

past year or so. “But we have a lot of inflation in the U.S. economy, more than we’ve had since the early 1980s,” he said. “And so I think it’s appropriate to put the policy rate at a higher level so we can try to get the inflation problem behind us sooner and get back to the 2% inflation environment that we enjoyed earlier.”

While the U.S. economy always faces risks, Bullard said that a recession is not his base case. “I think the base case is slow growth, probably a somewhat softer labor market and declining inflation,” he said. He also noted that the May 5 jobs report was stronger than expected again and that the U.S. has a very tight labor market, which will take a while to cool off.

He also discussed the recent stresses in the banking sector, the role of Federal Reserve banks in supervising banks compared with the role of the Board of Governors, the composition of Reserve bank boards of directors, and his view on central bank digital currencies.

- **April 11, 2023.** President's Message. "[Trade and Globalization since the 1980s](#)," Federal Reserve Bank of St. Louis *Annual Report 2022*.

Annual Report 2022: Trade and Globalization since the 1980s

James Bullard is the president and CEO of the Federal Reserve Bank of St. Louis.

Recent events, such as pandemic-related international supply chain issues, have put a spotlight on global trade. Yet, economists have studied trade for a long time, as it is one of the many important factors driving long-run economic growth.

Trade is generally associated with efficiency gains and higher productivity, and historically, world economic growth has benefited from increasing trade and globalization. However, globalization has been called into question to some extent in recent years, resulting in a reassessment of the general move toward greater integration.

Trend toward Globalization in Recent Decades

A trend to dismantle post-World War II restrictions to trade gained momentum in the 1980s and 1990s. U.S. corporations had performed well in the postwar era up to that point. Expanding access to the world's population seemed like the next step for some of these corporations and was an impetus for reducing trade barriers. As a result, we saw the rise of global brands during that period.

A continued reduction in trade barriers around the world also led to the North American Free Trade Agreement (NAFTA), more countries joining a European common market and China joining the World Trade Organization (WTO), to name a few key developments in global trade during the past several decades. Throughout this period, however, there was always the undercurrent of whether reducing trade barriers was the best strategy, which eventually led to backlash over shipping jobs overseas. Despite such criticism, the typical consumer has benefited from increased trade by being able to purchase cheaper and more diverse goods.

Globalization has also been an aid to lower inflation in recent decades. Former Fed Chairman Alan Greenspan, for instance, argued that the end of the Cold War as well as the increase in trade with China and India brought a significant amount of additional labor to world markets, which helped keep inflation low. British economist Charles Goodhart argued that those effects will reverse in the decades ahead, however. Of course, even though we have much more openness across the world in terms of international capital movements and trade, keeping inflation low and stable remains a domestic monetary policy objective and not something that we coordinate with other central banks.

A Reassessment of Globalization

In recent years, world public health and national security concerns have reinvigorated the debate focused on partly reversing globalization and keeping some production closer to home, as the future world might not be as war- or disease-free.

For instance, the pandemic prompted many American businesses to better diversify their supply chains to reduce vulnerability to major disruptions in certain materials or locations. In addition, we've seen businesses switch to

“just in case”—rather than “just in time”—inventory.

While the post-World War II era of globalization has hit some stumbles, trillions of dollars of goods and services are still traded every day. The global economy continues to grow over time, technology keeps advancing, and people’s ability to move goods and services around the world is constantly improving. Over the coming decades, we may see more integration of the global economy, regardless of the recent reassessment.

For an in-depth discussion of these and other considerations related to globalization, I invite you to read the main essay of our 2022 annual report, “[The Shifting Tides of Global Trade]” (/annual-report/2022/shifting-tides-global-trade) written by economists in our Research Division.

James Bullard

Endnotes

1. See [Greenspan’s testimony on Nov. 3, 2005](https://www.federalreserve.gov/boarddocs/testimony/2005/20051103/default.htm)
 2. For example, see Charles Goodhart and Manoj Pradhan’s “[Demographics will reverse three multi-decade global trends (PDF)]”(https://www.bis.org/publ/work656.pdf)
- **April 6, 2023.** Presentation. "[Financial Stress and the Economy](#)," Arkansas Bankers Association’s 133rd Annual Convention, Day with the Commissioner, Little Rock, Ark. [Presentation \(PDF\) \(bullard-ark-day-with-the-commissioner-06-apr-2023pdfsc_langenhash5e790898ede51dcf733cc49d53a29ade\)](#) | [Press Release](#).

Bullard Speaks about Financial Stress and the Economy

April 6, 2023