

scenario, in which inflation does not naturally moderate. In that scenario, inflation does ultimately return to the 2% target but only because of additional monetary policy action. To prepare for this possibility, the FOMC would have to begin to taper asset purchases sooner and at a faster pace, and the Committee would need to begin to contemplate increasing the policy rate sooner.

The FOMC's recent decision to begin tapering asset purchases and, by current estimates, to end the taper by mid-2022, embeds the risk management approach. As new data arrived during 2021, the probability of the second scenario began to rise and the probability of the first scenario began to fall. Accordingly, the tapering process began sooner and is scheduled for a faster pace than many anticipated six months ago, and market probabilities of an earlier date for raising the policy rate from near zero (i.e., liftoff) have increased. This is good news because it means that monetary policy will be better positioned to respond smoothly to either of the two inflation scenarios in the year ahead.

#### *Notes and References*

1. These projections are based on the percentage change in the relevant price index from the fourth quarter of 2020 to the fourth quarter of 2021.

This blog offers commentary, analysis and data from our economists and experts. Views expressed are not necessarily those of the St. Louis Fed or Federal Reserve System.

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All other [blog-related questions](mailto:on-the-economy@stls.frb.org)

- **November 18, 2021.** Remarks. [Bullard Discusses U.S. Economy with District Business Leaders](#).

**Bullard Discusses U.S. Economy with District Business Leaders**

November 18, 2021

St. Louis Fed President Jim Bullard participated in a virtual discussion with business leaders and bankers from Seymour, Ind., and other areas of Jackson County, Ind. During the event, which was hosted by the St. Louis Fed's Louisville Branch, he addressed questions on inflationary pressures in 2021, supply chain disruptions, labor force participation, a potential housing bubble, infrastructure spending, the national debt and other topics.

Bullard meets regularly with groups in the four zones that make up the St. Louis Fed's District to share insights on the U.S. economy, as well as to gather views from Main Street. Seymour, Ind., is in the Louisville Zone.

- **November 10, 2021.** Presentation. "[Conjectures on Learning in Krusell-Smith-Type Economies](#)," 2021 Bank of Canada Annual Economic Conference, Behavioral Macroeconomics and Finance: Implications for Central Bankers.  
[Presentation \(pdf\)](#)  
[\(bullard\\_slides\\_learning\\_krusell\\_smith\\_nov\\_10\\_2021\\_169pdf\)](#).

### **Conjectures on Learning in Krusell-Smith-Type Economies**

November 10, 2021

Presented at the 2021 Bank of Canada Annual Economic Conference, Behavioral Macroeconomics and Finance: Implications for Central Bankers.

This video is from the November 10, 2021, panel discussion.

- **November 9, 2021.** Panel Discussion. [U.S. Economy and Monetary Policy](#), UBS European Conference 2021.

### **Bullard Discusses U.S. Economy and Monetary Policy during UBS Panel**

November 9, 2021

St. Louis Fed President Jim Bullard shared his views on various aspects of the U.S. economy and monetary policy during a panel discussion at the UBS European Conference 2021.