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- **May 16, 2014.** Presentation. "[A Tame Taper.](#)" Arkansas Day with the Bank Commissioner, Little Rock, Ark. [Presentation \(pdf\) \(bullard-littlerock-16-may-2014-finalpdf\)](#) | [Press Release](#) | [Related news articles.](#)

A Tame Taper

May 16, 2014

St. Louis Fed President James Bullard discussed recent themes in U.S. monetary policy during the Arkansas Day with the Commissioner event. Bullard said that the FOMC's reductions in the pace of asset purchases have proceeded smoothly so far. He also noted that while first-quarter real GDP growth was weak, forecasts for the remainder of the year are strong.

[Presentation (pdf)](<https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullard-littlerock-16-may-2014-final.pdf>) | [Press Release](<https://www.stlouisfed.org/news-releases/2014/05/16/st-louis-feds-bullard-discusses-the-feds-taper-gdp-growth>)

Related News Articles:

- [Banker positive on 2014 forecast](<http://www.arkansasonline.com/news/2014/may/17/banker-positive-on-2014-forecast-201405/>), by Jack Weatherly, Arkansas Democrat-Gazette.
- [Bullard Says Fed Closer to Goals Than Any Time in 5 Years](<http://www.bloomberg.com/news/2014-05-16/bullard-says-fed-closer-to-goals-than-any-time-in-five-years.html>), by Steve Matthews, Bloomberg.
- [Bullard: FOMC Getting Closer to Goals](http://www.bondbuyer.com/issues/123_95/bullard-fomc-getting-

closer-to-goals-1062538-1.html), by Gary Siegel, The Bond Buyer.

- [Fed's Bullard Says First Rate Increase Could Come Late in 1Q 2015](<http://blogs.wsj.com/economics/2014/05/16/feds-bullard-says-first-rate-increase-could-come-late-in-1q-2015/>), by Michael S. Derby, Dow Jones.
- [St. Louis Fed Bullard: Forecast Calls For Liftoff End of Q1 '15](<https://mninews.marketnews.com/content/st-louis-fed-bullard-forecast-calls-liftoff-end-q1-15>), by Karen Mracek, Market News International.
- [St. Louis Fed Bullard: FOMC Goals Within Sight, Justifies Taper](<https://mninews.marketnews.com/content/st-louis-fed-bullard-fomc-goals-within-sight-justifies-taper>), by Karen Mracek, Market News International.
- [Fed's economic goals 'are within sight:' Bullard](<http://www.marketwatch.com/story/feds-economic-goals-are-within-sight-bullard-2014-05-16>), by Greg Robb, MarketWatch.
- [Fed's Bullard says inflation, job goals 'within sight'](<http://www.reuters.com/article/2014/05/16/us-usa-fed-bullard-idUSBREA4F0I520140516>), by Howard Schneider, Reuters.
- [Fed's Bullard says recent U.S. data 'encouraging'](<http://www.foxbusiness.com/economy-policy/2014/05/16/fed-bullard-says-recent-us-data-encouraging/>), by Howard Schneider, Reuters.
- [Fed's Bullard sees U.S. inflation picking up](<http://www.reuters.com/article/2014/05/16/us-usa-fed-bullard-inflation-idUSBREA4F0JG20140516>), by Howard Schneider, Reuters.
- [St. Louis Fed's Bullard reports glass is half full](<http://www.bizjournals.com/stlouis/blog/2014/05/st-louis-fed-s-bullard-reports-glass-is-half-full.html>), by Greg Edwards, St. Louis Business Journal.

St. Louis Fed's Bullard Discusses the Fed's Taper, GDP Growth

LITTLE ROCK, Ark. – Federal Reserve Bank of St. Louis President James Bullard discussed [“A Tame Taper”](<https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/bullard-littlerock-16-may-2014-final.pdf>) at the Arkansas Day with the Commissioner event hosted by the Arkansas Bankers Association on Friday.

During his presentation, Bullard addressed several recent themes in U.S. monetary policy. First, he noted that the impact of the Federal Open Market Committee's (FOMC's) taper this year has been tame compared with the "taper tantrum" last summer. "The FOMC's reductions in the pace of asset purchases have proceeded smoothly so far," Bullard said. He also discussed the weak U.S. GDP growth at the beginning of this year. "First-quarter real GDP growth was weak, but forecasts for the remainder of the year are strong," he said. Regarding inflation and unemployment, Bullard noted, "The FOMC is much closer to its policy goals than it has been in the past five years." He added that inflation has stabilized at a low level.

The Fed's Taper

Bullard noted that the FOMC took no explicit policy action at the June 2013 meeting, yet triggered a significant movement in global financial markets. During last summer's taper tantrum, longer-term U.S. interest rates increased, emerging-market currencies depreciated against the U.S. dollar, capital flowed to the U.S. and emerging-market stock indexes declined.

"The taper tantrum during the summer of 2013 was based on perceptions of Fed actions," Bullard said, adding that the actual decision to begin tapering did not occur until December 2013. Since then, the FOMC has reduced its pace of asset purchases four times by \$10 billion each time. "Yet the effects on global financial markets have been much less striking," he noted.

He discussed how to interpret the two different responses. "One interpretation is that as of June 2013, it was premature to argue that the U.S. economy was strong enough to pull back on asset purchases," Bullard said. "As of December 2013, better growth and employment data justified the taper decision."

First-Quarter GDP Growth

Turning to first-quarter data for 2014, the reported annualized growth rate of U.S. real GDP was close to zero. Bullard noted that some tracking estimates are calling for an even lower reading once revised data are taken

into account. “The weak first-quarter performance has been widely attributed to particularly cold and snowy winter weather,” he said.

“While first-quarter GDP growth was weak, growth in coming quarters is still predicted to be robust,” Bullard said. “The average quarterly pace of growth in 2014 may still be an improvement relative to 2013,” he added. The average quarterly pace of growth in 2013 was 2.6 percent.

Monetary Policy Goals

Bullard noted that over the past five years U.S. unemployment has been high and inflation has remained relatively low, and that this situation has led to an extraordinary monetary policy response. “But today, Fed goals are within sight. This helps to justify the FOMC’s tapering of asset purchases,” he said.

To measure the distance of the economy from the FOMC’s goals, Bullard used a simple objective function, which depends on the distance of inflation from the FOMC’s long-run target and on the distance of the unemployment rate from its long-run average. This version puts equal weight on inflation and unemployment and is sometimes used to evaluate various policy options, Bullard noted.

In his calculations, the target rate of inflation was set at 2 percent, the FOMC’s inflation target. The long-run average rate of unemployment was set at 5.4 percent, the midpoint of the central tendency of the FOMC’s Summary of Economic Projections. “The objective function value is closer to the FOMC’s goals than it has been about 60 percent of the time since 1960,” Bullard said.

He then addressed the question of why monetary policy is so far from normal if the Fed is relatively close to its objectives. “Labor markets do not seem to be fully recovered,” Bullard said. In addition, “Inflation remains low.”

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- **May 8, 2014.** [Welcoming Remarks](#). Given at the *Research Symposium: The Balance Sheets of Younger Americans*, Federal Reserve Bank of St. Louis. [Remarks \(pdf\) \(welcoming_remarks_symposium_8_may_2014_finalpdf\)](#).

Welcoming Remarks given at the Research Symposium: The Balance Sheets of Younger Americans

May 8, 2014

President James Bullard delivered welcoming remarks at the 2nd annual balance sheet research symposium sponsored by the St. Louis Fed's Center for Household Financial Stability. The symposium focused on better understanding the balance sheets of younger Americans and drawing out the implications of the research presented for future research, community development and public policy.

Full text of remarks:

Welcoming remarks by President James Bullard Research Symposium: The Balance Sheets of Younger Americans Federal Reserve Bank of St. Louis—The Center for Household Financial Stability May 8-9, 2014

Welcome, and thank you for joining us for the 2nd annual balance sheet research symposium sponsored by the Center for Household Financial Stability, which the St. Louis Fed launched in May of last year.

The center is pleased to co-sponsor today's event with our Research department, where I got my start here at the St. Louis Fed, as well as with the center's partner, the Center for Social Development at Washington University. The Washington University center will offer its own welcome just before the dinner reception at 5:00.

As most of you know, our Center for Household Financial Stability is researching family balance sheets with the aim of strengthening both