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Reflections on the Disinflationary Methods of Poincaré and Thatcher

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[Presentation \(PDF\)](#)

St. Louis Fed President Jim Bullard talked about the academic literature related to “credible” versus “incredible” disinflation and how that may apply to current conditions. He spoke before the Money Marketeters of New York University.

Current inflation in the U.S. and the euro area (EA) is near 1970s levels, Bullard said. The disinflation under former Fed Chair Paul Volcker was costly, he added, but it was not credible initially—Volcker had to earn credibility.

Nobel laureate and economist Thomas Sargent initiated a literature on costless disinflation (“soft landings”) that emphasized inflation expectations as the key variable, not the Phillips curve, Bullard noted. Subsequent literature illustrated how credibility might be earned in models that depart from rational expectations, he said.

“The Fed and the ECB [European Central Bank] have considerable credibility compared with their 1970s counterparts, suggesting that a soft landing is feasible in the U.S. and the EA if the post-pandemic regime shift is executed well,” Bullard concluded.