



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

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February 28, 2017

Now may be a good time for the Federal Open Market Committee (FOMC) to begin allowing the balance sheet to normalize by ending reinvestment, St. Louis Fed President James Bullard said at George Washington University in Washington, D.C. He noted that current FOMC policy is distorting the yield curve and that ending reinvestment may allow for a more natural adjustment of rates across the yield curve as normalization proceeds. He also suggested acting now, during relatively good times, in case the Fed must resort to using the balance sheet as a monetary policy tool in a future downturn, as it did when the fed funds rate was closer to zero.

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President and Chief Executive Officer

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*"Rationally, let it be said in a whisper, experience is certainly worth more than theory."*  
Amerigo Vespucci

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