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# Bullard on R-Star: The Natural Real Rate of Interest

**February 26, 2018**

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St. Louis Fed President James Bullard discussed the natural real rate of interest (commonly called  $r^*$ ) and its implications for the Fed's policy rate at the NABE Economic Policy Conference in Washington, D.C. He presented a regime-switching view of the issues around the natural real rate of interest, which he called r-dagger ( $r^\ddagger$ ) to emphasize that these estimates use an alternative methodology. Bullard considered three factors that can influence the natural rate and noted that the U.S. is currently in a regime (or state) of low productivity growth, appears to be in a low-growth state for the U.S. labor force, and is in a regime of a high desire for safe assets (the most important of the three factors). He concluded that the natural safe real rate of interest, and hence the appropriate policy rate, is relatively low and unlikely to change very much over the forecast horizon of two years.

Related [article](#) in *Business Economics*, (2018).

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