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St. Louis Fed President James Bullard has moved decisively and vocally from the dove to hawk camp over the past year, and is now predicting a rate hike in the first quarter of next year — in contrast to Fed Chair Janet Yellen, who still does not appear to see one coming before the middle of the year. The economy, Bullard said, was “way ahead of schedule for labor-market improvement.” But it’s not just the unemployment picture that’s changed dramatically over the past half-year; the inflation picture has as well.

Today’s Geo-Graphic updates one we did in March, comparing the level of unemployment and inflation today with the levels they were at at the start of previous rate-hiking cycles going back to 1994. In March, unemployment was at the top of this range, but inflation was well below where it was in ’94, ’97, ’99, and ’04. The picture is very different today, with the Fed’s preferred measure of inflation, PCE, having risen to 1.6% from 1% back in February. All other major measures are also well up. Moreover, three of these measures are now above where they were when the Fed started tightening in ’99. The Fed funds rate, however, is way below where it was at the beginning of previous rate-tightening cycles. This suggests that Bullard is right to be asking whether the Fed is at risk of “get[ting] behind the curve” if it doesn’t adjust its tightening timetable.

FiveThirtyEight: Inflation Isn’t Rising Yet, But The Fed is Watching Closely

Economist: A Tight Spot for America’s Recovery

Financial Times: US Recovery Rouses Inflation Concerns

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Read about Benn’s latest award-winning book, The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order, which the Financial Times has called “a triumph of economic and diplomatic history.”

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