

Economics

Fed May Need to Consider Faster Taper, Officials Say

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► [Clarida says economy in ‘strong position,’ will consider data](#)

► [‘Policy may need to pivot to a faster taper,’ Waller says](#)

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The Federal Reserve may need to consider speeding up the reduction in its bond-buying program amid strong economic growth and rising inflation, two members of the central bank’s board said on Friday.

“I’ll be looking closely at the data that we get between now and the December meeting” of policy makers, Fed Vice Chairman Richard Clarida said. “It may well be appropriate at that meeting to have a discussion about increasing the pace at which we are reducing” our asset purchases.

His comments came on the heels of remarks by Fed Governor Christopher Waller that the U.S. central bank may have to quicken the wind-down of its asset purchases and pivot off near-zero

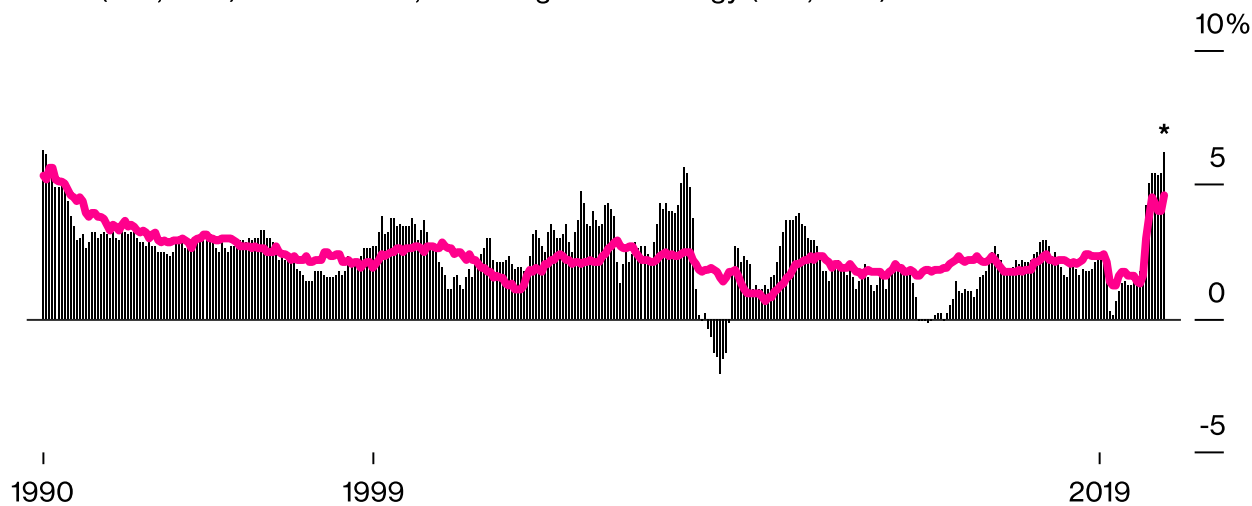
interest rates in light of the surge in inflation.

Price Pressures Run Hot

U.S. October headline inflation increased by the most since 1990 on annual basis

CPI (YoY, NSA)

Core CPI, excluding food & energy (YoY, NSA)



* Headline est. = 5.9% Core est. = 4.3%

Source: Bureau of Labor Statistics, Bloomberg survey

The Federal Open Market Committee announced earlier this month it would start slowing its \$120 billion of monthly asset purchases at a pace that puts it on track to finish the process by mid-2022. But it left itself the option of altering the pace of the taper in response to changing economic conditions. The FOMC next meets on Dec. 14-15.

Key parts of the yield curve for Treasury securities flattened to the tightest levels of the day after Clarida and Waller's remarks.

Clarida told a San Francisco Federal Reserve Bank conference that the U.S. economy is in a "very strong position."

"There is upside risk to inflation," Clarida said.

Consumer prices skyrocketed by 6.2% in October from a year earlier, led by cars, food, gasoline, electricity and fuel oil. The personal consumption expenditures price index, the Fed's favored inflation gauge, rose at a year-on-year rate of 4.4% in September, the most since 1991 and well above the central bank's 2% target.

[Read more: Inflation in U.S. Builds With Biggest Gain in Prices Since 1990](#)

Waller said in New York at an event sponsored by the Center for Financial Stability that the rapid improvement in the labor market and deteriorating inflation data “have pushed me towards favoring a faster pace of tapering and a more rapid removal of accommodation in 2022.”

“I believe that policy may need to pivot to a faster taper based on incoming data that I will be monitoring,” he added.

Waller’s comments echoed those made earlier in the week by St. Louis Fed President James Bullard. Waller worked with Bullard at the St. Louis Fed before joining the central bank’s board in December 2020 to fill an unexpired term ending in January 2030.

Other Fed officials have been in no hurry to speed up the taper. Richmond Fed President Thomas Barkin said Monday the central bank can be “patient” in assessing the taper and “it’s very helpful for us to have a few more months to evaluate.” Minneapolis Fed President Neel Kashkari on Monday said, “We shouldn’t overreact to what is likely going to be a temporary factor.”

Waller is an appointee of former President Donald Trump and one of the few governors who will remain as the board turns over, with four of seven seats in play. Randal Quarles, the vice chair of supervision, has said he will leave the Fed by the end of the year, and Clarida’s term as board member expires at the end of January.

The challenge of adjusting monetary policy amid high inflation and a still-incomplete jobs recovery will be key for whoever President Joe Biden names as the next Fed chief.

The president is considering Chair Jerome Powell for another four-year term when his current one expires in February. Biden has also interviewed Fed Governor Lael Brainard for the top job. There is also an empty seat to fill on the board.

The White House will have more to report about the vacancies “early next week,” Press Secretary Jen Psaki said at a briefing Friday.