



## St. Louis Fed's Bullard Discusses the Outlook for the U.S. Economy and Monetary Policy

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ROGERS, Ark. – St. Louis Fed President James Bullard said Thursday that while the U.S. macroeconomic outlook has been downgraded, continued expansion is the most likely course going forward. He noted that should economic developments suggest increased disinflation risk, purchases of Treasury securities in excess of those required to keep the size of the balance sheet constant may be warranted.

In his presentation, "[The State of the U.S. Economy and Monetary Policy](#)," given at a Fed Exchange conference held in Rogers, Ark., Bullard said that core inflation is at low, but still manageable levels, and that any additional quantitative easing undertaken by the FOMC should be a disciplined reaction to further disinflation risks. "Large, sudden purchases rarely are optimal," he said. "'Shock and awe' is almost never a good way to proceed."

"Policy actions should be commensurate with the risks that the economy faces. A series of smaller policy actions can add up to a large action, but only if incoming data suggest that as the appropriate course," he said. "Purchase size should be in proportion to the size of any deterioration in the outlook." A key goal of the program should be to keep core inflation in the U.S. from falling close to levels observed in Japan.

Bullard said that the European sovereign debt crisis has abated somewhat, but remains a factor in the global economic mix.

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