

SYMPOSIUM



For nearly 20 years, the Federal Reserve Bank of Kansas City has sponsored what is now recognized as one of the most significant annual economic policy conferences in the world. The Bank's annual symposium at Jackson Hole, Wyoming, brings together central bankers and other government officials, top academic economists, and representatives from U.S. and world financial markets. More than 100 officials and experts typically have gathered each year to examine a significant economic policy issue of the time, share research and experience, and seek to contribute both to the public debate and to public understanding.

From its beginning in 1978 when the symposium focused on potential growth in world agricultural trade, conferees have examined such topics as monetary policy issues, changing capital markets, financial market volatility, the emerging market economies of Central and Eastern Europe, and government deficits and debt.

* * *

The Bank's 1996 symposium brought together a distinguished group of experts to discuss the issue of "Achieving Price Stability." This issue was particularly timely and important to central bankers concerned about designing strategies to meet what many consider the only appropriate long-run goal of monetary policy — low or zero inflation.

Distinguished speakers included Alan Greenspan, chairman of the Board of Governors of the Federal Reserve System; Stanley Fischer, first deputy managing director of the International Monetary Fund; Lawrence Summers, deputy secretary of the U.S. Treasury; Rudiger Dornbusch, a professor at the Massachusetts Institute of Technology; Bennett McCallum, a professor at Carnegie-Mellon University; John Taylor, a professor at Stanford University; Lars Svensson, a professor at Stockholm University's Institute for International Economic Studies; Martin Feldstein, president of the National Bureau of Economic Research; and the following central bank governors: Donald Brash of New Zealand, Jacob Frenkel of Israel, Josef Tosovsky of the Czech Republic, Jean-Claude Trichet of France, and Gordon Thiessen of Canada.

Also on the program: Otmar Issing, a board member of the Deutsche Bundesbank; Andrew Crockett, general manager of the Bank for International Settlements; Donald Kohn, director of monetary affairs for the Board of Governors of the Federal Reserve System; Mervyn King, chief economist and executive director of the Bank of England; Charles Freedman, deputy governor of the Bank of Canada; David Mullins, Jr., a principal in Long-Term Capital Management, L.P.; and Domingo Cavallo, former finance minister of the Republic of Argentina.



Chairman Greenspan opened the 1996 symposium, as he has in recent years, with welcoming remarks that set the stage for discussions. He offered what he called “an operating definition of price stability: Price stability obtains when economic agents no longer take account of the prospective change in the general price level in their economic decisionmaking.”

The fact that central banks throughout the world are moving to adopt long-run price stability as their primary goal helped provide the impetus for the conference. With inflation in many countries still running above desirable rates, a key topic was how best to reduce inflation. After considering conceptual issues, speakers who have been successful in reducing inflation in their countries related their experiences. While their approaches differed, each had achieved dramatic results.

Some speakers advocated explicit inflation targets; others would use monetary aggregates as intermediate targets; still others favored legislative mandates or institutional changes such as the formation of a currency board.

While a variety of strategies for achieving price stability were proposed, one common thread emerged. All the strategies allowed monetary policy some capacity to accommodate shocks while still pursuing or maintaining long-run price stability. Many participants agreed

that the greater a central bank’s credibility, the more flexibility it will have when it needs to adjust policy.

It was particularly appropriate that the 1996 symposium focus on monetary policy in view of the Federal Reserve’s outstanding record in helping keep inflation at or below 3 percent for five consecutive years, while at the same time allowing the economy to expand at a solid, but sustainable, rate.

* * *

At the close of the symposium, Andrew Crockett, a former executive director of the Bank of England, spoke of the unique “bonding experience” the conference has become for central bankers. He attributed that, “first and foremost, to the foresight with which the Kansas City Fed has selected fascinating subjects to discuss

and the wide range of experience of the participants.” He saved his final word for Thomas E. Davis, senior vice president and director of research, who retired at the end of January 1997. “Lastly, and especially, we know this is the last occasion Tom Davis will be here in his present capacity . . . and I would like particularly to say ‘thank you’ to Tom Davis for everything he has done over the years for creating and developing this conference.”



Chairman Alan Greenspan and Kansas City Fed President Tom Hoenig presented Senior Vice President Tom Davis (center) with a plaque marking his contributions to the symposium over nearly 20 years. Mr. Davis, who has also been director of economic research, retired February 1, 1997.