

Route for Monetary Policy?, Banque de France and CEPR, Paris, France.

October 24, 2019

Presented at the South African Reserve Bank Biennial Conference, Pretoria, South Africa.

July 8, 2019

Presented at Modelling the Macroeconomy in Risky Times, National Institute of Economic and Social Research, St. Louis, Mo. (This presentation is titled "Classic Policy Benchmarks for Heterogeneous-Agent Economies.")

June 22, 2019

Presented at Expectations in Dynamic Macroeconomic Models 2019, Barcelona GSE and MOVE (Markets, Organizations and Votes in Economics), Barcelona, Spain. (This presentation is titled "Classic Policy Benchmarks for Heterogeneous-Agent Economies.")

May 22, 2019

Presented at Monetary Policy and Heterogeneity Conference, Hong Kong Monetary Authority and Federal Reserve Bank of New York, Hong Kong, China. (This presentation is titled "Classic Policy Benchmarks for Heterogeneous Agent Economies.")

- **February 25, 2021.** Presentation. "[The Waning Pandemic and the U.S. Economy](#)," Economic Forecasting Conference Webinar, Economic Forecasting Center, Georgia State University. [Presentation \(pdf\) \(bullard_ga_state_25_february_2021pdf\)](#) | [Press Release](#).

The Waning Pandemic and the U.S. Economy

February 25, 2021

[Presentation (pdf)](<https://www.stlouisfed.org/>-

/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard_ga_state_25_february_2021.pdf)| [Press Release](<https://www.stlouisfed.org/news-releases/2021/02/25/bullard-discusses-waning-pandemic-and-economy>)

During a virtual presentation for Georgia State University's Economic Forecasting Center, St. Louis Fed President James Bullard said that the COVID-19 pandemic's intensity has moderated in the U.S. and Europe in recent weeks, and ongoing vaccinations suggest the health crisis will wane in the months ahead.

He said that U.S. monetary and fiscal policies during the crisis continue to be exceptionally effective in mitigating macroeconomic damage. He noted that forecasts suggest very strong U.S. real GDP growth for 2021. But he cautioned that downside risk remains, and continued execution of a granular, risk-based health policy will be critical to maintain economic momentum.

St. Louis Fed's Bullard Discusses the Waning Pandemic and the U.S. Economy

ST. LOUIS –Federal Reserve Bank of St. Louis President James Bullard presented “[The Waning Pandemic and the U.S. Economy](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2021/bullard_ga_state_25_february_2021.pdf)” via webinar for Georgia State University's Economic Forecasting Center on Thursday.

During his presentation, Bullard said the COVID-19 pandemic's intensity has moderated in the U.S. and Europe, and ongoing vaccination programs suggest the health crisis will wane in the months ahead.

In addition, he said that U.S. monetary and fiscal policies continue to be exceptionally effective in mitigating macroeconomic damage. He noted that macroeconomic forecasts suggest very strong U.S. real GDP growth for 2021. “Downside risk remains, and continued execution of a granular, risk-based

health policy will be critical to maintain economic momentum,” he said.

Health Crisis Is Expected to Wane

Bullard noted that daily fatalities per 100,000 population have fallen in recent weeks in both Europe and the U.S. He added that East Asia and Pacific countries continue to report daily fatalities per 100,000 population that are an order of magnitude lower than those in the U.S. and Europe.

He remarked that vaccine distribution is being directed toward those most vulnerable to COVID-19, suggesting fatalities will decline further in the months ahead even before the pandemic comes under more complete control. However, he said, “Virus mutation that renders current vaccines ineffective poses a tangible risk to this scenario.”

Effective Monetary and Fiscal Policies

Bullard said that U.S. monetary and fiscal policies have been exceptionally effective during the crisis. Monetary policy included lowering the policy rate to the effective lower bound and providing liquidity to financial markets through a variety of programs supported by the U.S. Treasury, he noted.

“The backstop programs stemmed an incipient financial crisis during March and April 2020, to the point where current levels of financial stress are at pre-pandemic levels,” he said.

Bullard noted that the nature of the response to the pandemic involved asking some workers in “high physical contact” jobs to stay home to invest in national health. Therefore, the goal of fiscal policy has been to insure these disrupted households by borrowing funds on international markets and using the funds to replace disrupted household incomes, he explained, adding that he has called this the “keep households whole” policy.

“This policy has been so successful that personal income in 2020 was actually higher than it would have been if the economy had simply remained on the 2019 trend line,” he said.

Bullard pointed out that the households receiving federal transfers like stimulus checks often saved much of it. “This was a rational and prudent

response, as households were naturally unsure how long the health crisis would last and whether Congress would appropriate more funds,” he said.

The arrival of vaccines has meant that the probability of the health crisis ending in coming months is rising dramatically, he added. “This suggests households will be less inclined to save going forward and more inclined instead to spend any federal transfers, leading many forecasters to predict very rapid U.S. real GDP growth in 2021,” he said.

U.S. Labor Market

Bullard said employment has rebounded more rapidly than expected, supporting the idea that many layoffs were temporary as firms adjusted to the pandemic. “Recent labor market reports have been softer but are likely to be more robust going forward as the pandemic wanes,” he said.

A back-of-the-envelope calculation suggests that there is room for further decline in the official unemployment rate in the months ahead, Bullard said. He also noted that the Federal Open Markets Committee’s (FOMC’s) most recent Summary of Economic Projections has unemployment falling to 5% by the fourth quarter.

Bullard then discussed broader measures of labor market performance, which take all aspects into account. He looked at the Kansas City Fed Labor Market Conditions Indicators—the level of activity index and the associated momentum index. “These two indicators together suggest that today’s labor market conditions are markedly better than those following the 2007-09 recession,” he said.

Inflation Expectations Recovering Toward Inflation Target

Bullard noted that market-based inflation expectations have recovered from lows reached in March 2020. He said TIPS-based breakeven inflation could move considerably higher and still be consistent with an inflation outcome (based on the personal consumption expenditures price index) modestly above the Fed’s 2% inflation target.

“This would be a welcome development for the FOMC, as inflation has generally been below target for many years,” Bullard said.

Longer-Term Interest Rates Rising

Bullard then discussed the increasing 10-year U.S. Treasury yield. He noted that the rising probability of an end to the health crisis is strengthening the prospects for U.S. real GDP growth. He also explained that the FOMC's new monetary policy framework means that the FOMC will not be as pre-emptive as in the past in attempting to quell incipient inflation pressures.

"With growth prospects improving and inflation expectations rising, the concordant rise in the 10-year Treasury yield is appropriate," Bullard said, adding that the increases so far have not returned the 10-year yield to pre-pandemic levels.

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- **February 9, 2021.** Presentation. "[Classic Policy Benchmarks for Economies with Substantial Inequality](#)," National Institute of Economic and Social Research, The Dow Lecture. [Presentation \(pdf\) \(bullard_dicecio_slides_dow_lecture_feb_9_2021pdf\)](#).

Classic Policy Benchmarks for Economies with Substantial Inequality

November 22, 2022

Presented during a policy panel at the XXV Annual Conference of the Central Bank of Chile, Heterogeneity in Macroeconomics: Implications for Monetary Policy.

[Watch the November 22, 2022, presentation and panel discussion](<https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2022/policy-panel-central-bank-chile-conference>).

October 15, 2021