Bullard Speaks about the Economic Crisis and Prospects during SOMC Event

June 18, 2020

St. Louis Fed President James Bullard talked about where he thinks we are in the current economic crisis and the prospects for the U.S. economy. He spoke during a Shadow Open Market Committee (SOMC) virtual conference with Chapman University. The SOMC is an independent organization that discusses economic policy.

The shutdown policy in response to the COVID-19 pandemic was appropriate initially when little was known about the disease, but cannot be maintained over a longer period of time, Bullard said. If massive business failures occur, we'll face depression risk, financial crisis risk, or both, he said, adding that we want to stay out of those situations.

As we learn more about the disease, the economy will "adopt a more granular risk-based approach to disease management," he said.

Bullard discussed two approaches: "ubiquitous" testing, which includes testing not just those who are sick; and "risk-based" stay at home, where those who have different levels of risk from the disease will protect themselves differently. A lot of those adjustments already are occurring, Bullard said, and will continue through the third quarter, at which point most of the easiest and simplest adaptations will have been made by firms and households.

"The end of the third quarter will be an important checkpoint for where we are in the crisis," he said.

As the days and weeks go by, more is learned about the nature of the mortality risk and how it can be mitigated, as well as how goods and services can be provided safely, Bullard said. Risk mitigation can be undertaken at the individual level and at the firm level, he said.

"The result will likely be higher output, as well as less fatalities than the economy initially experienced during the March-April 2020 time frame," he said.

Bullard also answered questions about prospects for the U.S. economic recovery, the policy responses during this crisis compared with those during the 2007-09 financial crisis, the risks of a higher federal debt-to-GDP ratio, and more.