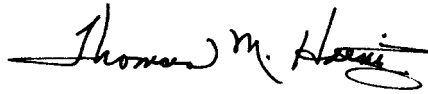


Foreword

For some time, the use of monetary and fiscal policies to smooth business cycle fluctuations has taken a back seat to longer-term objectives of restoring price stability and fiscal balance. Many policymakers and academic economists have held the view that fiscal policy had little or no short-run stabilization role and that monetary policy should give priority to maintaining price stability. More recently, however, weaker economic performance in some of the world's economies, most notably in Japan and the United States, has led to renewed interest in the use of short-run stabilization policy.

The Federal Reserve Bank of Kansas City sponsored a symposium, "Rethinking Stabilization Policy," at Jackson Hole, Wyoming, on August 29-31, 2002. The symposium brought together a distinguished group of central bank officials, academic economists, and business economists to discuss the potential scope for stabilization policy in today's new environment. Our goal for this symposium was straightforward, although hardly simple. It was to provide a forum to discuss the roles of monetary and fiscal stabilization policies, their effectiveness, and their limitations. And finally, so as not to lose sight of a consensus from earlier meetings, we analyzed these stabilization policies' compatibility with long-run price stability and fiscal sustainability, which are critical to the success of any economy—industrial or emerging.

Over the years, we believe the symposium has been valuable in illuminating key policy issues and in identifying solutions to complex problems facing policymakers around the world. Its success is due to the important contributions made by participants and by the efforts of the staff of the Federal Reserve Bank of Kansas City. We appreciate the efforts of all those who took part in the symposium, including authors, discussants, panelists, and audience members. Special thanks go to Craig Hakkio, Gordon Sellon, and other members of the Bank's Research Division who helped develop the program.

A handwritten signature in black ink, reading "Thomas M. Hoenig". The signature is fluid and cursive, with a prominent loop at the end of the last name.

Thomas M. Hoenig
President
Federal Reserve Bank of Kansas City