Volker Wieland of the Institute for Monetary and Financial Stability (IMFS), Goethe University Frankfurt and the German Council of Economic Experts. Melinda Crane of Deutsche Welle TV in Berlin moderated the panel, which was titled “Monetary Policy: Which Road Ahead?”

- **November 16, 2016**. Presentation. "U.S. Monetary Policy in the Aftermath of the U.S. Presidential Election," UBS European Conference 2016, Monetary Policy after QE, London, United Kingdom.
  Presentation (pdf) (bullard_ubs_london_nov_16_2016pdf) | Press Release.

U.S. Monetary Policy in the Aftermath of the U.S. Presidential Election

November 16, 2016

President James Bullard said in a presentation in London that it is likely too soon to tell how the U.S. economy might be impacted by the presidential election. However, he said he has not changed his near-term outlook either for the economy or for monetary policy. Bullard also touched on types of possible policy changes that may impact medium-term U.S. growth prospects, such as infrastructure spending, tax reform and changes to the regulatory environment, and on ones that could have longer-term effects, such as changes in trade and immigration policy. He noted that the Fed takes fiscal policy into account when deciding monetary policy.

St. Louis Fed's Bullard Discusses U.S. Monetary Policy after the U.S. Presidential Election

LONDON – Federal Reserve Bank of St. Louis President James Bullard discussed [“U.S. Monetary Policy in the Aftermath of the U.S. Presidential Election”](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullard_ubs_london_nov_16_2016.pdf)on Wednesday at the UBS European Conference 2016.

“The results of the U.S. election on Nov. 8 were surprising from the perspective of global financial markets,” said Bullard, describing the initial reaction of markets to the U.S. presidential victory of Republican candidate Donald Trump.

While cautioning that it is likely too soon to tell how the U.S. economy may be impacted, Bullard highlighted the following four main points about the current state of monetary policy:
• The volatility of key U.S. financial indicators in the immediate aftermath of the election surprise was not particularly large in the context of the past year.
• Near term, the St. Louis Fed's macroeconomic and monetary policy outlook has not changed.
• Medium term, a targeted fiscal infrastructure package, changes in the regulatory environment, and some tax reforms could lead to faster productivity growth, more domestic investment and, therefore, faster real GDP growth.
• Longer term, changes in trade and immigration policy could have important macroeconomic impacts.

Subdued Post-Election Volatility

In regard to financial market volatility, Bullard noted that it has been relatively subdued post the election, even with some divergence in bond and equity volatility. "The market expectation had been for continued divided government, and the election outcome was accordingly surprising," he said. "However, the volatility in key U.S. macroeconomic variables has been in line with the volatility observed during the past year."

He pointed to the 10-year U.S. Treasury yield, which has increased but remains within levels seen after the Federal Open Market Committee (FOMC) raised interest rates in December 2015. He also examined measures of stock prices and the U.S. dollar exchange rate. "Equities and foreign exchange rates have repriced, but are well within the experience of the past year," he said.

The Near-Term Macroeconomic Forecast

In terms of the macroeconomic outlook, "the near-term St. Louis Fed forecast remains unchanged as of today," Bullard said, adding, "our outlook for monetary policy is also unchanged." He noted that U.S. unemployment is effectively at the FOMC's estimate of its long-run level, while U.S. inflation is low but close to the FOMC's 2 percent target and rising. In addition, safe real rates of return are low and are not expected to change.

"A single policy rate increase, possibly in December, may be sufficient to move monetary policy to a neutral setting," Bullard said.

Potential Medium-Term Impact of an All-Republican Lineup

In addition to a Republican White House, the outcome of the Nov. 8 election also means that the Republican Party will maintain control of the House of Representatives and the Senate. "This means that the legislative and executive branches will be in one party's control, opening a greater possibility of legislative action," Bullard said.

He discussed two areas of possible legislative action that may affect medium-term U.S. growth prospects. "One is a fiscal package emphasizing government spending on infrastructure, possibly accompanied by tax reform. Another is changes to the regulatory environment," he said.

Bullard noted that the FOMC takes fiscal policy into account when calibrating its monetary policy decisions, and that a key problem in the U.S. in recent years has been low productivity growth that has hampered real GDP growth. "A targeted fiscal infrastructure package aimed at increasing U.S. productivity growth may help to increase U.S. real GDP growth in the medium term," Bullard explained. "Similarly, tax reform that allows repatriation of corporate profits earned abroad may enhance investment in the U.S."

Turning to regulation, Bullard noted that the U.S. re-regulated the economy in the aftermath of the 2007-2009 recession, but that it appears the pendulum may now swing back the other way.

"The results of the election now suggest that the period of regulatory expansion has come to an end," he said. "Regulation is a large area affecting many businesses. To the extent that there has been counterproductive regulation, its partial rollback may be beneficial for U.S. productivity and hence for economic growth."

Other Policy Changes and Longer-Term Effects

Bullard concluded with a look at some potential policy changes that could have a macroeconomic impact over the longer term. In particular, he briefly discussed trade and immigration. While trade negotiations tend to be slow-moving relative to monetary policy, "trade arrangements can have important macroeconomic effects, but over the longer term," he said. "Similarly, immigration reform would likely have important effects on the macroeconomy, but perhaps over a longer horizon."

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- **November 10, 2016**. Presentation. "Safe Real Interest Rates and Fed Policy," Commerce Bank 2016 Annual Economic Breakfast, St. Louis, Mo. Presentation (pdf) (bullard_commerce_bank_nov_10_2016pdf) | Press Release.

Safe Real Interest Rates and Fed Policy

November 10, 2016

Low interest rates are likely to be the norm over the next two to three years, President James Bullard told those attending Commerce Bank's annual economic breakfast in St. Louis. He also explained the St. Louis Fed's new regime-based approach to near-term U.S. macroeconomic and monetary policy projections. In doing so, he deconstructed an equation to show that an increase of 25 basis points (one-quarter of a percent) in the federal funds rate target over the forecast horizon would be appropriate monetary policy for the current macroeconomic "regime."