



St. Louis Fed's Bullard Addresses Importance of Structural Economic Modeling in Policymaking

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WASHINGTON — St. Louis Fed President James Bullard made the case Friday that not only is structural economic modeling an indispensable tool for macroeconomists, it is also a vital component for designing effective economic policy.

“The nation needs a more aggressive and better-funded research effort in macroeconomics,” Bullard said. “The current level of effort is unlikely to meet the many challenges the U.S. faces going forward.”

Bullard gave [his remarks](#) at the International Research Forum on Monetary Policy held at the Federal Reserve Board.

“The academic research in macroeconomics over the past 30 years has been brilliant,” Bullard said. “The advances in the level of understanding of the intricacies of the economy have been astonishing. However, to put a satisfactory, comprehensive macroeconomic model together is a Herculean task.”

In addition, Bullard said, “academic research has often been resisted by policymakers. Actual policy has been slow to adapt to suggestions from the research frontier and tends to stick with policy adjustments which seem to have worked well in the past.”

“As a result, we are nowhere near where we need to be in terms of having a useful, comprehensive macroeconomic model that we can use to get the economy to perform at its peak level,” he noted. “Our current effort is not sophisticated enough to handle the challenges that lie ahead. A more intensive national research effort in macroeconomics is needed.”

Bullard gave examples of satisfactory macroeconomic model features. These features would help policymakers understand the trade-offs between policy choices as well as potential real dangers to the economy.

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