort of, you know, the leader for the system, I think on sort of understanding central banking in a scientific sense and trying to get to better policy through that channel.

So, there are certainly other iconic places in central banking. The Bank of England comes to mind, a 350-year history, and others. But I think we can rival many places around the world, and I think that's part of what makes it a great place to work.
Branding: Well, you talk about FRED, and that brings up the topic of innovation. And during your time as the CEO of the Bank. One of your priorities was to encourage innovation at all levels of the Bank. You created an innovation initiative, and you created the President’s award for innovation. You know, why do you see innovation as important for the Bank?

Bullard: So, you're working for a public institution that does not have a bottom line. And in business, it’s that bottom line that usually spurs the innovation. Sales are down, you better figure out a way to get sales up or else you’re going to have to lay people off or shrink your business. And we don't have that. So, I think it’s incumbent upon the management of the Bank to create incentives to innovate, even in an environment where you don't have that profit motive or that bottom line.

So, that's what the President’s Awards were about. I think another aspect of it is that we're part of a federal system. We're just one part of that system. We want to find a role to play within that system that makes sense for the St Louis Fed, but also provides great service back to the central bank as a whole.

I think we've found many ways to do that. We've created many brands during my tenure, and I like this idea of branded things. They might be a small group, might be four people, might be ten people, but you're doing something for the system as a whole that isn't getting done elsewhere and is important to the system as a whole.

And I think that's the kind of innovation that we've been looking for. And we again, we have many of these across the system. Of course, the Treasury function has grown dramatically. It was at one time four people. It's now over 500 people. So just shows you the kind of exponential growth we've had there. But that's not the only one that has grown over time. And I think we've got many smaller businesses that will prove to be even more important going forward. And we'll set the St. Louis Fed up for a great performance over the next couple of decades.

Branding: Jim, you talked a few minutes ago about the COVID pandemic and how it changed many things. So especially I'm thinking how people work and how the economy works.

What were some of the biggest impacts of the pandemic that you had to deal with as CEO of the Bank?
Yeah, the pandemic was, you know, unanticipated and a very special situation. I think the unprecedented nature of the health threat and trying to somehow get, come to grips about how to handle the health aspect of it, but still get our work done. I think the Bank did a great job partly because we had a great Bank culture going into the pandemic and we knew each other going into the pandemic, that we were able to do much of our work during the first phases of the pandemic knowing each other. But the pandemic also, you know, we had built, we spent a lot of time on Bank culture. A lot of that was sort of personal interaction and making sure that we knew each other and interacted a lot. I think gradually the pandemic eroded that and we're just now trying to earn that back and win that back. I think, you know, we hired hundreds of people during the pandemic. They came in as virtual workers and weren't used to the pre-pandemic culture that won best workplace awards in 2016 and in 2018, I guess. And so now we have to think about how to rebuild that culture. I think we're doing that. But it's been a long process.

It's not just us. It's all of corporate America that is struggling with these issues. We're not against technology. We certainly love remote technology, and we try to be very innovative in that dimension and use it effectively. But we also want a great high performing organization that has great in-person interaction.

Jim, I'd like to loop you back to monetary policy and the FOMC. So, at the FOMC, there've been a number of big changes over your 15 years as President. Now we have the chair giving press conferences after every meeting; there was the introduction of the summary of economic projections or SEP; the publication of a statement on long run goals and monetary policy strategy, among other innovations. Which ones stand out as particularly important in your mind and influential for monetary policy going forward?

Yeah, I would say that I was a big advocate of the chair giving press conferences. I thought we should meet an international standard on that; we were one of the latter holdouts there. That it has happened now. So, the chair does give a press conference at every meeting. I think, again, that's part of the transparency initiative unleashed by Chair Bernanke.

But I think the biggest innovation was the setting of inflation target in 2012, I chaired a small group of presidents in the first half of 2011, and at that point, Chair Bernanke wanted to get an inflation target but didn't really have a mechanism for how to do it. We
started to talk, and the group spanned the dovish spectrum and the hawkish spectrum of the committee, but the whole group was in favor of trying to get an inflation target in place. That led to a provisional statement, which eventually became the statement of long-run goals for the committee in January of 2012. So, we initially got support from all the presidents, took it to the Board of Governors, eventually got the support of the Governors as well. So that was the—

So, I think that the 2012 statement, it says a lot of things, but the main thing it says is that the U.S. will have an inflation target of 2%. That meets an international standard. Other central banks all around the world had done this sooner. We were laggard on this. There's no reason we shouldn't have done it even sooner. But this was a mechanism for actually getting this in place and realizing Ben Bernanke's goal of naming an inflation for the U.S.

I think that served us well, both during the period when inflation was consistently running below the 2% target. It forced the committee to ask and answer questions about why are you allowing inflation to be below target for such a long period of time? Why aren't you doing more to get inflation to move toward target? And aren't you at risk of becoming Japan? Japan has missed its inflation target for about a quarter of a century depending on how you measure it. So, you know, with kind of a questionable consequences for the Japanese economy.

So on the other hand, when inflation did take off post-pandemic and in 2021, the 2% inflation target again gave us an anchor to hold on to and to refer to repeatedly and the committee has certainly been completely united, as far as I know, on this subject, and has repeatedly said, well, you know, we have an inflation target, it is a credible inflation target, and we intend to get back to that.

And it's that credibility itself that will help us get inflation back to 2%. As I'm talking today, at least headline inflation, which at one point I guess was over 9% on an annual basis, now down to about 3% on an annual basis. So, if you look at just the headline number anyway, it seems to have been very successful.

There are other aspects of that debate that are going on now. But if you just look at that graph, it certainly looks like the 2% inflation target has helped us enormously as we've tried to navigate the post-pandemic world.

[00:47:11]

Wheelock: So, let me throw you a curve ball and ask a follow up question. Are there any changes you'd like to see the FOMC make that it hasn't made? What would improve the process?
Bullard: Yeah, I think the main thing here is the summary of economic projections which was put in place rather quickly, I thought, and with maybe not enough, the attitude at the time was, “Oh, we’ll try this out and then we can modify it going forward,” but once it got in place, it proved very hard to modify and you still have a situation where it's unclear if the summary of economic projections can be changed in any meaningful way because of many factors around it.

So, you know, the various pieces of the summary are not linked together. So, you're not sure which unemployment forecast is supposed to go with which inflation forecast or which interest rate forecast. It's you know, you've got this chart about dots. These are, the timing is off. The timing is on an annual basis. So that as you go through the year, the timeline gets shorter for the current year.

You've got this problem that the September SEP is basically predicting what's going to happen at the November and December meetings, which is very weird. You're basically plotting out exactly what you're going to do without knowing what the date is going to be over that period. That has gotten us into trouble a few times when the data doesn't cooperate or doesn't go in the right direction compared to what people were thinking in September. So, I think that's something that would require a lot of effort. Different people have looked at it and kind of stayed away from trying to change it. And so, we're kind of stuck with suboptimal arrangement on that.

I think one aspect of this is that the staff forecasts could be published and that is what other central banks do. And we have not done that in the US, although it seems like aspects of the staff forecasts do seem to be getting into the press more than they were historically. So maybe there will be a trend toward releasing a more official forecast from the Federal Reserve than just the dot plot.

Also, the dot plot gets stale very fast. As soon as new information comes in, 30 days later, people are already changing their positions slightly from what they would have been at the time of the dot plot. So, if that's what's going on, then why aren’t you updating on a more a more continuous basis? So many aspects to this, but I think the idea of the dot at the time was to signal that the committee was really serious about keeping interest rates low and not going to raise interest rates any time soon, given that inflation was below target.

And in that sense, it was successful. But once you're away from that situation, it's not so clear that the SEP is playing the same role that it played at that time and now it's maybe at times has caused more problems than it solved. So that's a major challenge for the committee going forward and there's not an easy solution.
Wheelock: So, you were out front in arguing for state dependent monetary policy, the aggressive use of large-scale asset purchases, particularly to avoid a low inflation trap and other things. And I’m wondering to what extent were your policy views informed by your research? You’re a prominent macroeconomic researcher, well published. How do you view the role of research, particularly in shaping your own personal policy views?

[00:51:09] Bullard: Yeah, I mean, on the issue of the trap that the Japanese seem to have gotten in over the last 25 years, I think it’s been a crucible for the macroeconomics profession and the monetary policy component of the macro profession, because no one seems to have a very good explanation.

But this is a case where I think there is a piece of literature that’s purely theoretical, or at least the initial attempts at it, were purely theoretical. It’s been Benhabib, Schmitt-Grohé, and Uribe papers on The Peril of Taylor Rules, which is about 20 years old now. But they, you know, you might say, well, this is dressed up in and some all these theoretical arguments, but it’s actually a very simple argument if you if you pick it apart. And it suggests that there definitely is an equilibrium, not just a temporary situation, but a long-run equilibrium that would have inflation be very low and nominal interest rates be very low, and that this could persist pretty much indefinitely.

And the refusal, I would say, within the Federal Reserve system and across the profession to acknowledge this equilibrium—these are published papers in major journals and major players, I would say, in the in the profession—and the refusal to acknowledge this I think was a deficiency of judgment in the profession and the willingness to bring up other arguments and somehow dismiss this possible outcome when you have a major economy, pretty much as an example of getting stuck there, wasn’t just a theoretical possibility, but a reality. So, I think that we did a good job during the post—so, I published this paper, The Seven Faces of the Peril, which illustrated these points.

I did think that the committee, generally speaking, did a good job of trying to stay out of the Japanese situation during, let’s say, the 2010 to 2019 period and manage to keep inflation from sinking even further away from the 2% target, on the low side. Europe, I think, did not. And before the pandemic, Europe appeared to be pretty much stuck in the same equilibrium that the Japanese were.

The pandemic came along and sort of rescued the whole thing. A big enough shock, I guess, can knock you out of anything. And now we're struggling to get back to an equilibrium where inflation’s back at 2%.

So, but it's a major lesson and will be studied for years in the literature. But I don't think you should dismiss the low inflation, low interest rates, steady state.
Branding: Great. Okay, I'm going to fly the airplane higher and talk about the Bank itself. And the motto for this Bank, which is “Central to America's Economy”, was born on your watch. So, tell us how you think the Bank measures up to that ambition.

Bullard: Yeah, I've always liked that as a motto. I think it cuts a lot of different ways. We are part of the central bank, so the central notion comes in there. We're in the middle of the country, that comes out. The idea that we play an important role within the world's leading central bank, that comes out of the model.

So, I think it fits the institution well. It's a little bit more zippy maybe than some of the other central banks. You know, when we had consultants in talking about it, they said, well, dedicated public servants or, you know, something like that. And I think you want to—those are fine, and we are dedicated public servants—but, I think you want something a little more with a little more pizzazz than that to sort of illustrate the iconic nature of the institution and the role that we've played in the postwar U.S. monetary economics and macroeconomics world. So, I've always liked it, but, you know, I don't know, maybe there'll be a brand refresh after I leave, but we'll see.

Branding: Okay. My last question. So, the Fed, the Federal Reserve, it's a constantly evolving organization. From your perspective, what are the biggest challenges and changes that you see for the Fed going forward?

Bullard: Yeah, I think the challenges are—the biggest challenges are very clear, I think. It's the evolution of the payment system in the banking world. How is this going to—it's been evolving for 30 years, you have far less banks today than you would have had 30 years ago. But probably even more important, you have a larger and larger fraction of financial intermediation occurring outside the banking system. You've got foreign players in. So, it's very unclear how this is going to proceed now going forward. Silicon Valley continuing a pace to dominate the world. They absolutely want to dominate the payments space as well. So, this seems like it is changing the whole paradigm of how we think about monetary policy, how we think about banking and payments, how we think about bank regulation. So, these things are all very integral to central banking. And, you know, it's happening every day. So, there's a little bit of the frog in the pot element to it.
But on the other hand, you know, if you look out 30 years, it's going to be a different world 30 years from now than it is today, or even five years from now or one year from now.

So, I think the other thing about this issue is that sometimes it appears that there's a lot of things being talked about, a lot of things going on, but nothing is really happening. And then one day you wake up and they get the killer application, and everyone adopts that application and the whole thing really collapses very suddenly.

We certainly saw that with check processing, and I would just hold that out as an example. When the Minneapolis Fed built a new building in 1973, they did a study and it projected that there would be no checks being processed in 1977. And so, they built the building without much in the way of a check processing facility, but they were wrong by about 20 years. And so, by the time they got to the late nineties, they were again building a new building. And at that point they decided checks were here to stay. So, they built some check processing facility. But then check processing actually declined precipitously very shortly after that.

So, I think that's the kind of thing when you were sitting there in 1973, you're saying to yourself, these paper checks, it can't go on forever, surely there's going to be more sort of database processing of payments. But to get the timing exactly right was a big question mark. So, the Internet had to come along, and then other types of changes had to come along. But when it did, then check processing went down very dramatically. That reduced employment in the Federal Reserve on the order of 30%. You had to manage that down over just a couple of years, basically down to close to zero compared to where you were before.

So, I would just take that as a cautionary tale about—it might seem like not too much is happening, but then, you know, it doesn't change, doesn't change, doesn't change, then all of a sudden it changes. So, I would say innovation in banking might be similar to that, where it appears like people are going to continue exactly the same way forever, but then all of a sudden, they all change all at once.

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Branding: Dave, any more questions?

[00:59:54]

Wheelock: No. Thank you, Jim, very much.

[00:59:56]

Branding: Jim Anything else?
Bullard: Nope. I'm. I'm all set. I'm talked out here. [Laughs.]

Branding: Well, Jim Bullard, thank you very much for your service to this Bank, to the Fed system and to the nation. We wish you the very best.

Bullard: Thanks very much.

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