

Bullard Speaks about Inflation Risk and Delta Variant Effect on Growth at a Research Conference | James Bullard | St. Louis Fed

September 28, 2021

St. Louis Fed President Jim Bullard discussed the COVID-19 delta variant's effect on U.S. GDP growth, the upside surprise on inflation and a risk management approach to monetary policy. His remarks were during a panel discussion at the International Research Conference hosted by the Central Bank of the Philippines and the Reinventing Bretton Woods Committee.

While nobody really knows at this point how big an effect the delta variant has had on GDP growth in the third quarter, most forecasters expect that growth to get pushed into the next few quarters or all of 2022, Bullard said. "In a way, it's a bullish factor for 2022 because it's just postponing growth, not eliminating growth, for the U.S.," he said.

Regarding inflation, Bullard noted that the risk with the Fed's flexible average inflation targeting framework is that this year's inflation shock will be too big and that monetary policy won't react fast enough, resulting in more inflation than the FOMC intended.

"The risk management approach to monetary policy that I've been advocating suggests that we should take this inflation risk seriously," he said. "We certainly are expecting inflation to moderate. But I want to be prepared for the case where it doesn't moderate as much as hoped, and that we're able to keep inflation under control in that scenario without disrupting the economy or sending the U.S. economy or the global economy into recession."

In discussing current monetary policy, Bullard noted that the FOMC gave a strong signal at its most recent meeting that tapering of the Fed's asset purchases would begin soon. The tapering process is the first step toward pulling back some of the aggressively easy monetary policy that was put in place to mitigate the impact of the pandemic, he said.

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