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Modernizing Monetary Policy Rules

October 18-19, 2018

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Federal Reserve Bank of St. Louis President and CEO James Bullard spoke Thursday morning, Oct. 18, to the Economic Club of Memphis. A participant on the Federal Open Market Committee, Bullard focused his presentation on modernizing monetary policy rules. About 150 business and community leaders, as well as economists, attended the event, held on the campus of the University of Memphis.

During his talk, Bullard discussed modernizing a popular monetary policy rule, a version of the Taylor rule, whose construction was based on U.S. data from the 1980s and 1990s. Since then, he noted, three important macroeconomic developments have altered key elements of policy rule construction. These developments are lower short-term real interest rates, the disappearing Phillips curve and better measures of inflation expectations. “Incorporating these developments yields a modernized policy rule that suggests the current level of the policy rate is about right over the forecast horizon,” Bullard said.

Video of Presentation and Audience Q&A:



Bullard was on a two-day tour of Memphis, Tenn., where the St. Louis Fed has a Branch. Besides meeting with civic leaders, Bullard toured a charter school that once housed the Memphis Branch and attended a special dinner commemorating the Branch's centennial. Among other activities, he met with current and former members of the Branch's board of directors on Friday, Oct. 19.

Bullard frequently visits communities in the four zones that make up the St. Louis Fed's District. The other three zones are based in Little Rock, Ark., Louisville, Ky., and St. Louis.



Before his presentation Thursday, St. Louis Fed President James Bullard mingled with some of the approximately 150 people in attendance at the Economic Club of Memphis event.

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In his presentation about monetary policy rules, Bullard focused on modernizing the long-popular Taylor rule.

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Another stop for Bullard was the Memphis Grizzlies Preparatory Charter School. The school's building was once the home of the Memphis Branch of the St. Louis Fed. The school's library is located in what was the Branch's vault. Taking questions from some of the students were (from the left) Bullard; Douglas Scarboro, senior vice president and regional executive of the Branch; Anthony Cremerius, a Branch retiree who had worked in the building when it was occupied by the Branch; and Joey Gambino, an assistant vice president in the Branch's cash department and a longtime volunteer at the school.

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