that were generally anticipated) but, in retrospect, turned out to be suboptimal because it allowed for the continuation of speculation in housing markets and in mortgage finance. For the upcoming normalization cycle, some combination of the two—the data dependency from the 1994 case and the transparency from the 2004-06 case—would probably provide the optimal method of returning the policy rate to normal.

Endnotes
1. For related commentary, see my essays "1994," Federal Reserve Bank of St. Louis National Economic Trends,July 2004; and "The Taylor Principle and Recent FOMC Policy," Federal Reserve Bank of St. Louis Monetary Trends,September 2006. They can be found at http://www.stlouisfed.org/from-the-president/commentary. [[back to text](https://www.stlouisfed.org#1##1)]
2. See [http://research.stlouisfed.org/fred2/graph/?g=WYM](http://research.stlouisfed.org/fred2/graph/?g=wym). [[back to text](https://www.stlouisfed.org#2##2)]

- **January 16, 2015**. Presentation. "Ghosts and Forecasts," CFA Society Chicago, Distinguished Speakers Series.
Presentation (pdf) (bullard-cfa-chicago-january-16-2015-finalpdf) | Press Release.

Ghosts and Forecasts

January 16, 2015

St. Louis Fed President James Bullard evaluated FOMC forecasts for 2014 and discussed implications for monetary policy in 2015. During an event in

Chicago, he noted that the FOMC has been surprised in the same way two years in a row regarding its forecasts. He said that the nature of the surprise pulls the FOMC in two different directions on monetary policy.

St. Louis Fed's Bullard Discusses FOMC Forecasts and Implications for Monetary Policy

CHICAGO – Federal Reserve Bank of St. Louis President James Bullard discussed [“Ghosts and Forecasts”](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullard-cfa-chicago-january-16-2015-final.pdf)as part of the Distinguished Speakers Series hosted by the CFA Society of Chicago on Friday.

During his presentation, Bullard evaluated Federal Open Market Committee (FOMC) forecasts of real GDP growth, the unemployment rate and inflation for 2014. He also discussed implications for forecasts and monetary policy in 2015.

Bullard noted that, in a forecasting sense, the FOMC has been surprised in the same way two years in a row. “The surprise has been that real GDP growth has been about as expected, but labor markets have improved more rapidly than expected, while inflation has remained low,” he explained.

“The nature of this surprise pulls the Committee in two different directions on monetary policy,” Bullard said. While a better-than-expected performance of the real economy suggests a more aggressive rate policy, he noted that lower-than-expected inflation outcomes weigh on the credibility of the FOMC’s inflation target of 2 percent and suggest a less aggressive rate policy.

The Monetary Policy Assumption

Since FOMC participants’ forecasts are submitted under an assumption of appropriate monetary policy, “this aspect of the exercise clouds the meaning of these Committee forecasts,” Bullard said. “This is a long-standing problem with FOMC forecasts.”