Fed Unfiltered, Transcript (Partial)
10/19/22 – James Bullard, Interview: Bloomberg TV

Partial transcript of the 27:50 Bloomberg TV interview.

Interviewer questions have not been transcribed - comments below are James Bullard's only.

James Bullard
(regarding rate hikes) "Well, I do think they will have an impact and in some ways have had an impact. I would cite the housing market in particular where it appears that an increase in rates has really changed the dynamics there, so that's someplace that I would say that there are not long and variable lags. That market anticipated Fed moves, before they were even in train this spring. That's a place where we see impact right away. But you know, it's a big ship and it takes a while to steer the ship, and the housing market is not the whole economy so."

"Yeah, but we're aware of the lags in the (rent) calculation and so we'll take that on board and take a look at that but the core measure of PCE inflation is still the high fours. The Dallas Fed trimmed mean is 4.75 or so, pretty high inflation in the U.S. even if you try to trim out some of the more volatile components. So, we're gonna have to get that turned around and moving in the right direction back toward 2 percent."

"Well, if you look at the September Summary of Economic Projections, the so-called dot plot it did seem like the committee was coalescing around further rate increases at upcoming meetings, even by the end of the year. So that seems to be the base case right now. Most of that has been priced into the markets. So, I would anticipate that that's having an impact right now, so that's good news if you're trying to get inflation down. But we'll have to follow through on that in the subsequent meetings this year and get the policy rate up to a level where we can put meaningful downward pressure on inflation. I think that's the main goal immediately ahead of us at the committee."

"The November meeting has been more or less priced into the market at the 75 basis point number … the December meeting is a little farther away, we'll have more data at that point. I don't want to prejudge exactly what I'd support at that meeting. And then in 2023, I think we'll be closer to the point where we can run what I would call ordinary monetary policy or a monetary policy where now you're at the right level of the policy rate and you're putting downward pressure on inflation, but you can adjust as the data comes in."

"I think there's a possibility of a good dynamic in 2023. Let's cross our fingers that we get it. I think that if inflation does start to decline meaningfully, we can stay where we are at this higher level of the policy rate that meets the committee's criteria and at that point, if we could watch inflation fall and get back to 2 percent, that would be a very good dynamic, I think."

"Inflation expectations are looking good right now, at least based on TIPS markets. They've come down below 3 percent for the five year and five year forward. Those are good numbers considering the headline number is at 8 percent. I think we do have the right expectations in markets and the right policy place. We're going to the right level of the policy rate and I think we can get this dynamic to work."

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"The unemployment rate is at three and a half percent. Most people would have the natural rate of unemployment somewhere in the four percent range, let's say 4.5 percent. If unemployment just reverts to mean and goes to 4.5 percent, that would just be mean reversion in the labor market. You wouldn't expect the labor market to be at stellar levels, which is where it is compared to the post war experience. So, you'd expect it to revert."