

Is the Fed behind the Curve? Two Interpretations

April 7, 2022

[Presentation \(PDF\)](#) | [Press Release](#) | [Video \(offsite\)](#) | [Photos](#)

During a presentation at the University of Missouri-Columbia, St. Louis Fed President Jim Bullard offered two interpretations of whether the Federal Reserve is “behind the curve” on raising its policy rate in response to high inflation.

Bullard said that U.S. inflation is exceptionally high and is comparable to inflation in 1974 and 1983. Standard Taylor-type monetary policy rules, even if based on a minimum interpretation of the persistent component of inflation, still recommend substantial increases in the policy rate, he said. This provides one definition of “behind the curve,” and the Fed is far behind based on this definition, he noted.

“However, all is not lost. Modern central banks are more credible than their 1970s counterparts and use forward guidance,” he said. “Credible forward guidance means market interest rates have increased substantially in advance of tangible Fed action. This provides another definition of ‘behind the curve,’ and the Fed is not as far behind based on this definition.”

The presentation was part of a two-day visit to Columbia, Mo. Bullard meets regularly with business and civic groups in the four zones that make up the St. Louis Fed’s District to share insight on the U.S. economy, as well as gather views from Main Street. Columbia is in the St. Louis Zone.

Photos:



Jim Bullard, president and CEO of the Federal Reserve Bank of St. Louis, presented to about 180 business leaders and bankers, as well as faculty and students at the University of Missouri-Columbia, on April 7, 2022. Speaking at events like this is part of the St. Louis Fed's ongoing transparency and outreach efforts across its seven-state Federal Reserve District.

[Download High Resolution Photo](#)



Jim Bullard, president and CEO of the Federal Reserve Bank of St. Louis, met with Joseph Haslag, professor and Kenneth Lay Chair in Economics at the University of Missouri-Columbia, on April 6, 2022. Haslag hosted Bullard as part of the St. Louis Fed's tour of the Columbia, Mo., area of the Fed's Eighth District.

[Download High Resolution Photo](#)



St. Louis Fed President Jim Bullard (second from right) met with (from left) Andrew Zumwalt, Graham McCaulley and Marco Pantoja of the Management department and of the Center for Economic and Financial Education at the University of Missouri-Columbia's Robert J. Trulaske Sr. College of Business. The group hosted Bullard as part of the St. Louis Fed's tour of the Columbia, Mo., area of the Fed's Eighth District.

[Download High Resolution Photo](#)



[Download High Resolution Photo](#)

Columbia, Mo., construction student D'Morrion Chatman (center) talked on April 7, 2022, with St. Louis Fed President Jim Bullard (left) and with St. Louis Fed and Job Point staff. Chatman spoke about learning home construction through the YouthBuild job-training program at employment center and community development corporation Job Point. He and other students are learning on the job while building single-family homes in the Cullimore Cottages affordable housing development.

Cullimore Cottages, a community of 10 homes, was made possible in part by public and private sector connections made at a 2019 St. Louis Fed Investment Connection event in Columbia. See below for more photos from the tour of the Cullimore Cottages development.

Bullard regularly visits communities like Columbia to interact with local business and civic leaders and better understand local economic conditions.



[Download High Resolution Photo](#)



[Download High Resolution Photo](#)



[Download High Resolution Photo](#)