

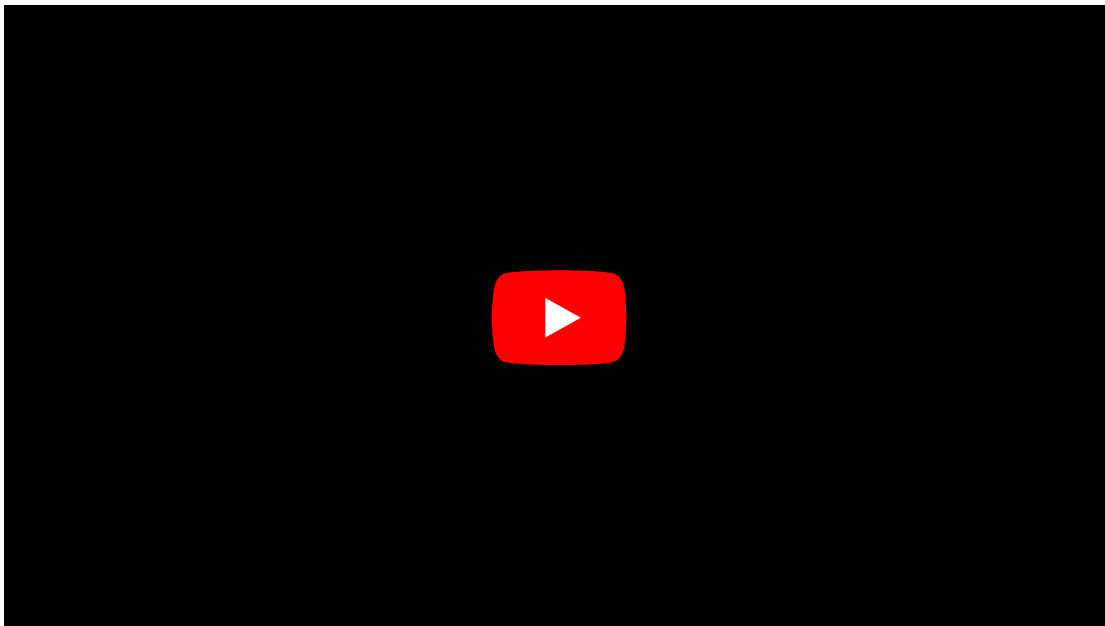
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From the President

## Bullard Discusses the U.S. Economic Shutdown during an OMFIF Webinar

**May 12, 2020**



St. Louis Fed President James Bullard shared his views on policymakers' responses to the pandemic and on the economic shutdown going forward. He spoke on a virtual panel hosted by the Official Monetary and Financial Institutions Forum (OMFIF).

Bullard said that going through the 2007-09 financial crisis prepared the Fed well to respond to the economic shock due to the health crisis. He noted that the Fed's relatively quick response to this shock was to use 13(3) lending programs (authorized under that section of the Federal Reserve Act) and provide liquidity to financial markets.

"As far as the initial wave, I think the response has been much faster than it was in the previous crisis, and that has served us very well in terms of market liquidity, preventing this from morphing into a financial crisis, at least so far," he said.

Bullard also spoke about the shutdown policy, cautioning against continuing it for too long.

“We cannot hit the pause button for very long in major economies around the world, and certainly not in the U.S.,” he said, adding that there may be a 90- or 120-day shelf life on the policy. After that, the shutdown policy can’t continue because too much will start to happen, he said. “You’ll get business failures on a grand scale, and you’ll be taking risk that you’d go into depression.”

The shutdown policy was rational at the beginning, when the pandemic caught everybody by surprise and it was necessary to get the disease under control, he said. But it is a blanket-type policy, he explained. “I think we have to get away from the shutdown policy and toward something that is more about risk mitigation,” Bullard said.

In terms of his economic outlook, he said that he expects a large decline in GDP in the second quarter for the U.S., followed by very positive growth in the third quarter.

During the webinar, Bullard also discussed pandemic relief for disrupted workers and businesses, negative interest rates, the Fed’s balance sheet, the U.S. debt-to-GDP ratio, inflation risk, the Federal Reserve’s policy framework review, the future of central banking, and more.

Having trouble with the video? [Watch it here.](#)