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Bullard Discusses the Pandemic's Economic Impact and Racial Equity

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St. Louis Fed President James Bullard discussed the COVID-19 pandemic and its impact on the economy during a virtual event hosted by Greater Louisville Inc. – The Metro Chamber of Commerce. He also spoke about the importance of an inclusive economy and promoting racial economic equity.

“A more inclusive economy is a stronger economy, and the work of the St. Louis Fed must help to root out institutional racism and other inequities that systematically create economic barriers,” Bullard said.

He cited research from the St. Louis Fed’s Center for Household Financial Stability, which has consistently found that Black families in the U.S. have about 10 cents for every dollar in

wealth held by white families—a gap that has been virtually unchanged for at least three decades. The Center’s research suggests that structural and historical factors continue to suppress the ability of Black Americans to accumulate wealth, Bullard noted.

“Accordingly, to promote racial economic equity, we as a nation must also consider structural or institutional responses,” he said. “While the St. Louis Fed has undertaken significant research and initiatives on this front, our work must continue in earnest. It’s welcome news that many organizations are doing the same.”

Turning to the pandemic, Bullard noted that the primary economic impact will be in the second quarter of 2020, when the U.S. economy was intentionally slowed down to invest in public health.

He said that the set of health, fiscal and monetary policies that has been put in place has been a good response and a good mitigator of the initial shock from the pandemic, but can’t be maintained indefinitely.

“There is really no pause button for the U.S. economy, and attempts to go on too long with this set of policies would risk financial crisis or depression or both,” Bullard said, adding that health and economic outcomes would be worse in that scenario.

“The risks are significant, but my base case is that all of that will be avoided and that we will get a robust recovery in the second half of the year,” he said.

Going forward, Bullard said that new risk mitigators will be put in place to control the disease while also allowing production of goods and services and restoration of household income. This would be a better policy overall because it would lead to fewer fatalities and more household income, he noted.

He discussed two approaches for mitigating the health risk: ubiquitous testing, which would solve the information problem by allowing people to know where the disease is; and risk-based stay at home, whereby people make their own decisions based on their risk from COVID-19.

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