course, we must monitor risks, such as developments in the Russia-Ukraine war and their potential impact on the U.S. economy and inflation. But forthright and transparent monetary policy actions designed to keep inflation under control will give the U.S. economy the best possible chance at a long and durable expansion.

Endnotes

1. See my related presentation on March 2, 2022, “ [Removing Monetary Policy Accommodation](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2022/removing-monetary-policy-accommodation)
2. See [the FOMC statement](https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm)On the Economy[President Bullard Explains His Recent FOMC Dissent](https://www.stlouisfed.org/on-the-economy/2022/mar/bullard-explains-recent-fomc-dissent)

- **March 23, 2022**. Remarks. "Bullard Discusses Fed’s Response to Inflation," Asian Investment Conference.

Bullard Discusses Fed’s Response to Inflation during AIC Remarks

March 23, 2022

St. Louis Fed President Jim Bullard discussed the upside surprise on inflation in recent months and the Fed’s response. He spoke at the Asian Investment Conference in an interview that was recorded March 22.

Bullard noted that the U.S. inflation data in October through February were hotter than expected, and inflation rates are the highest in 40 years. The Federal Open Market Committee (FOMC) has adjusted a lot in the last six months, and more at last week's meeting, with the FOMC's Summary of Economic Projections now suggesting that the policy rate would rise substantially this year, he said.

He discussed his dissent at last week's meeting, saying that he thought the FOMC should start moving sooner and faster in terms of removing monetary policy accommodation. In particular, Bullard favored raising the policy rate by 50 basis points (instead of the FOMC's 25-basis-point increase) and getting going on Fed balance sheet runoff. (See " [President Bullard Explains His Recent FOMC Dissent](https://www.stlouisfed.org/on-the-economy/2022/mar/bullard-explains-recent-fomc-dissent)

"We're certainly moving in the right direction, but you have to move at a pace that makes sense for the situation, and right now we're putting upward pressure on inflation" while headline PCE inflation is running 400 basis points over target, Bullard said. "So, I think we have to move faster to keep inflation under control," he said, noting that he has in mind something like the 1994 reset of monetary policy, where the policy rate was increased 300 basis points in one year with good results for the economy and inflation.

Bullard also discussed his main concern about the Russia-Ukraine war from an economic point of view (whether Europe can stay out of recession in response to the shock), the robust labor markets in the U.S., and the importance in central banking of thinking about new ways to approach monetary policy and deal with unique situations.

Having trouble with the video? [Watch it here.](https://credit-suisse.qumucloud.com/view/vqoyf46MeH5jW7xMoz1OUY/)

- **March 18, 2022**. President Bullard Explains His Recent FOMC Dissent, Federal Reserve Bank of St. Louis *On the Economy* blog.

  President Bullard Explains His Recent FOMC Dissent

  The following is a statement by Federal Reserve Bank of St. Louis President Jim Bullard explaining his dissenting vote at the FOMC's March 15-16, 2022, meeting:

I dissented with the Federal Open Market Committee (FOMC) decision announced on March 16, 2022, to raise the target range for the federal funds rate by 25 basis points to 0.25% to 0.50%. In my view, raising the target range to 0.50% to 0.75% and implementing a plan for reducing the size of the Fed's balance sheet would have been more appropriate actions.

The U.S. economy has proven to be especially resilient in the face of the pandemic. Despite geopolitical risks, the U.S. economy is currently projected to continue to grow at a pace comfortably above its long-run potential growth rate during 2022 and 2023. This above-trend growth is likely to strengthen labor markets further, and U.S. labor markets are today already stronger than they have been in a generation, according to the level of activity measured by the [Kansas City Fed's Labor Market Conditions Index](https://fred.stlouisfed.org/series/FRBKCLMCILA)

Meanwhile, the Committee has a mandate to provide stable prices for the U.S. economy and a 2% inflation target stated in terms of headline PCE (personal consumption expenditures price index) inflation. Headline PCE inflation measured from one year earlier is currently 6.1%, and the associated core PCE inflation rate, which ignores food and energy components, stands at 5.2%. The Committee is missing its target by 410 basis points on the headline measure and 320 basis points on the core measure. The burden of excessive inflation is particularly heavy for people with modest incomes and wealth and for those with limited ability to adjust to a rising cost of living.

The combination of strong real economic performance and unexpectedly high inflation means that the Committee's policy rate is currently far too low to prudently manage the U.S. macroeconomic situation. Moreover, U.S. monetary policy has been unwittingly easing further because inflation has risen sharply while the policy rate has remained very low, pushing short-term real interest rates lower. The Committee will have to move quickly to address this situation or risk losing credibility on its inflation target.

In my judgment, given this constellation of macroeconomic data, a 50-basis-point upward adjustment to the policy rate would have been a better decision for this meeting. In addition, in my contribution to the Summary of Economic Projections, I recommended that the Committee try to achieve a level of the policy rate above 3% this year. This would quickly adjust the policy rate to a more appropriate level for the current circumstances. The Committee has successfully moved in this manner before. In 1994 and 1995, the Committee made a similar discrete adjustment to the policy rate to better align it with the macroeconomic circumstances at that time. The results were excellent. The Committee achieved 2% inflation on average and the U.S. economy boomed during the second half of the 1990s. I think the Committee should try to achieve a similar outcome in the current environment.

Although I disagreed with the Committee's decision to raise the federal funds rate target range by only 25 basis points at this particular meeting, I look forward to working with my colleagues to fulfill the FOMC's mandates of maximum employment and price stability in the meetings ahead.

- **March 2, 2022**. Presentation. "Removing Monetary Policy Accommodation," Greater St. Louis, Inc., St. Louis, Mo.
  Presentation (pdf) (bullard-greater-st-louis-02-mar-2022pdf) | Press Release.

Removing Monetary Policy Accommodation

March 2, 2022

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2022/mar/bullard-greater-st-louis-02-mar-2022.pdf)[Press