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- **February 3, 2015.** [Remarks](#). Given at the 10th Annual Delaware Economic Forecast.
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Remarks given at the 10th Annual Delaware Economic Forecast

February 3, 2015

An audio recording of Pres. Bullard's remarks, the moderated discussion and audience Q&A from the 10th Annual Delaware Economic Forecast event is available via Bloomberg at the following URL:

<http://www.bloomberg.com/news/videos/2015-02-03/bullard-urges-fed-to-drop-patient-to-give-flexibility>(1:30:35).

Related News Articles:

- [Bullard Urges Fed to Drop 'Patient' to Provide Flexibility](<http://www.bloomberg.com/news/articles/2015-02-03/bullard-urges-dropping-patient-to-provide-flexibility-on-rates>), by Christopher Condon and Sophia Pearson, Bloomberg.
- [Fed's Bullard Calls For Breaking Up Nation's Biggest Banks](<http://blogs.wsj.com/economics/2015/02/03/feds-bullard-calls-for-breaking-up-nations-biggest-banks/>), by Michael S. Derby, Dow Jones.
- [Fed's Bullard Shrugs Off Inflation Expectations Drop, Favors Rate Rises](<http://blogs.wsj.com/economics/2015/02/03/feds-bullard-shrugs-off-inflation-expectations-drop-favors-rate-rises/>), by Michael S. Derby, Dow Jones.
- [Fed's Bullard calls for deleting 'patient' from rate guidance](<http://www.reuters.com/article/2015/02/03/usa-fed-bullard-idUSL1NOVD1MX20150203>), by Michael Flaherty, Reuters.
- [Fed's Bullard calls for splitting up big

banks](<http://www.reuters.com/article/2015/02/03/usa-fed-bullard-banks-idUSN9NOT401F20150203>), Reuters.

- [Fed's Bullard downplays 'international' nod in FOMC statement](<http://www.reuters.com/article/2015/02/03/usa-fed-bullard-idUSN9NOT401D20150203>), Reuters.

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• [Fed's Bullard downplays 'international' nod in FOMC statement](<http://www.reuters.com/article/2015/02/03/usa-fed-bullard-idUSN9N0T401D20150203>), Reuters.

- **February 2, 2015.** Article. "[Liftoff: A Comparison of Two Normalization Cycles.](#)" Federal Reserve Bank of St. Louis *The Regional Economist*, January 2015.

Liftoff: A Comparison of Two Normalization Cycles

Many Federal Open Market Committee (FOMC) participants have said that the policy rate (i.e., the target for the federal funds rate) should come off the zero lower bound in 2015, with the exact timing dependent on how key macroeconomic indicators evolve. Given that this initial increase would mark the start of a normalization cycle, now is a good time to review the previous two major normalization cycles to see what we can learn from them. [1](<https://www.stlouisfed.org#endnotes>)

The first normalization cycle for comparison began in 1994. The policy rate since September 1992 had been at 3 percent, which at the time was considered exceptionally low relative to the federal funds rate during the 1970s and 1980s. U.S. macroeconomic data indicated a strong economy toward the end of 1993. For instance, real gross domestic product (GDP) growth accelerated in the fourth quarter, job growth was slightly stronger on average and inflation was threatening to move higher. In what was largely a surprise to financial markets, the FOMC began a normalization cycle in February 1994 and continued raising rates throughout that year.

[2](<https://www.stlouisfed.org#endnotes>) In contrast to the second normalization cycle I will highlight, the FOMC raised the policy rate by 25 basis points sometimes, by 50 basis points other times and by 75 basis points on one occasion. Also, the policy rate was left unchanged at a few meetings. The pace was adjusted in reaction to the incoming macroeconomic data and in this sense was data-dependent, or state-contingent. The normalization cycle ended in February 1995, with a policy rate of 6 percent.

Financial markets generally viewed this adjustment to higher interest rates