


From the President

Bullard Discusses Monetary Policy, Inflation Pressures during Reuters Forum

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St. Louis Fed President James Bullard shared his views on a variety of topics in a moderated discussion during the Reuters Next virtual forum. He spoke about several aspects of Fed policy, the arrival of vaccines, the possibility of higher inflation, and more.

Bullard noted that the Fed acted very quickly in response to the COVID-19 crisis. The emergency lending programs stemmed an incipient financial crisis that could've occurred on top of the pandemic, he said.

On the health crisis, Bullard cited projections that show fatalities per day declining as the vaccine is rolled out. Declining fatalities will have big ramifications for the economy, and people will see the light at the end of the tunnel for the pandemic, he said.

Regarding the Fed's balance sheet policy, Bullard noted that the FOMC has agreed on state-contingent (or data-dependent) language that says how long asset purchases will continue at the current pace—i.e., the pace will continue until substantial further progress has been made toward the maximum employment and price stability goals.

Bullard also said that the conditions are good for generating inflation, and noted that three theories on what determines inflation over the medium term are all pointing in the same direction. He cited less pre-emptive policy from the Fed than in the past, the large size of fiscal deficits, and the outlook for a hot economy.