In *Late August*

The Federal Reserve Bank *of* Kansas City's
Jackson Hole Economic Policy Symposium

Library of Congress image det 4a32167, photo by William Henry Jackson (circa 1892).

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THE FEDERAL RESERVE BANK *of* KANSAS CITY'S
JACKSON HOLE ECONOMIC POLICY SYMPOSIUM

In Late August

The Federal Reserve Bank *of* Kansas City's Jackson Hole Economic Policy Symposium

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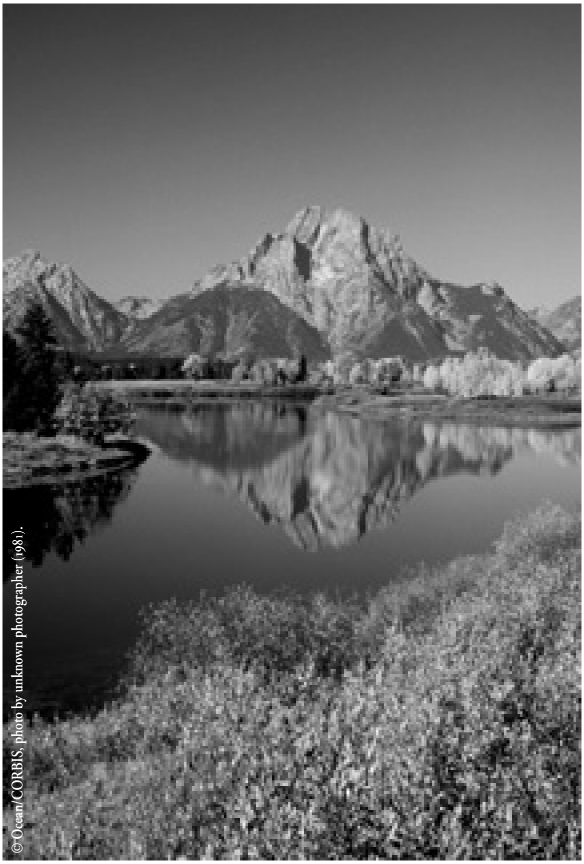


Each year, participants from across the globe gather in Jackson Hole, Wyo., to discuss important policy issues of mutual interest. The area is one of America's most beautiful national parks, and is located in the Tenth Federal Reserve District, which is served by the Federal Reserve Bank of Kansas City.

Introduction

For more than three decades, the Federal Reserve Bank of Kansas City has hosted the annual Economic Policy Symposium in Jackson Hole, Wyo. It is an honor for our Reserve Bank to be involved in organizing and facilitating a forum that brings together central bankers, private market participants, academics, policymakers and others to discuss the issues and challenges we hold in common.

Removed from the day-to-day political and market pressures, this event takes place each year within the Kansas City Fed's region. This site, which allows attendees to step back and challenge their assumptions, is a key component of the Symposium's success.

My predecessors, former Kansas City Fed presidents Roger Guffey and Tom Hoenig, contributed importantly to the Symposium's reputation, yet understood, as I do, that the Symposium's continued success is not the result of any single person or institution. We depend on a worldwide network of experts to plan each year's event and to ensure the discussions that happen here remain candid and relevant. The Symposium's reputation of excellence is due to the efforts of past participants, speakers and many others who have recognized an event like this cannot take place without widespread collaboration and input.

Each year, we publish the results of this work in the form of proceedings on our website at *www.KansasCityFed.org.* There, you can find the papers, commentaries and discussions from past Symposiums, as well as more information about the event and its history.

This short history of the Symposium, which was first published in 2011 to mark the 35th symposium, details the efforts of those who have been involved in various roles, but it would be impossible to highlight the work of everyone who has contributed in a meaningful way. It is my hope that this volume provides a glimpse into how a diverse and dedicated group of people has helped make the Symposium what it is today. We are sincerely grateful for their dedication, ideas and efforts through the years.

In the following pages, you will find stories about these individuals and the place where they gather annually in late August.

Esther L George

Esther L. George,
President and CEO,
Federal Reserve Bank of Kansas City

The town square of Jackson, Wyo., is framed by one of four massive arches constructed of elk antlers. The U.S. Fish and Wildlife Service administers the National Elk Refuge nearby.

"Monetary Policy Issues in the 1980s"

August 1982 • Grand Teton National Park, Wyoming

> *"We had a conference ... in late August, always in Jackson Lake Lodge."*
>
> *-Roger Guffey*[1], President, Federal Reserve Bank *of* Kansas City, 1976-91

There's a small but very sharp bite in the air early on many August mornings in the Grand Tetons of northwestern Wyoming.

It isn't just a hint of autumn. It is something more—a promise that winter will follow soon and that it will be tough here. Go to the town square in Jackson, Wyo., to admire the four massive arches built from elk antlers on display and you'll see streets lined with four-wheel-drive vehicles, many topped with ski racks or fronted by snow blades. Here, the winter changes how you live.

Washington, D.C., in the summer is hot.

It's exactly what you'd expect for a city built along a river swamp in the south—not just the usual summer heat, but something that engulfs you. The mercury may go higher in other parts of the United States, but few places are more uncomfortable than Washington in the summer when the humidity tests 90 percent and the sun beats down. And then it does the same thing tomorrow. And then the day after that. There is no relief in the breeze here. When the wind blows, it almost always comes hot and from the south. Here, the summer manhandles you.

In the summer of 1982, perhaps no one was battling more Washington heat than Federal Reserve Chairman Paul Volcker. A trip to the cool air of Wyoming that August had to offer the promise of some relief.

1. Interview with author, Aug. 28, 2008.

Three years earlier, under Volcker's leadership, the Federal Open Market Committee announced that it would no longer implement monetary policy by targeting the federal funds rate, but would instead fight mounting inflation in the economy by concentrating on the money supply, leaving the markets to determine interest rates. As a result, in 1981 the federal funds rate touched a record high of 20 percent while inflation moved above 13 percent.

This solution to the inflation problem was putting the economy into a recession, where Americans faced not only historically high borrowing costs and rising prices, but also double-digit unemployment rates. To no surprise, this battle against inflation left the Fed chairman fighting critics from all sides, including a president who had won the 1980 election in part on public dissatisfaction with how the economy had performed under his predecessor and a Congress that was weary of hearing from angry constituents.

Under the leadership of then-Federal Reserve Chairman Paul Volcker, the FOMC took tough measures to successfully tame inflation.

But if Volcker came to Wyoming in search of respite, either through a chance for a little of his beloved fly fishing or to enjoy the cool morning breeze at the Jackson Lake Lodge, he would find precious little relief at the symposium.

This was not a vacation.

• • •

Economists, by nature or nurture, are like living and breathing versions of the Picasso paintings that show both sides of a solitary image. So well-known is their use of the phrase "on one hand … but on the other hand," that President Harry Truman once famously asked for a one-armed economist to provide him with economic counsel.

Put nearly 100 well-known economists in a room at a difficult and controversial period for the economy, make the topic "Monetary Policy Issues in the 1980s," and they will have much to say.

"Reflecting the reward structure in academia and sincere disagreements over the conduct of monetary policy, criticisms of Fed actions are in ample supply," Penn State University Economics Professor Raymond E. Lombra told symposium attendees.[2] "More generally, there is little doubt that academic economists and monetary policymakers are frequently disappointed with one another."

Lombra's comment came after a presentation by Edward J. Kane, an economist who was then at The Ohio State University, that included some especially strong comments about the Fed and, more directly, about Volcker's leadership.

"Depending on which economic indices one emphasizes and how one takes into account other potentially relevant developments, the (October 1979) change in FOMC policy framework can be portrayed as spectacularly successful, relatively unimportant or absolutely disastrous in its effects," Kane said.

In Kane's view, it was the third option. The move had been a mistake.

He then listed for symposium attendees the five macroeconomic developments that had occurred since the change in Fed procedure:

1. Higher interest rates and growth in substitutes for traditional forms of money;
2. Generally slower growth rates in the monetary base, M1, and real GNP;
3. An increase in the volatility of interest rates and in the growth rates of monetary aggregates and GNP;
4. Higher unemployment, bankruptcy and foreclosure rates; and
5. A substantial reduction in the average rates of inflation.

He followed the list by saying that attributing these developments to the FOMC's new policymaking framework "is to commit the logical fallacy of post hoc, ergo proper hoc. All good economists know better than to fall into this trap …"

His conclusion: "… (C)hanges in FOMC procedures cannot be the ultimate cause of anything."

The major transition that the Volcker-led FOMC had made to monetary policy was instead "best viewed as administrative response [sic] to changes in economic and political pressures felt by Fed officials."[3]

Kane's paper, which included reprints of advertisements produced by a financial institution that were extremely critical of the Fed, went on to focus on

2. *All symposium quotes, unless attributed otherwise, come from proceedings volumes published by the Federal Reserve Bank of Kansas City and available online at: http://www.kansascityfed.org/publications/research/escp/archive.cfm.*
3. *"Monetary Policy Issues in the 1980s: A Symposium Sponsored by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, Aug. 9 and 10, 1982." Federal Reserve Bank of Kansas City, 1983.*

Federal Reserve Bank of Kansas City Archives Collection (1982 Economic Symposium handout from presentation by Edward J. Kane).

A presentation by economist Edward J. Kane at the 1983 symposium reproduced advertisements that criticized Fed policies.

the political pressures facing the Fed, stating that monetary policy targeting was both a political and economic exercise.

"Strong pledges that the Fed will steadfastly continue to fight inflation are received too skeptically today to have much impact on rational expectations of inflation," Kane said. "Rational observers look with virtually X-ray vision through Fed promises and react instead to potentially inflationary economic and political consequences that reside in the federal budget deficits projected for current and future years. They hypothesize that the growing national debt these deficits imply will be monetized if and when elected politicians become convinced that such a course would prove beneficial to them."

Concern about pressure from the government to monetize the debt is, of course, one of the key reasons why the Federal Reserve's structure blends public and private components. Volcker, who had been enduring a very public thrashing while struggling to rebuild the Fed's credibility over the past three years, was being told by Kane that it was a losing battle for an institution that was as political as any other part of the government.

Additionally, as if Volcker or other Fed policymakers in the room had not been deep in the trenches in the battle against political and public pressure, Kane also included a chart of his five developments since 1979 that showed how various entities felt about the developments. For example, it noted that interest rate volatility was disliked by everyone from the Reagan administration through consumers, builders and organized labor. In addition, at that very moment, Democrats were working on legislation that supporters hoped would force the Fed to abandon the track that Volcker had put policy on in 1979.

Finally, and somewhat oddly, Kane's presentation also included some allegations related to inside-the-Fed politics. Specifically, he said that the budgets of the St. Louis and Minneapolis Federal Reserve Banks had been slashed by the Federal Reserve's Board of Governors because officers of those two regional Feds had been publicly critical of the FOMC.

Although attendees would later note Kane's presentation as being especially brutal and unfair towards both Volcker and the Fed, he was certainly not the only Fed critic in the room.

James Tobin, a Nobel Prize-winning economist from Yale University, said during one of the symposium's discussions that the Fed should have less autonomy. Monetary policy goals, he said, should be set in coordination with the government's fiscal policy decisions.

"After all, monetary policy decisions are the most momentous economic decisions the federal government makes," Tobin said.[4] "It seems anomalous to me that when the budget is planned and eventually voted, the process is completely detached from the gentle and amateurish surveillance the Congress exercises over monetary policy."

In case there was any question about Tobin's views, the following Sunday, *The Washington Post* published a lengthy article by Tobin titled "Stop Volcker from Killing the Economy."[5]

ASSOCIATED PRESS, photo by unknown photographer (1981).

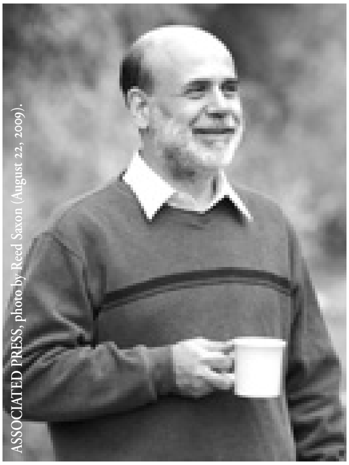
James Tobin

In that same edition of the paper, Fed reporter John Berry described the overall environment of the symposium as "a series of polite, but pointed, academic exchanges."[6]

William Eaton, a reporter from *The Los Angeles Times,* described it a little differently, saying that attendees "clashed sharply" and that many attendees "attacked" the Fed.[7]

One thing was certain: If Volcker had used the trip to Wyoming in hopes of catching a few trout, others were just as eager to make sure it was the Federal Reserve that was left dangling from a hook in Jackson Hole.

4. The Los Angeles Times, *Aug. 11, 1982.*
5. The Washington Post, *Aug. 15, 1982.*
6. The Washington Post, *Aug. 15, 1982.*
7. The Los Angeles Times, *Aug. 11, 1982.*

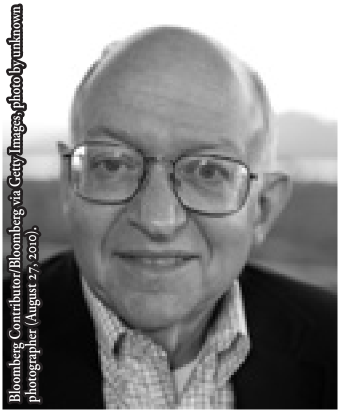


Federal Reserve Chairman Ben Bernanke, pictured at the 2009 symposium.

The Federal Reserve Bank of Kansas City's 1982 economic policy symposium was the first that was held in the event's now-traditional home just inside Grand Teton National Park. By any measure, it was a major turning point for a conference that had in previous years focused on agricultural issues. After 1982, it would come to be known in the decades that followed as an event that was able to host several noteworthy milestones in central banking history.

When eastern bloc nations turned away from communism and toward capitalism, their central bankers would come to Jackson Hole to engage the West. It would be here where Alan Greenspan would give a speech defending the Fed against the idea that monetary policy could be used to prick a tech stock bubble. It is where, in 1999, Mark Gertler and then-Princeton professor Ben Bernanke would present a paper titled "Monetary Policy and Asset Price Volatility" that would still be referenced more than a decade later with Bernanke as Fed chairman. Perhaps to the surprise of some, the event would become a place where critics of central bank policies were able to not only voice those views, but discuss them more fully with central bankers.

"The Jackson symposium has had tremendous impact," said Harvard University professor and President Emeritus of the National Bureau of Economic Research Martin Feldstein, who has been a longtime symposium participant. "This set of meetings really shapes thinking about policy. Some talk about a Washington consensus; I talk sometimes about the Jackson consensus."[8]



Martin Feldstein has participated in many symposiums throughout the years.

The list of those who have contributed to the policy discussions in Jackson Hole would grow long and include leading central bankers such as Jean-Claude Trichet from the European Central Bank, those from developing and emerging nations such as Iraq, and leading academics and Nobel Prize winners.

8. Interview, Aug. 21, 2008.

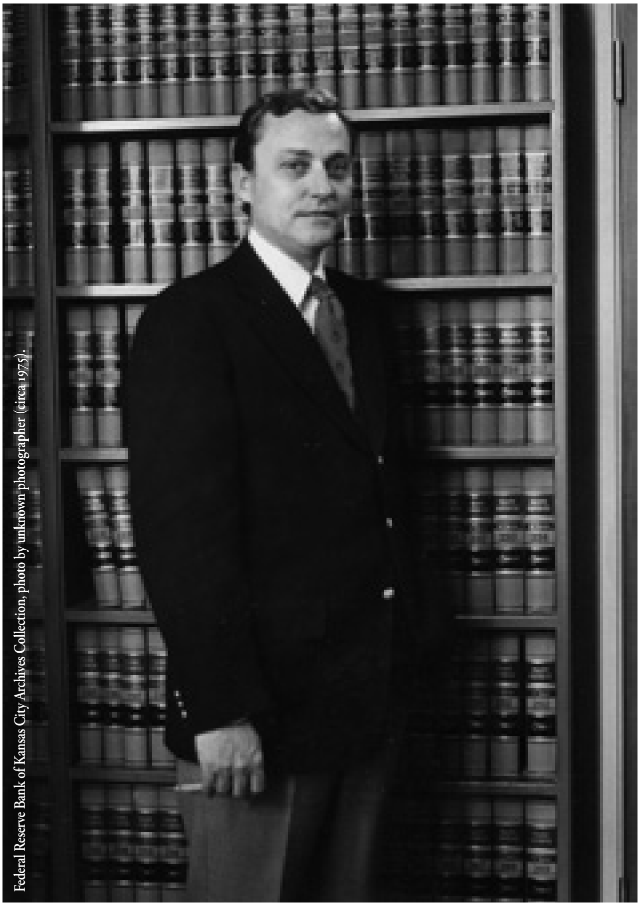
Reflecting on the event's history years later, Tom Davis, retired senior vice president and head of economic research at the Federal Reserve Bank of Kansas City, said the 1982 event was a critical springboard toward its future success.

"At that time, things were pretty tough for Paul Volcker (and) he was under a lot of criticism," Davis said.[9] "Ed Kane … ripped into Paul—unfairly I thought—but Paul handled himself very, very well."

Although many big events would follow, it was that presentation, Davis said, that really established the Federal Reserve Bank of Kansas City's economic policy symposium.

"It set up conditions of lively debate," Davis said. "We all took note of that and tried to encourage that."

9. Author interview with Tom Davis, Oct. 17, 2008.


Federal Reserve Bank of Kansas City Archives Collection, photo by unknown photographer (circa 1975).

Roger Guffey was president of the Federal Reserve Bank of Kansas City from 1976 to 1991. A Boston Fed conference inspired Guffey to think of an event to be hosted by the Kansas City Fed. The first symposium was held in 1978 in Kansas City, Mo., and focused on the topic of agriculture.

"World Agricultural Trade: The Potential for Growth"

May 1978 • Kansas City, Missouri

The more than 200 attendees packed into a conference room at Kansas City's Crown Center turned their attention to Roger Guffey as the Federal Reserve Bank of Kansas City's president stepped to the podium and began remarks to open the symposium on "World Agricultural Trade: The Potential for Growth."

"As president of the Federal Reserve Bank of Kansas City, I have the pleasant assignment of welcoming you to our symposium on agricultural trade," Guffey began.

He noted that he was especially pleased with the diverse backgrounds represented among the attendees, including representatives from international trade organizations and those from outside the United States.

"(This) symposium on agricultural trade represents the first of what we hope will become an ongoing series of conferences on important economic issues," Guffey said. "As we developed this program, our major objective was to consider an economic topic about which important public and private decisions will be made during the coming years. We also wanted the topic to be of significant concern not only to the Tenth Federal Reserve District served by this Bank, but also by the nation as a whole. A related objective was to bring together, in a suitable setting, a group of top-level decision makers from business, government and academia who have considerable expertise in the selected topic. In doing so, the symposium would serve as a vehicle for promoting public discussion and for exchanging ideas on the issue in question."

More than 30 years later, and well after the symposium's reputation had been established, Guffey was reminded of his prescient opening remarks from that first symposium.

"Kind of heady isn't it?" he asked as a broad smile broke across his face.[10] "I'm feeling pretty good."

• • •

Guffey, a child of the Great Depression who was raised on a farm about a half-hour

10. Author interview with Roger Guffey, Aug. 28, 2008.

northeast of Kansas City, was selected as the Federal Reserve Bank of Kansas City's seventh president on March 1, 1976. The following year, he was invited to attend a conference hosted by the Federal Reserve Bank of Boston focused on "Key Issues in International Banking." The Boston Fed's event continued a series of economic conferences that had begun in June 1969 under the leadership of Frank E. Morris, a former Treasury official who had been appointed the Boston Fed's president in the summer of 1968.

"Frank was a Ph.D. in economics, he loved the spotlight and he conducted those symposiums like a classroom," Davis, the retired Kansas City Fed research director, recalled years later.[11] "He loved to interact with people."

And, given the territory of the Boston Federal Reserve District, and Morris' established professional background, he could attract an impressive list of attendees, including top economic minds from Harvard and Yale as well as top policymakers.

At that time, the Boston event was something of an anomaly.

"The (regional Federal) Reserve Banks under (Federal Reserve Chairman) Arthur Burns were not to be too visible," Guffey said later.[12] "Frank had kind of broken that restraint somewhat."

And now Guffey was considering maybe breaking it a little further. He talked about the idea of a conference with Davis back in Kansas City.

Federal Reserve Bank of Kansas City Archives Collection, photo by unknown photographer (circa 1985).

Tom Davis, research director of the Kansas City Fed, led efforts to develop the symposium.

It was a "brief, very casual comment in which he inquired whether we should have a conference of some type of research," Davis said.[13] "It was not discussed in any great length between us at that time. I said, 'Well, it's a possibility.'"

But Davis said the more he thought about it, the more he warmed to the idea. A couple of economists worked to further develop the idea while traveling as part of a Kansas City Fed program known as Economic Forums. The series of programs, the Kansas City Fed's longest-standing tradition, involves economists giving evening presentations in communities across the Tenth Federal Reserve District. The morning after a presentation, the economists are back in the car, driving for hours through the sparsely populated rural regions of the Tenth Federal Reserve District to their next stop. The Tenth

11. Author interview with Tom Davis, Oct. 16, 2008.
12. Author interview with Roger Guffey, Aug. 28, 2008.
13. Author interview with Tom Davis, Oct. 16, 2008.

District's wide spaces left ample room for conversation.

"Sheldon Stahl and myself … were on an Economic Forums trip," former Kansas City Fed Economist Marvin Duncan recalled years later.[14] "We had a little time thinking about things and we talked a good deal about this."

Stahl soon left the Bank, and Duncan was charged with fleshing out some of the concepts and putting together a proposal for Davis.

Although Davis was fond of the Boston Fed model, he also realized that Kansas City did not have the convenient access to the same Boston area experts or the type of connections Morris had used to make that event a success. Kansas City would need its own model.

"In assessing our staff at that time, our strongest suit was in the regional area," Davis said.[15] "We focused on regional economics. We had a financial section and we had some very good people … but our strongest suit was in the region."

And Duncan was a key part of that. Davis recalled later that he also had connections. Prior to starting on his Ph.D. at Iowa State University, Duncan had worked in the private sector and had managed a large-scale grain and livestock operation in North Dakota.[16]

"I had a wide acquaintance within the agricultural community … (so) it was not that difficult to bring people together, to bring the best people together to these conferences," Duncan said.

Together, Davis and Duncan worked on a topic and began the planning for the first event—one that would be not a "conference" but a "symposium."

The idea of calling it a symposium "came from Marvin Duncan," Davis said.[17] "He wanted it to be called a symposium. I said, 'I don't want it to be called a symposium, that's reminiscent of Greek times. I don't want a symposium.' He said, 'Yes, it should be (a symposium).' So I dutifully went to the dictionary to find out what the hell 'symposium' meant.

"I wrung my hands and tried again to persuade him to change it, but he refused."

Asked about it years later, Duncan downplayed the decision to call it a symposium, saying he only made suggestions to Davis and then Davis made the decision. But then he quickly added that if you look the symposium definition in a dictionary "it implies a collection of experts discussing topics and carrying on an open conversation about those topics."[18]

14. Author interview with Marvin Duncan, Nov. 17, 2010.
15. Author interview with Tom Davis, Oct. 16, 2008.
16. Author interview with Marvin Duncan, Nov. 17, 2010, and author interview with Tom Davis, Oct. 16, 2008.
17. Author interview with Tom Davis, Oct. 16, 2008.
18. Author interview with Marvin Duncan, Nov. 17, 2010.

Davis said that he finally relented because he recognized Duncan was leading the planning for the event, "and I didn't want in any way to discourage his enthusiasm, so I bowed to his expertise. So that's how it came to be called a symposium rather than a conference."

• • •

As the attendees listened, Guffey continued with his opening remarks at the 1978 event.

"Agricultural trade is likely to be an important policy issue in the period ahead because the future prosperity of U.S. agriculture will depend largely on the maintenance and expansion of agricultural markets," he said. "Moreover the United States and its trading partners are presently engaged in multilateral trade negotiations that will determine the new environment in which trade will occur during the next few decades."

Among the presenters at the event were former U.S. Department of Agriculture Secretary Clifford Hardin and Missouri Sen. Thomas Eagleton, then head of the agriculture subcommittee of the Senate Appropriations Committee. But, arguably, the most intriguing speakers were the deputy trade negotiators from the United States and Europe.

In broad terms, the United States at the time favored more open trade while the Europeans favored trade barriers to protect a shrinking farm population that they viewed more as a social, instead of economic, concern.

Herman DeLange, first secretary of the Delegation of the Commission of the European Economic Communities (EEC), told symposium attendees that while the Europeans had already agreed to some concessions, they were not seeing similar moves by the United States.

Meanwhile, Ambassador Alan Wolf, a member of the U.S. negotiating team, said that the United States had made concessions but was "disappointed at the response" and that there could be wide implications for the future of world trade.[19]

"We are insisting that world agricultural trading be designed to encourage rather than inhibit the development of more trade," Wolf said. "We are insisting that this lead to a rationalization of world agricultural production, utilizing the comparative advantages of each nation."

DeLange responded that while the EEC needed U.S. farm products, the EEC also needed to reduce its agricultural trade deficit to the Unites States, which was $4 billion in 1977.

"Our consumers and farmers need you … but you equally need them," DeLange said. "Without their considerable and regular demand backed by hard currency, your farm

19. *Trade comments from coverage in* The Kansas City Times, *May, 19, 1978.*

income would be greatly reduced.

"You sell us a lot and you want to sell us more. We, on the other hand, are alarmed at the one-sided nature of U.S. … farm trade."

The debate set the course for future symposiums, where open and vigorous discussions would be a distinguishing characteristic of the event.

In 1981, the symposium explored the topic of agriculture, which played a vital role in the Kansas City Fed's District. Following the 1981 event, the symposium would move to Jackson Hole, Wyo., and focus on global economic issues.

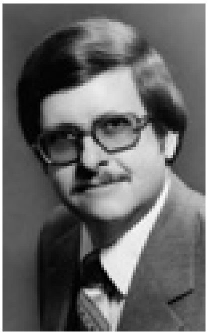
"Modeling Agriculture for Policy Analysis in the 1980s"

September 1981 • Vail, Colorado

There were fewer than 100 people in the room when Lawrence Klein, an economics professor from Wharton, stepped to the podium in Vail, Colo., to make the first presentation of the Federal Reserve Bank of Kansas City's 1981 policy symposium.

"There is no single model of an economic system," began the paper Klein presented. "In general, a model is a simplified approximation of reality, and there must surely be many such approximations."

The audience was the smallest at that point in the series' brief history. After the initial Kansas City event, more than 200 came to Denver the following year for a symposium focused on water resources, and nearly that many were in Kansas City in 1980 to talk about the outlook for loanable funds for agricultural banks.



Federal Reserve Bank of Kansas City Archives Collection, photo by unknown photographer (1981).

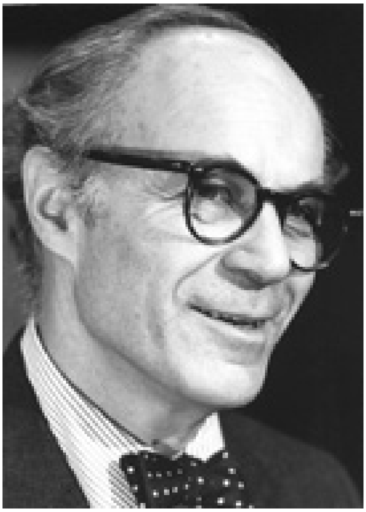
Barry Robinson played a key support role for more than two decades.

Barry Robinson, the Bank's public information officer at the time, remarked years later that the Vail event's theme—"Modeling Agriculture for Policy Analysis in the 1980s"—was "really arcane." But there was a reason for it.[20]

"The genesis of the first (symposium), the second, the third one, all had to do with exploring a topic of interest … primarily for the region," Robinson said. "We were a regional entity trying to identify those topics that seemed to be relevant to the region. So we had agriculture, and we had agricultural trade. (The 1981 symposium) was very arcane and narrow, but we had an audience for that. It was a time when agricultural policy and farm legislation and so forth were receiving much attention."

Davis later noted that, although the invitee list for Vail had been slashed dramatically from previous events, it included "some pretty good people." In terms of the subject matter they were, in fact, the best.

20. Oral history interview with Barry Robinson by the Federal Reserve Bank of Kansas City, Feb. 20, 2007.



ASSOCIATED PRESS, photo by B. Thumma (1981).

Lawrence Klein is known as the "father of econometric models," and is credited with promoting their widespread use.

Klein, known as the "father of econometric models,"[21] won the Nobel Prize less than a year before the event.

"Thanks to Klein's contributions, the building of econometric models has attained widespread, not to say universal use," the Swedish Academy said in announcing his Nobel selection.[22] "It is now to be found all through the world, not only at scientific institutions, but also in public administration, political organizations and large enterprises."

Others on the program at the Vail event included Don Paarlberg, who served as an advisor to Presidents Eisenhower, Nixon and Ford[23]; G. Edward Schuh, who would later serve as director of agriculture and rural development for the World Bank; and D. Gale Johnson, one of the world's top economists on agricultural and developmental issues and a faculty member of the prestigious University of Chicago for 50 years.[24]

Aside from its success as a conference, the Vail event also taught organizers at the Kansas City Fed a couple of valuable lessons. The first was about the benefit of having a relatively limited number of attendees.

"We were all pleased about the interaction between the participants and the presenters at that symposium," Davis later said.[25]

The second related to the mantra of many a real estate agent: "Location, location, location."

"We did it in Vail in the fall when the aspens were at their very best," Duncan said years later.[26] "People who were at that event still remark to me about what a scenic wonder that was at that event. But of course, we also had a very, very good conference."

Location, of course, is an important consideration for many conferences because better venues can draw better crowds. Thus, places like Las Vegas and Orlando, Fla., are popular sites for numerous conventions,

21. *Numerous, including* The New York Times, *Oct. 16, 1980.*
22. *Numerous, including* The Chicago Tribune, *Oct. 16, 1980.*
23. The New York Times, *Feb. 20, 2006.*
24. *University of Chicago press release issued April 16, 2003. "D. Gale Johnson, Economist, 1916-2003."*
25. *Author interview with Tom Davis, Oct. 16, 2008.*
26. *Author interview with Marvin Duncan, Nov. 17, 2010.*

trade shows and other similar meetings because attendees like the vacation environment. In the case of an event such as an economic symposium, Davis believed that the Boston Fed's conference, in addition to its proximity to the academic stars at nearby universities, also benefitted from the attractive New England autumn. The October 1977 conference that Guffey attended was held at the Bald Peak Colony Club in Melvin Village, N.H. The location and its lush landscape were made famous in the 1981 movie "On Golden Pond," which was filmed only a few miles from where the Boston Fed's 1977 event was held. [27]

The Vail event, Davis said later, was the result of "seeking a site, à la … 'On Golden Pond,' as best we could identify in our region."[28]

The location of future events, it turned out, became intertwined in the discussion about dramatically changing the symposium.

Vail had been a success, but there was support for taking the program in a new direction.

"I realized that some reassessment needed to be made of this program because I knew it wasn't quite what I wanted it to be," Davis said later.[29] I wanted to "move away from the pattern we had followed, mainly focused on agriculture (because it was) not doing for the Bank … what I had envisioned. I wanted to have something focused on monetary policy, which is the Fed's primary job."

On reflection, Duncan said later that he believed the idea of an international event was probably always in the back of Davis' mind starting with the first symposium in Kansas City. The early events had created a base.

"We set out initially to bring the most expert persons in the country to the event to bear on issues associated with a topic. And I think that, as a result of that, we began to believe this was more than just a conference," Duncan said.[30] "It was really a symposium where we had noted experts coming together to make their views known and to carry on an open discussion on policy issues associated with these topics."

Robinson, whose Public Affairs staff played a critical part in planning and event logistics, said much was learned during the symposium's agricultural events.

"The early years ... had this sort of baby step evolution from a regional conference," he said, "and we developed some expertise in developing conferences, executing conferences (and) publicizing conferences. We built the Bank's name slowly."[31]

27. Squam Lakes Area Chamber of Commerce. www.squamlakeschamber.com.

28. Author interview with Tom Davis, Oct. 16, 2008.

29. Author interview with Tom Davis, Oct. 16, 2008.

30. Author interview with Marvin Duncan, Nov. 17, 2010.

31. Oral history interview with Barry Robinson by the Federal Reserve Bank of Kansas City, Feb. 20, 2007.

The topic for the 1982 event was picked relatively early. The location was another matter.

"We worked pretty hard … and a lot of things happened," Robinson said.[32] "We looked at Santa Fe as a place where we could attract people in the summer … and we looked at places in Colorado."

It was widely known that Fed Chairman Paul Volcker was fond of fly fishing, and Davis believed having Volcker at the first monetary policy symposium would be critical to the event's success.

Davis called a contact in Colorado, because he knew there were popular fishing locations in that state.[33]

"I said we need a place for our next symposium (where) people can fish for trout," Davis recalled. "He gave it some thought and he said, 'What time of year are you going to hold it?'"

The timing of the previous events had varied—the second event in Kansas City took place in December while others had been in late summer—Davis suggested that maybe August would be a good time for planning purposes.

"He said, 'Well, if you're going to hold it in August, you can't fish for trout in Colorado (because) it's too warm. You need to go someplace north,'" Davis recalled.

"I said, 'Well, what do you mean? We're confined in our District to Wyoming.'

"He said, 'Can you go to Wyoming?'

"I said, 'Yes.'

"He said, 'Jackson Hole.'

"I said, 'I've never heard of Jackson Hole.'"

Photo by Lowell Jones (August 2005).

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The history of the town of Jackson has many characters and at least as many stories. The tales out of Jackson Hole cover all genres, including documented events, outright fiction and legends that seem to fall somewhere in between.

The 50-mile long valley known as Jackson Hole, along with the town of Jackson that sits on the southern end of that valley, were both named for David E. Jackson by his fur company partner, William Sublette, in 1829.

32. Oral history interview with Barry Robinson by the Federal Reserve Bank of Kansas City, Feb. 20, 2007.

33. Author interview with Tom Davis, Oct. 16, 2008.

The region was described as an "isolated haunt of mountain grandeur," by *New York Times* reporter William Atherton DuPuy during a 1933 visit.[34]

"(I)t is still reminiscent of the wild old days of the opening of the West, when it took to its bosom the fugitive from the sheriff's posse; when it became a place of refuge to those who knew not the law, and harbored them so well that for two generations they could defy molestation from the world," DuPuy wrote.[35] "It has changed little with the years, the imaginative stranger half expects to see the dashing figures of pioneer times at any bend in the trail."

Once the sole province of Native American hunters, before the start of seasonal visits by fur trappers, the area did not have an established core of year-round residents until the late 1800s. Those settlers provided a fertile base onto which the minds of Easterners could sometimes go wild, including a series of stories in the summer of 1895 that offered a range of contradictory reports about vicious battles between the Wyoming pioneers and Native American hunters that included a front page headline in *The New York Times* proclaiming "Settlers Massacred: Indians Kill Every One at Jackson's Hole."[36]

The story claimed that a courier arriving in Idaho had reported that "Jackson Hole's citizens are all butchered … (and) the smoke of a large fire can today be seen several miles south of Grand Teton in the direction of Jackson's Hole."[37]

The following day, the paper reported that the incident had not taken place. Unlike the previous day, the headline "There was no massacre" did not make the front page.[38]

Other stories from the era include a *New York Times* piece on cattle thieves keeping their stolen herds in Jackson Hole[39] and a front page *Washington Post* story about a robber holding up tourist coaches in nearby Yellowstone National Park and then taking refuge in Jackson Hole.[40] One of the more bizarre was the story of an eagle that was supposedly almost 10 feet tall. The bird, known as "Big Teton," made news in the *New York Sun* and other papers, including *The Chicago Tribune,* after reports of its death.[41] Among the story's numerous colorful anecdotes was one from a hunter who claimed to have seen the bird carry off two young antelope simultaneously. The hunter said that when he opened fire on the bird, it dropped both animals.

"Before either … reached the ground, however, the bird swooped down and got one of them and flew off," the story reported. The hunter brought the other antelope home and claimed that it "had puncture marks

34. The New York Times, *Aug. 20, 1933.*
35. The New York Times, *Aug. 20, 1933.*
36. The New York Times, *July 27, 1895.*
37. The New York Times, *July 27, 1895.*
38. The New York Times, *July 27, 1895.*
39. The New York Times, *April 9, 1892.*
40. The Washington Post, *Aug. 25, 1908.*
41. The Chicago Tribune, *Jun 23, 1898.*

of the eagle's talons on its back."[42]

Jackson Hole is also a place with a history of divergent views, independence and contradictions.

The same place that prides itself on being the last vestige of the old West elected a full slate of women to all public offices in the city of Jackson in 1920. *The New York Times* reported that the small town in the valley might have been the world's first municipality governed entirely by women.[43] Although the election happened in the same year that the 19th Amendment gave women the right to vote, Wyoming women, in fact, had been voting for years going back to the state's early days as a territory.

But while there might have been wide support for putting Wyoming at the forefront in women's rights, there was little agreement on almost anything else.

John D. Rockefeller Jr. bought land around Jackson Hole in the 1920s for use as a national park.

In the late 1920s, when John D. Rockefeller Jr. was buying land to give to the United States as a national park, the local outrage was so palpable that a U.S. Senate hearing was convened in Wyoming to examine the issue. One man's outrage, however, is a source for another man's opportunity. During the hearing, there was evidence presented that some Jackson Hole locals were working to mine Rockefeller's deep pockets. After selling Rockefeller agents a parcel of land, some locals used funds from the sale to purchase additional properties to sell to Rockefeller at sometimes double the price.[44] Schemes such as these were not at all unusual. In fact, as word of Rockefeller's early land purchases spread, there were reports that homesteaders scrambled to claim land that had previously been in the public domain, hoping to turn a quick profit with an immediate sale.

Rockefeller apparently had little concern for who might be getting rich off of him, saying that he bought the land because he was concerned about a developing "hot dog

42. The Chicago Tribune, *June 23, 1898.*
43. The New York Times, *May 16, 1920.*
44. The New York Times, *Aug. 10, 1933.*

and beer can civilization"[45] in Jackson Hole.

As a *New York Times* reporter later noted, around the time Rockefeller started buying land, "the venturesome vacationist could find a crap or roulette table without much difficulty." These things, the reporter noted, were "in keeping with Western tradition."[46]

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Jackson Hole might have been a new discovery for Davis in 1981, but it was by no means new ground for Guffey.

"I was enamored of that area," Guffey later said.[47]

After graduating from the University of Missouri in 1958 with a law degree, the young attorney hoped to practice law in Jackson Hole, but discovered that much of the land was part of the national park and owned by the government.

"I figured out that there's not enough people to be law clients," he said.[48] "I might not be able to making a living up there."

Still fond of the area, when Jackson Hole was suggested as the site for the Kansas City Fed's next symposium, it "was right on the mark as far as I was concerned."[49]

The real test for the new location, of course, would be the invitation to Volcker. Guffey talked with the Federal Reserve chairman after a Federal Open Market Committee meeting. Volcker accepted the invitation, although he had not been there previously.

"He said, 'Roger, how in the hell did you ever get to Jackson, Wyoming?'" Guffey recalled.

He said he responded by explaining to Volcker that Jackson, of course, is in the Tenth Federal Reserve District, which is served by the Federal Reserve Bank of Kansas City.[50]

45. The Los Angeles Times, *May 1, 1955.*
46. The New York Times, *June 14, 1959.*
47. *Author interview with Roger Guffey, Aug. 28, 2008.*
48. *Author interview with Roger Guffey, Aug. 28, 2008.*
49. *Author interview with Roger Guffey, Aug. 28, 2008.*
50. *Author interview with Roger Guffey, Aug. 28, 2008.*

Jimmy Carter Library & Museum, photo by White House Staff Photographer Karl Schumacher (October 27, 1978).

President Jimmy Carter signed the Humphrey-Hawkins Act in 1978, which established the Fed's dual mandate to promote price stability and full employment. The 1984 symposium touched on several topics, but the largest dealt with finding the balance between job growth and price stability.

"Price Stability and Public Policy"

August 1984 • Grand Teton National Park, Wyoming

James Tobin rose to provide concluding comments near the end of the 1984 symposium. Tobin, a Yale economics professor and a former top adviser in the Kennedy administration, said the symposium was the latest chapter in what he saw as a "chronic" debate among economists and policymakers on the fundamental issues of monetary policy.

"The issues are familiar," Tobin said before listing various topics, including policymaking by rules or by discretion, central bank credibility and "the unemployment/price tradeoff menu over short and long runs."

Although much has changed in the intervening decades, the issues that were already familiar to Tobin in 1984 are perhaps even more familiar today, especially the "unemployment/price tradeoff."

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The price stability/jobs question became a significant issue for Federal Reserve policymakers with the passage of the Humphrey-Hawkins Full Employment Act in 1978. Historically, the Federal Reserve's focus had been the classic mission of a central bank: containing inflation. With inflation climbing and joblessness high, there was not only criticism of the Federal Reserve but support for aligning the central bank more closely with government policies.

A sense of the environment is evident in a lengthy article written by Leon Keyserling, one of the original members of the first Council of Economic Advisers, and later, the head of that group, who was heavily involved in jobs initiatives going back to the Employment Act of 1946.

"The Federal Reserve has aggravated the roller-coaster economic performance by restricting and misdirecting money and credit; very high interest rates have been regressive and inflationary per se," wrote Keyserling.[51] He added that the Federal Reserve's focus on inflation had become an "obsession with neglect of all else, and one consequence has been more and more inflation."[52]

51. The Los Angeles Times, *June 27, 1976.*
52. The Los Angeles Times, *June 27, 1976.*

At about the same time, Federal Reserve Chairman Arthur Burns was rejecting the idea that the Fed needed to align its policies and directives closely with economic targets determined by Congress. Some in the administration, meanwhile, strongly disagreed.

The Federal Reserve System "should not be autonomous," Labor Secretary Ray Marshall said during a speech to the Industrial Relations Research Association.[53] "We can't have effective economic policy making if the Fed is outside the political process."

The final version of the Humphrey-Hawkins legislation aligned with this thinking, creating the "dual mandate" to promote both price stability and maximum employment. What Burns had refused to give, Congress had taken.

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Although discussion at the 1984 symposium touched on other related issues, one of the biggest—and certainly the one most interesting to the media covering the event—was about finding the balance between job growth and price stability.

"In practical terms, the policymakers' decisions are one of risk acceptance and avoidance," wrote journalist John Berry in his coverage of the event. "How much is it worth to reduce unemployment by some increment if the reduction potentially involves more inflation?"[54]

In the first paper presented at the 1984 symposium, Frederic Mishkin noted that, although the legislation calls for achieving a high employment level that is consistent with stable prices, "in practice this has often meant that our government has pursued a full employment target with less concern about the inflationary consequences of its policy."

Among other topics in his paper about the causes of inflation, Mishkin, a Columbia University economics professor who would later serve on the Federal Reserve Board of Governors, then explained how activist policies, both monetary and fiscal, that focus on promoting employment or driving joblessness below its natural rate could cause inflation by increasing money growth that can, in turn, increase wages and prices.

Points similar to those discussed by Mishkin were voiced years later in 2010 by critics of the Federal Reserve's monetary stimulus, which included not only a zero fed funds rate but quantitative easing programs designed to pump additional cash into the nation's financial system. Although some of these initiatives were undertaken with an eye toward stabilizing a shaky financial system, job creation later became the dominant issue. Critics of the central bank's initiatives believed that monetary policy was not only a poor tool for job creation, but that trying to use it to raise employment was also laying the groundwork

53. The Washington Post, *Dec. 30, 1977.*
54. The Washington Post, *Aug. 12, 1984.*

for future inflation.

"The Fed can print money, but they can't print jobs," Congressman Mike Pence said during a December 2010 press conference.[55] Earlier in the year, the Indiana Republican introduced legislation that would have scrapped the dual mandate and returned the Federal Reserve's monetary policy focus solely to price stability, undoing a part of what had been required by Humphrey-Hawkins. The effort, however, failed to gain traction.

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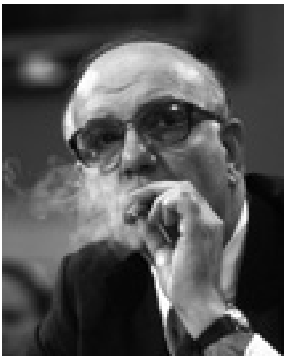
Among other topics related to the creation of inflation, Mishkin also talked about how policymakers can condition the economy by creating assumptions in the mind of the public.

Although activist policies may be successful when they are initially used, Mishkin said expectations that activist policies will be used in the future create their own problem by conditioning workers to believe that policy will eventually be used to accommodate higher prices and joblessness.

To illustrate his point, Mishkin told a story about his 2-year-old son, who would stand outside his home office and cry while Mishkin worked.

"The first time he did this, it was optimal for me to pursue an accommodating policy of going out to him. Unfortunately, he would keep on coming back to the door and disrupting my work," Mishkin said.

When Mishkin stopped going out to calm the child, the boy eventually stopped coming to the door.



Diana Walker/Time & Life Pictures/Getty Images (November 2, 1982).

Paul Volcker

In 1984, the central bank had ample credibility as an inflation fighter. Only two years earlier, the nation had emerged from a recession that resulted from the FOMC, under Chairman Volcker's leadership, raising the fed funds rate to an unprecedented 20 percent in the fight to contain soaring inflation.

At the time of the 1984 symposium, the most recently reported jobless rate was 7.5 percent, still well above the 6.5 percent rate that was generally accepted as the lowest level of unemployment possible without stoking inflation and a full two percentage points above what some economists felt was possible.[56]

"The unwillingness of the Fed to raise the rate of money growth to eliminate unemployment during the most recent recession provides some indication that it is finally willing to

55. *CNNMoney.com: "Republicans to Fed, Forget about jobs," Dec. 3, 2010.*

56. The Washington Post, *Aug. 12, 1984.*

pursue a serious anti-inflation policy," Mishkin told symposium participants.

Although the Fed was unwilling, it did not stop some from trying to make a case for further monetary stimulus despite the fact that inflation was currently running at about 4 percent.

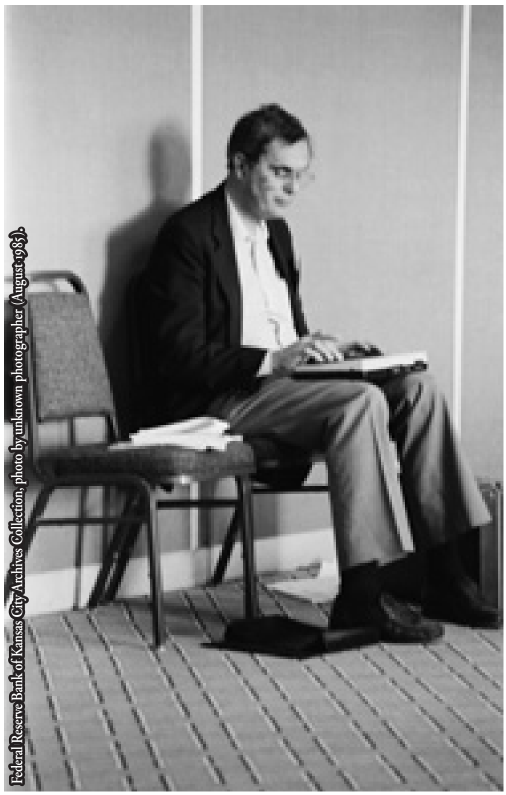
The concern in the summer of 1984, at least by some, was not inflation but the risk of deflation. Numerous media reports in the weeks before the symposium, including a front-page story in *The New York Times*,[57] focused on deflation fueled by such factors as sinking commodity prices and a decline in farmland values while monetary policy was tight and interest rates remained high.

That deflation would be a concern with inflation running at 4 percent might seem laughable from a vantage point decades in the future. At the time, the memories of rampant inflation were still fresh and clouded the thinking of some.[58]

There was, however, a clear political element to the deflation talk. Many of those who were the most vocal about deflation were a group of conservative economists and backers of the Reagan administration known collectively as "supply siders."

"Members of the Fed talk about inflation when every market signal is warning of deflation," Republican Rep. Jack Kemp told a reporter.[59]

In an informal discussion about deflation at the symposium, Van Dorn Ooms, chief economist for the House Budget Committee,



Journalist Bill Neikirk uses an early laptop computer at the 1985 symposium.

57. The New York Times, *July 23, 1984.*
58. The Washington Post, *Oct. 10, 1984.*
59. The New York Times, *Aug. 26, 1984.*

clearly connected the deflation scare to Reagan backers seeking to pressure Fed policymakers into boosting the economy.[60] That fall, voters would head to the polls to decide if Reagan would serve a second four-year term in the White House or be replaced by Democrat Walter Mondale.

Without referencing the political ramifications, symposium participants gave the deflationary fears little credence.

"What's amazing is how this (deflation) scenario gained such widespread popularity when so many of the nation's economists believe its total poppycock," wrote Bill Neikirk, a *Chicago Tribune* journalist who traveled to Wyoming to cover the symposium and discussed the issue with several participants.[61]

Neikirk, who suggested the nation was actually seeing "disinflation," offered a comment from Robert Dederick, executive vice president at Northern Trust Co., as representative of what economists were telling him about the growing deflation fear.

It is "nonsense," Dederick said. "It's a red herring being used by those who want the Federal Reserve Board to loosen monetary policy."[62]

60. The Chicago Tribune, *Aug. 5, 1984.*
61. The Chicago Tribune, *Aug. 5, 1984.*
62. The Chicago Tribune, *Aug. 5, 1984.*

With the Grand Tetons in the background, Soviet Foreign Minister Eduard Shevardnaze and U.S. Secretary of State James Baker signed a statement of peace and friendship. Nearly one year later, Jackson Hole would be the site of another breakthrough as central bankers from the Eastern bloc attended the symposium.

"Central Banking Issues in Emerging Market-Oriented Economies"

August 1990 • Grand Teton National Park, Wyoming

In September 1989, somewhere high above America's heartland, Eduard Shevardnadze and James Baker ventured into new territory. During a four-hour flight from Washington, D.C., to Jackson Hole, Wyo., where two days of negotiating were on tap, the Soviet foreign minister changed the topic from the expected focus of the event—arms reduction—and asked for insight from the U.S. secretary of state about how to address the Soviet Union's cascading internal problems. As Soviet President Mikhail Gorbachev led a restructuring of the Soviet political and economic system under the banner of "perestroika," the Cold War was in its final stages, but the end would not come smoothly. In addition to problems with instituting Gorbachev's free-market reforms, there were ethnic uprisings and, only a few weeks later, the symbolic end of the Eastern bloc with the fall of the Berlin Wall.

"…Shevardnadze gave Baker a detailed rundown on Moscow's problems with its economy and restive nationalities," *Time* magazine later reported.[63] "The two men took off their jackets and leaned so close together that their faces were just inches apart. Shevardnadze's tone was urgent."

The discussion shocked observers, who said the Soviet foreign minister spoke with unusual candor. One U.S. official called the in-flight talk "a very intense and unusual kind of discussion."[64]

"The two men were clearly engaged in a very animated discussion through their translator, gesticulating with hands and arms to make one point or another," wrote Michael Gordon in *The New York Times*.[65] "In the cabin behind them, Soviet and American experts sat row after row, preparing for tomorrow's meetings."

The flight set the tone for the weekend at Jackson Lake Lodge, which would be a key moment in the relationships between the two men and, through them, the world's two

63. Time, *Oct. 2, 1989.*
64. The Los Angeles Times, *Sept. 22, 1989.*
65. The New York Times, *Sept. 22, 1989.*

largest superpowers then on the cusp of a new era.

Although the Jackson Hole meeting was seen as one of "the most substantive and successful" U.S.-Soviet meetings on arms control,[66] and the sessions concluded with the two men signing a statement of peace and friendship on a lodgepole that remains on display at Jackson Lake Lodge today,[67] much of the media coverage—and in fact, much of the meeting—was like the flight, focusing on the economic issues.

A senior U.S. official explained to a *Wall Street Journal* reporter why matters such as Russian government bonds, counterfeiting and trade were the focus of the opening-night dinner.

"If you want to talk about the future of perestroika and of Mikhail Gorbachev, it will depend more on (economics) than on arms control."[68]

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The meeting between Shevardnadze and Baker, held only a few weeks after the Federal Reserve Bank of Kansas City's 1989 economic policy symposium, was something of a precursor to the Bank's 1990 symposium: a then-unprecedented coming together of Eastern and Western central bankers to discuss the hurdles of evolving from socialism to capitalism. After opening presentations on the role of central banks, including brief remarks by then-former Federal Reserve Chairman Volcker, representatives from eight Eastern bloc nations spoke about the current environment and future challenges in their countries.

"They were all on the stage at the Jackson Lake Lodge (and) they each offered their view of the world," Guffey later recalled.[69] "It was a magnificent meeting."

The tone of their stories was recounted the following day in *The Wall Street Journal.*

"For most of Eastern Europe, inflation has not been a problem. Prices are set by the government and, therefore, are easy to keep under control," wrote Alan Murray.[70] "The average inflation rate in Czechoslovakia and Romania over the past five years has been less than 1 percent. In Bulgaria it has been barely 2 percent."

But that was beginning to change.

"In each of these countries, the state banks for years have been printing money to subsidize hugely inefficient state-owned enterprises. The result is a classic inflationary prescription—too much money chasing too few goods. Once prices are decontrolled, the central banks will have to keep a tight rein on credit to prevent inflation from galloping out of sight. And the crushing economic damage

66. Bulletin of the Atomic Scientists, *Dec. 1989.*
67. http://www.greateryellowstonescience.org/topics/historic/structures/jacksonlklodge.
68. The Wall Street Journal, *Sept. 25, 1989.*
69. Interview with author, Aug. 28, 2008.
70. The Wall Street Journal, *Aug. 27, 1990.*

caused by tight credit will be substantial. Poland, the nation racing the most rapidly toward economic reform, already has seen the incomes of its people drop 30 percent this year as a result of its anti-inflation policies."[71]

Victor Gerashchenko, chairman of the State Bank of the U.S.S.R., was the symposium's first Soviet participant.

Victor Gerashchenko, chairman of the state bank of the U.S.S.R., told symposium participants that inflation had topped 7 percent in the Soviet Union the previous year and that the average worker salary had risen 13 percent over the previous two years. Among other problems facing the country, he noted that housing rental rates had been fixed since 1927—a level that did "not even cover maintenance costs" in 1990.

And then, of course, there was the challenge of remaking the historic relationship between the nation and its monetary system.

"At the moment, the State Bank of the U.S.S.R. automatically has to credit the government budget deficit, execute every order of the government to cover the financial loopholes in the budget with additional credit, and issue fiduciary means of payment," he said. "The same principles govern our interest rate policies where Ministry of Finance considerations about the debt-servicing costs dominate, rather than an inflationary spirit.

"In the subordination of the central bank to the government's search for funds, there is always a temptation for the latter to finance economic and social programs through the (money) 'printing machine.'"

Western central bankers and economists all agreed that central bank independence was critical because of the government finance issue, but on other topics, the symposium was like others in the series: filled with vigorous debate and a wide range of opinions.

"Whenever a consensus seemed about to emerge, someone took the floor to dispute it," Murray wrote.[72]

71. The Wall Street Journal, *Aug. 27, 1990.*
72 The Wall Street Journal, *Aug. 27, 1990.*

While opinions may have varied on numerous topics, media coverage of the event notes that most attendees agreed one presenter was especially impressive: Czechoslovakia's Finance Minister Vaclav Klaus. The man who would go on to become the Czech Republic's president in 2003 gave what symposium participants considered a "rousing" luncheon address.[73]

"It is becoming more and more clear to all East Europeans, and to Czechs and Slovaks in particular, that the only practical and realistic way to improve their living standards is the total abolition of institutions of central planning, the dismantling of price and wage, exchange rate and foreign trade controls, and the radical transformation of existing property rights," he said.

He, perhaps more than his Eastern bloc counterparts, favored making the necessary changes as fast as possible.

"I would have preferred a gradual step-by-step approach to the dismantling of central planning, but the situation dictated otherwise," Klaus said.[74] "History is unfolding before our eyes, and with all necessary fears and risks we have to move forward very quickly."

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For the Kansas City Fed, planning for the event was not without its challenges.


Federal Reserve Bank of Kansas City Archives Collection, unknown photographer (circa 1990).

Craig Hakkio has been involved in the symposium's planning for more than 20 years.

Craig Hakkio, then a young economist at the Bank, later recalled that because of the numerous challenges faced by the Eastern bloc nations, many wanted the symposium to address issues such as privatization, accounting systems, fiscal policy and broader issues. Tom Davis, the Bank's director of research at the time, insisted on focusing the topic on central banking issues.

"That was a very important decision, because it truly was 'How do you run a central bank in emerging market economies?'" said Hakkio, who would go on to serve as the Bank's head of Economic Research and later as a special advisor on economic policy. "I think that's partly why it was so successful, because we got everyone there to talk about this. It was a focus purely on central banking."

Guffey later recalled the Bank also was concerned about the potential for needing translators able to keep the discussion going in as many as 10 different languages for individuals hailing from 20 separate nations.[75]

73. The New York Times, *Aug. 27, 1990.*
74. The New York Times, *Aug. 27, 1990.*
75. *Interview with author, Aug. 28, 2008.*

Fortunately, almost all attendees spoke English. The one who did not, Decebal Urdea, governor of the National Bank of Romania, brought along a counterpart to act as translator. A month later that translator, Mugur Isarescu, who was at the time a Romanian ambassador to the United States for economic and monetary affairs, succeeded Urdea at the National Bank and would remain there for years to come.

Decebal Urdea, left, and Mugur Isarescu, right, represented Romania at the 1990 event.

The event also presented challenges for those unfamiliar with the United States.

Guffey noted that the Soviets, when planning their trip, accidentally checked the upcoming weather in Jackson, Miss., instead of Jackson, Wyo.

"They came to Jackson Hole and almost froze," he recalled.

But he also noted instances that seemed especially poignant at a time when the East and West were bridging a divide that had been in place for decades.

"After the (opening) reception Gerashchenko came outside, he looked in the sky and said 'You can see the big dipper there,'" Guffey recalled. "He knew all the constellations and was pointing them out to people."

For the Kansas City Fed, the event was a launching point for an important program where staff from the Eastern European central banks came to Kansas City to learn more about western banking.

"Under the Russian regime they didn't even know how to close the books on a bank. As a result, they came interested in what we do," Guffey said. "It opened up the world to the Federal Reserve Bank of Kansas City, and I think it served us very well."

The Key to the Symposium's Success

On Aug. 13, 1991, the Federal Reserve Bank of Kansas City's Board of Directors announced the successor to President Roger Guffey would be a 44-year-old economist from the Bank's Supervision and Structure Division, Thomas M. Hoenig. While Hoenig was well known within Fed circles, a photo caption in a 1992 magazine feature on recent Fed appointees described Hoenig's promotion as a "Meteoric rise from total obscurity."[76]

While Guffey would remain in office to serve as host of the 1991 symposium, it was

76. *"New Boys on the Block (Recent Fed Appointees),"* The International Economy, *March/April 1992.*

Tom Hoenig was named president of the Kansas City Fed in 1991 and hosted the event for 20 years.

Hoenig's reputation, or lack of one, that caused some at the event to speculate on whether the symposium would continue.

However, those concerns would prove to be unfounded. Since its beginning, the symposium has always focused on fostering debate about critical policy issues that were larger than any single person.

"There is a very good reason that the symposium has been built on relevant content, substantive debate and a small, but key, group of audience members," Hoenig said. "If this were a forum for one person's pet issues, it would not be the success that it is in attracting speakers and attendees."

There is little doubt about the symposium's success over the years. Much of this is due to the staffers who are involved in developing the symposium's topics and planning the event.

Planning for the symposium requires a long lead time and considerable effort. On the concluding Saturday of each year's event, or during that evening's dinner, Kansas City Fed staff members engage the participants in informal discussions about potential future topics. Once back in Kansas City, the Bank's research director asks one or two senior economists to develop a few ideas. These ideas are presented to the Bank president and much debated.

The ideas are tinkered with until the topic is announced to participants early in the year. Sometimes, changes have been made right up to the last minute.

For example, the 1985 symposium was going to focus on the value of the dollar, with a tentative title of "The High and Rising Dollar." However, early that year, before the symposium's topic was publicly announced, the dollar's value began to fall, leading organizers to revise the title to "The U.S. Dollar—Recent Developments, Outlook, and Policy Options." The rise and quick fall of the dollar in the foreign exchange markets elevated the topic's importance and added another theme to explore at the symposium.

In his commentary on a paper presented by Paul Krugman, University of Chicago professor Michael Mussa made note of the dollar's recent movements and the difficulty of predicting the currency's movements. The previous November, Mussa had predicted an 8 to 10 percent decline in the dollar's value over the next 18 months, a forecast that had proved accurate since that March.

"Before claiming excessive prescience, however, I should note that in December 1983, I forecast a similar decline in the foreign exchange value of the dollar—a forecast that has not proved remarkably accurate," Mussa said, adding that "any forecast of the behavior of exchange rates needs to be taken with a substantial grain of salt."

Occasionally, the topic that is established is questioned by observers for not being timely or for being out-of-touch with what is happening in the field of economics, but those questions are sometimes silenced by the time the symposium takes place in late August.

The theme for the 2007 symposium, "Housing, Housing Finance and Monetary Policy," was one such instance. The topic was seen as an unimportant and boring issue when it was announced to participants early in the year.

Federal Reserve Bank of Kansas City Public Affairs, graphic created by Casey McKinley (2007).

The 2007 symposium focused on housing, but the topic received a lukewarm reception in the fall of 2006. By August 2007, it had become incredibly timely.

"I remember the early reaction to the 2007 topic on housing finance," Hoenig said. "We were told it was irrelevant and not something necessarily of interest to central bankers."

However, Gordon Sellon, the Bank's research director from 2006 to 2009, voiced his full support of the topic and pushed forward. As the date of the symposium approached, more warning signs about trouble in real estate could be seen in the markets: Foreclosures steadily rose and the number of unsold homes on the market began to pile up. By the time symposium participants gathered in Jackson Hole in late August, the housing market had collapsed, making it the hottest discussion topic among economists around the world.

Federal Reserve Bank of Kansas City Public Affairs, photo by Gary Barber (November 2009).

Gordon Sellon

"We looked like geniuses for picking that topic and sticking with it," remarked the Kansas City Fed's Hakkio.

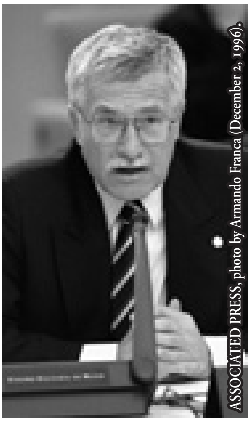
European Central Bank President Jean-Claude Trichet, pictured here at the 2010 symposium, is one of many central bankers who regularly attend the event. Of the 1997 symposium, Trichet said he had "the very vivid memory of the private sector warning us ... that herd behavior was extremely likely to materialize."

“Maintaining Financial Stability in a Global Economy”

August 1997 • Grand Teton National Park, Wyoming

Vaclav Klaus’ return to Jackson Hole seven years after his energizing speech had to excite those in attendance. But if participants came to Jackson Lake Lodge expecting a command performance from a man energized by the challenges of new economic opportunities, they were likely disappointed. Instead, Klaus returned now as a prime minister that reporters described as “the subdued head of yet one more government whose nation has been wracked by a financial crisis.”[77]

Reflecting on his own experience over the intervening years, Klaus said that “there is no way to prevent” a degree of instability in any emerging economy.



Vaclav Klaus, prime minister of the Czech Republic

No one had to look hard for an example.

Although the Kansas City Fed starts the symposium planning process nearly a year in advance, the 1997 symposium felt like it had been ripped from the current headlines as a made-for-TV movie. As participants were landing at the tiny Jackson Hole Airport and getting ready for the short drive north to Jackson Lake Lodge, Asian stock markets were tumbling—one of the first events in what would become known as the Asian financial crisis.

“What we have right now is a confidence crisis around the region,” one investment manager told a reporter as stocks sank that day.[78] “Markets are fragile and susceptible to the slightest shock.”

Jean-Claude Trichet, then-governor of the Bank of France and later president of the European Central Bank, later recalled the conversation in Jackson Hole during the 1997 symposium.

“I have the very vivid memory of the private sector warning us—meaning public authorities—that herd behavior was extremely likely to

77. The Washington Post, *Sept. 1, 1997.*
78. International Herald Tribune, *reprinted in* The New York Times, *Aug. 29, 1997.*

materialize," he said.[79] "And it did."

• • •

In the late 1980s and early 1990s, the so-called "tiger" economies of southeast Asia were booming and seen as being ripe with opportunity for western investors.

"Over the last decade, Southeast Asia has been the fastest-growing economic region on earth," wrote *New York Times* journalist Philip Shenon for the paper's Sept. 12, 1993, edition.[80] "Collectively, the major non-Communist nations of the region—Indonesia, Malaysia, Singapore, Taiwan, Thailand and the Philippines—already have a vast manufacturing base, and they are quickly creating a market here for imported goods."

In 1997, Asia faced a financial crisis sparked by problems with Thailand's currency.

The question of Shenon's article: "Why aren't more American companies here?"[81]

The lengthy article, written with all the sunny promise of a vacation brochure, focuses in part on Les Musial, a Chrysler executive the automaker sent to the region to open a new plant only a year earlier. Musial, whose luggage included a very unvacation-like 10 pounds of medicine for "tropical diseases," told Shenon he was prepared to arrive in Malaysia and find "straw huts or something." Instead, he walked the marbled corridors of Kuala Lumpur International Airport before getting a car and driving north into the city.

"I saw the skyscrapers, lots of skyscrapers, and the manicured lawns," he said. "There were good, new cars on the road. I thought that the technology and the industry would be in the beginning stages. But then you see the factories and they are so advanced that you could

79. *Comment from general discussion during the 2005 Federal Reserve Bank of Kansas City Economic Policy Symposium.*

80. The New York Times, *Sept. 12, 1993.*

81. The New York Times, *Sept. 12, 1993.*

put them any place on earth."[82]

Central to the boom was the sense that Southeast Asian currencies, such as Thailand's baht, were stable thanks to the widespread use of pegs that fixed their value to movements of the U.S. dollar.

"You had banks and financial institutions that believed so much in the peg because they made money on the peg," Ang Thiam Huat, the treasury manager for an Asian steel firm, told a reporter.[83] "So, over time, it is deemed to be riskless. Peer … pressure in the financial community is so strong that if you said it was risky, people would look at you as an outcast."

Authors Daniel Yergin and Joseph Stanislaw described the start of the crisis in their book "The Commanding Heights."

Thailand's baht "was set at a fixed and what became an unjustifiably high exchange rate with the dollar," the authors wrote. "Local banks and finance companies borrowed enormous amounts of short-term money at market rates from international banks and lent it out at higher interests to domestic borrowers, fueling a fiendishly speculative construction boom. But it was becoming increasingly clear that the baht was overvalued."

Recognizing the situation, some in Thailand started moving currency out of the country while hedge funds from around the globe began to pressure the baht lower by betting that the nation would have to devalue its currency. After using $33 billion in foreign reserves to defend the currency, the baht was finally devalued on July 2, 1997. For Thailand, the move brought something of an official end to a decade that had seen annual growth of 8 percent or more—among the strongest in the world. Now, it would lead the world into the first steps of a new crisis where it would soon be followed by the other tigers.

"As the crisis reverberated … it rapidly led to bankruptcies and layoffs and a deep economic downturn," Yergin and Stanislaw wrote. "The condos and office buildings stood empty, silent testament to the boom that had gone bust…"

• • •

While the world tried to understand the unfolding events in Thailand, Klaus stood behind the Jackson Lake Lodge podium and offered the voice of experience, explaining his experience in the Czech Republic, only months after the devaluation of its own currency, the crown.

Klaus explained that, at the time of communism's collapse, the idea of pegging the exchange rate was widely accepted in the economics community as a way of providing

82. The New York Times, *Sept. 12, 1993.*
83. The New York Times, *Dec. 10, 1997.*

stability— "anchoring the economy by means of one fixed point"—at a time when all other variables were in flux. Klaus noted that, although the results were favorable for several years, the trouble started as the Czech economy began to heat up and the central bank was forced to raise interest rates. The bank's action, taken to protect the crown, set off a series of events—including budget and political problems—that left the crown overvalued. Facing market pressure from speculators, the Czechs floated the currency in May 1997. With the benefit of hindsight, Klaus said the move came about a year too late.

Could a crisis have been entirely avoided? Klaus said, although he believed it was too soon to reach a decisive answer, he had reservations, considering all the political, economic and international constraints that were involved.

"The vulnerability of an emerging market economy is, in this respect, very high and, probably, unavoidable," he said.

He then offered what he called "tentative lessons" about the crisis, including that a fixed exchange rate regime cannot last too long and that the "catching-up" ambitions of a society in an emerging market must be restrained as much as possible.

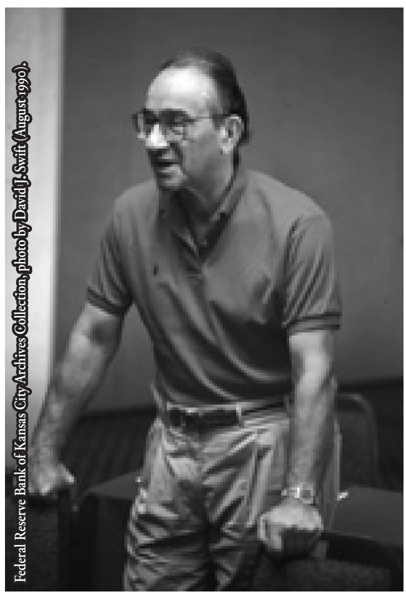
Although the idea of floating a currency was an important cause of the then-unfolding events in Thailand, it was not the only problem.

Symposium attendees noted that the situation was exacerbated by Thailand's banks and finance companies, which most agreed were poorly supervised, and that international markets continued to invest in the nation's economy despite a lack of good information.

Fed Chairman Greenspan said that nations, like companies, try to hide the fact that they are in trouble.

"It's a normal human response when something goes wrong, differing from the plan. The first reaction is, 'Don't let anybody know right away,'" Greenspan said. "And that obviously is where the problem arises."

The Fed chairman went on to say that, although he was not certain about what would



Fed Chairman Alan Greenspan at the 1990 symposium.

be an appropriate amount of disclosure, it "is pretty clear from both the Mexican and the Thai experiences that the level we had was too low."

Greenspan's mention of Mexico was in reference to that nation's crisis three years earlier. However, with world markets already jittery and Greenspan one of the most prominent speakers at a closely-watched event, the comment sparked fears of a new crisis and sent the Mexican stock market tumbling. Fed staff was left scrambling to explain that Greenspan was referring to 1994.

As was the case in Mexico, the International Monetary Fund and richer nations were stepping up with emergency loans to Thailand. This was after Thai efforts to mitigate the damage—through steps such as allowing the repackaging of loans and expediting mergers—had been unable to stop the failure of its financial firms.

In that vein, Greenspan said that "catastrophic financial coverage" should be used only in "the rarest of disasters. If the owners or managers of private financial institutions were to anticipate being propped up frequently by government support, it would only encourage reckless and irresponsible practices."

The Fed chairman seemed to be hinting at a solution that Richard Henderson, a researcher with a Thai bank suggested to a reporter earlier in the crisis: "The real alternative is to let genuine bankruptcies happen."[84]

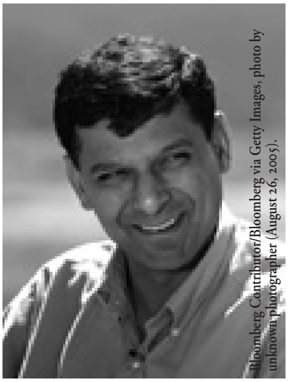
84. The New York Times, *June 26, 1997.*

Federal Reserve Chairman Alan Greenspan's tenure at the central bank was the topic of 2005's symposium, "The Greenspan Era: Lessons for the Future."

"The Greenspan Era: Lessons for the Future"

August 2005 • Grand Teton National Park, Wyoming

When Raghuram Rajan was asked to write a paper for the 2005 economic policy symposium—an event focused on learning from Fed Chairman Greenspan's long central banking tenure as it neared its conclusion—he planned to talk about how innovation had made the world safer.[85]



Raghuram Rajan surprised some symposium attendees with his 2005 presentation.

The problem was, the more work he did, the less he believed it. By the time he presented the paper to a room packed with central bankers from more than 20 nations and Greenspan himself, Rajan did not believe innovation had made the world safer. In fact, he believed that the risks were actually higher for a number of reasons.

It was not what symposium participants expected to hear.

Perhaps one inadvertent lesson of the Greenspan era might be that economic historians write the first draft of history with a light touch and using only a No. 2 lead pencil.

In the aftermath of the housing bust and the 2007-09 financial crisis, the Fed's actions during Greenspan's tenure—particularly lowering the fed funds rate to 1 percent in the summer of 2003 out of a fear that the nation was headed towards a Japanese-style economic malaise—have been heavily criticized for their possible role in inflating the housing bubble. It was not always that way.

Although all central bankers have their critics, Greenspan in 2005 was being lauded by central bankers and many others as being every bit the "maestro" that Bob Woodward referred to in the title of his 2000 book about the Fed chairman.

At Jackson Hole in 2002, Greenspan explained that the one possible chink in his "maestro" reputation—the busting of the tech bubble—had been beyond the scope of

85. The Wall Street Journal, *Jan. 2, 2009.*

monetary policy to address.

"… (N)othing short of a sharp increase in short-term rates that engenders a significant economic retrenchment is sufficient to check a nascent bubble," Greenspan said. "The notion that a well-timed incremental tightening could have been calibrated to prevent the late 1990s bubble is almost surely an illusion."

By 2005, the apparent engineering of a soft landing following the tech bubble bust, in fact, was only the latest in what was seen as a lengthy track record of successes going back to the 1987 stock market crash and encompassing the longest period of sustained economic growth in U.S. history.

A perhaps widely held opinion of Greenspan was voiced by Alan Blinder at the 2005 symposium when he said Greenspan had "legitimate claim to being the greatest central banker who ever lived." The plaudit from Blinder is all the more surprising considering that the Princeton University professor had spent two years working under Greenspan as Fed vice chairman in the mid-1990s—a period when the two were seen at odds on Fed policy.

That is not to say that Blinder and paper co-author Ricardo Reis, also a Princeton professor, did not find some negatives with Greenspan's performance. Specifically, they focused on two: opining on nonmonetary issues and the personalization of monetary policy.

On the nonmonetary issue, Blinder and Reis noted that Greenspan had become the nation's "unofficial economic wise man on just about any subject. Unfortunately, it is a role that frequently thrusts him into the political maelstrom … on a bewildering variety of issues ranging from the level and structure of taxation to reform of the Social Security system, trade agreements, relations with China, education and more."

In terms of the personalization of monetary policy, the pair said that his long and high-profile tenure had left many outside the Fed with the impression that monetary policy was the purview of one man and not the members of the Federal Open Market Committee. That personalization of policy also had an impact inside the central bank, as Blinder noted in a July 2009 PBS interview when he was asked about disagreements with the chairman.

"(H)e was not just the chairman of the Fed, he was the King," Blinder said.[86] "That title wasn't conferred on him by law, but that's the way it sort of evolved. So when you disagreed with Greenspan … you were cognizant of the fact that you were up there on the

86. "PBS Newshour," July 26, 2009. Available online at www.pbs.org/newshour/businessdesk/2009/07/tales--from-the-fed-blinder-on-2.html.

foothills of Mount Olympus disagreeing with Zeus, and that puts you in a slightly uncomfortable position…"

In August 2005, Rajan was the one in finding himself in an uncomfortable position.

• • •

While Blinder and Reis opened the 2005 symposium's first session with praise for the Fed chairman—writing in the paper they presented that not only were they "full of admiration" for his record at the Fed and using the very un-economist-like word "awesome" to describe his job performance—Rajan opened day two on a decidedly different tone.

In his paper, Rajan, then counselor and director of research for the International Monetary Fund, put the forces changing the world's financial landscape into three categories: technical change, deregulation and institutional change. Among the most concerning developments of these changes, he said, was the potential for distorted incentives as layers of intermediaries emerged. Investors were moving away from traditional bank-centered relationships and putting their money indirectly into the market via mutual funds, insurance companies and other channels.

"A key question is how aligned are the incentives of the managers with the investors, and what distortions are created by misalignment," Rajan said. "(T)he changes in the financial sector have altered managerial incentives, which in turn have altered the nature of risks undertaken by the system, with some potential for distortions."

As an example, he noted that the incentive structure of investment managers encourages risks because their incentives are closely tied to outperforming their peers much more so than in a traditional banking environment. He said that while such an environment can lead to exceptional performance, it can also result in a variety of perverse behaviors, including hiding some risks and the potential for herding in investment choices.

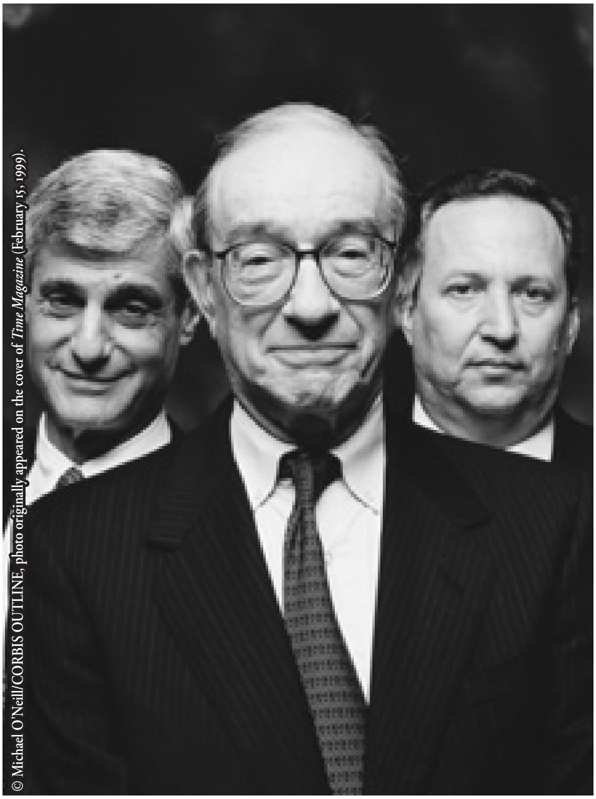
While innovations in the marketplace had benefits, including increasing the number of participants able to absorb risks and, in theory, hold a range of investment opinions, the reality could be a greater correlation in behavior, fueling further market distortions and creating "a greater (albeit still small)[sic] probability of a catastrophic meltdown."

Rajan's warnings seemed to directly counter much of what Greenspan believed related to innovations in the marketplace. As is often noted, the Fed chairman was a friend and disciple of libertarian philosopher Ayn Rand and believed strongly in not only the ability of markets to self-regulate and assess risk, but also that new advances had contributed to make the system even more resilient. A few months before traveling to Jackson Hole, the

Fed chairman had talked at length about the benefits of innovation during a Fed conference in Washington, D.C., discussing, among other things, the development of new credit scoring models.

"The widespread adoption of these models has reduced the cost of evaluating the creditworthiness of borrowers …," Greenspan said in the April 8, 2005, speech.[87] "Where once more-marginal applicants would simply have been denied credit, lenders are now able to quite efficiently judge the risk posed by individual applicants and to price that risk appropriately."

Now, Rajan stood in front of a room filled with central bankers and economists to suggest that perhaps the risk was higher than they realized.



Robert Rubin, Alan Greenspan and Larry Summers were dubbed "The Committee to Save the World."

Larry Summers, who, along with Greenspan and Robert Rubin, was portrayed on the cover of *Time* magazine in 1999 as a member of "The Committee to Save the World," was the first to question Rajan.

After saying he himself had learned a great deal from Greenspan, Summers said he found the "basic, slightly Luddite premise of (the Rajan) paper to be largely misguided."

And it went from there.

"I felt like an early Christian who had wandered into a convention of half starved lions," Rajan said later.[88]

Much of the criticism centered on the idea that Rajan was favoring a return to a

87. *"Consumer Finance," Remarks by Chairman Alan Greenspan at the Federal Reserve System's Fourth Annual Community Affairs Research Conference, Washington, D.C., April 8, 2005.*

88. The Wall Street Journal, *April, 21, 2010.*

simpler time when financial dealings were tied almost exclusively to banks.

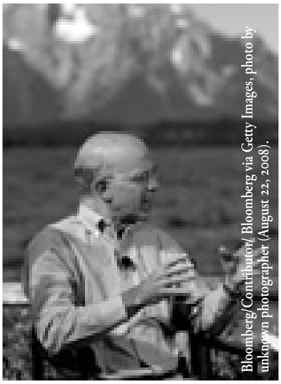
"I am not in any way saying, 'Let's go back to banks,'" Rajan said near the end of the discussion. "I am also not saying that banks are in any way better than hedge funds. All I am saying is that we need to pay more attention."

• • •

"This Little Tempest in a Teapot"

On the Record at Jackson Hole

As Alan Blinder began his presentation on the final day of the 1994 symposium on "Reducing Unemployment: Current Issues and Policy Options," the newly appointed Fed vice chairman, who had been in office for just two months, said he understood the role of a central banker at such events.



Fed Vice Chairman Alan Blinder felt the Fed should reduce unemployment.

"It is quite clear that, in my new job, my new role is to say nothing and certainly not to say anything interesting," Blinder said as he opened his talk, which was to provide a summary and overview of the symposium.

Blinder came to the 1994 symposium as the first member of the Board of Governors nominated by a Democratic president since the Carter administration. With Greenspan's term as chairman set to expire in 1996, Blinder was seen as "a leading candidate to head the central bank."[89]

It was under such scrutiny that Blinder delivered his presentation, which began with a discussion of unemployment rates in several developed countries. Blinder then turned to the role of a central bank in addressing unemployment. Using an analogy to the game show "The Price is Right," in which contestants are supposed to guess the prices of products without going over, Blinder said central banks should address unemployment rates in the same way.

"Similarly, in my view, the job of a central bank, in this regard, is to guide the employment rate up to its natural rate, but not higher than that," Blinder said. "I have stated quite clearly, I think, that I believe the central bank does have a role in reducing unemployment, or raising employment."

Blinder's comments appeared to be standard fare to many in the room. The Fed's dual mandate clearly stated that the central bank's goals were maximum employment along

89. The New York Times, *Aug. 28, 1994.*

with price stability, and another Fed official later described Blinder's presentation as "right out of the economics textbook."[90]

Most attendees were surprised to read a story in *The New York Times* the next day reporting that the vice chairman had "publicly broke ranks with most of his colleagues" and his comments "revealed an intellectual split within the Federal Reserve."[91] The report also noted that Greenspan "has tried for years in testimony before Congress to distance the central bank from responsibility for unemployment."

The *Times* covered the issue again the following day with an even longer story describing "a dispute that could lead to clashes over policy on interest rates."[92] The report also cited unnamed economists at the symposium who thought Blinder had suggested the Fed should "confront the social problems created by higher interest rates even at a possible cost to his career." Asked to respond to those thoughts, Blinder told the reporter, "I am not going to play to the gallery and I'm going to say what I think."

The report noted Greenspan went on vacation following the conference and was unavailable to comment. As Bob Woodward later wrote, Greenspan's unavailability to comment on the matter left Blinder "to twist in the media winds."[93]

The media firestorm continued to rage over the next couple of weeks. At a Sept. 8 speech to the Mortgage Bankers Association of America in Washington, D.C., Blinder sought to assure his audience that "there is no rift between the chairman of the Federal Reserve and myself," and he called reports stating that such a rift existed "alleged news."[94]

Following the speech, Blinder held a rare news conference to address the issue. The conference itself was unusual in that Fed officials did not typically hold such events. Blinder told reporters that he didn't see his comments at the symposium as being especially provocative or controversial. In fact, many who had heard Blinder's comments agreed, saying later that the media made too much of the issue.[95]

"One thing that hasn't been mentioned in this little tempest in a teapot is that I was asked to summarize a conference on reducing unemployment," Blinder said. "Wonder of wonders, that is what I talked about."[96]

In an interview that appeared in the next day's *Wall Street Journal,* Blinder reiterated there was no split between him and Greenspan, and he argued that the entire event "blew up in the press to what I consider to be a

90. Washington Post News Service, *Sept. 9, 1994.*
91. The New York Times, *Aug. 28, 1994.*
92. The New York Times, *Aug. 29, 1994.*
93. Maestro, *Bob Woodward, p. 132.*
94. The New York Times, *Sept. 9, 1994.*
95. Maestro, *Bob Woodward, p. 247.*
96. Washington Post News Service, *Sept. 9, 1994.*

ludicrous extent."[97]

"A lot of things I was saying were so well-known, they are almost homilies," Blinder told the *Journal*. "But there is a feeling in some quarters you don't want to say them outside the building. I don't agree with that."

Reporters have been present, and the event has been "on the record," since the symposium's beginning. While the resulting coverage sometimes causes a "tempest in a teapot," as Blinder put it, the fact that the media are invited to cover the event and sit in the room with other participants sets the symposium apart from other central bank events in which all events are "off-the-record" or "on background." Ultimately, the news coverage of the event helps broaden the symposium's reach beyond Jackson Hole and allows a worldwide audience to learn about what was discussed.

97. The Wall Street Journal, *Sept. 9, 1994.*

ASSOCIATED PRESS, photo by Reed Saxon (August 27, 2010).

Kansas City Fed President Tom Hoenig talks with Bank of Japan Governor Masaaki Shirakawa at the 2010 symposium. The event has provided an international perspective on significant economic issues.

Afterword

"Their shoulders hang with glaciers..."

August 1883, 1933, 1955 • Jackson Lake, Wyoming

The Official Report

Progress of the Party of President Chester A. Arthur

Camp Strong. Wyo, Aug. 22, 1883 – The reveille call at 5 o'clock awoke us all from a refreshing sleep, although the ice in our buckets this morning showed that three blankets had been none too many during the night for our comfort.

Half-past 6 o'clock found all the tents struck and packed on the mules and the Presidential party in the saddle. Our route today of 30 miles lay nearly northward, over the foothills of the Shoshone Mountains, avoiding the marshy bottoms of the Snake River, which are very treacherous. It was a rough and rugged country, covered for nearly a quarter of the distance by dense tracts of burned and fallen timber.

At noon, we reached a sparsely timbered knoll, which commanded a view of Jackson Lake, with the snow-covered tops rising from its shores in the background and it repaid us for our severe, hot and dusty march in the early part of the day.[98]

• • •

President Chester A. Arthur visited Jackson Hole in 1883.

Nearly a century before Federal Reserve Bank of Kansas City hosted its first symposium at Jackson Lake Lodge, President Chester A. Arthur and Lt. Gen. Philip Sheridan took in the breathtaking view of Jackson Lake. Those on Arthur's 1883 expedition across 500 miles of Wyoming were, of course, not the first to appreciate the lake. Native Americans had come here for generations. Fur trappers David Jackson and William Sublette camped on the shores of this lake in 1829 on the trip where Sublette

98. Report from the Arthur presidential party, published in numerous U.S. newspapers, August 1885.

gave the region its name.[99]

So others could enjoy the view across Willow Flats to the lake and the Tetons beyond, Eugene Amoretti built the Amoretti Inn on the terrace here in 1922. Perhaps more than the inn, Amoretti, an entrepreneur and banker, was known for being a neighbor and close friend of legendary Western outlaw Butch Cassidy. The outlaw not only occasionally worked on the Amoretti family ranch but, on at least one occasion, deposited thousands of dollars in the Amoretti bank that he likely took during a robbery.[100] They were so close, in fact, that Amoretti is believed to be in at least one photo with Cassidy and members of his famed Wild Bunch that was taken outside one of their cabin hideouts.

The Arthur expedition crossing the Snake River.

Amoretti's inn, although rustic, catered to wealthy easterners, featuring 30 cabins with indoor plumbing and hot water.[101] And it was here where John D. Rockefeller came with his family on vacation, hiking up Lunch Tree Hill to eat and watch the sunset.[102] In 1930 Rockefeller purchased this land, and in 1953 he started construction on the current lodge.

With Amoretti's cabins moved to nearby Colter Bay, where they were renovated and, in fact, remain in use today, construction started on Jackson Lake Lodge. Workers lived on site and sent their children to a school they built as they worked to complete the $6 million project.[103] The current Jackson Lake Lodge opened on June 11, 1955. It is often said that architect Gilbert Stanley Underwood designed the structure to be built "around a picture window" that highlights the breathtaking vista to the West.

"The overall visual impression of the lodge is that the building is essentially a structural framework to hold and support windows," reads the application that gained the facility a National Historic Landmark designation in 2003.[104]

While criticized by some locals at the time of its opening for resembling "a steamship without smokestacks,"[105]

99. *"The Ashley-Smith Explorations and The Discovery of a Central Route to the Pacific, 1822-1829 with the Original Journals edited by Harrison Clifford Dale." The Arthur H. Clark Co., Cleveland, OH, 1918.*
100. *Butch Cassidy: A Biography. By Richard Patterson, Copyright 1998 by the University of Nebraska Press.*
101. *"Jackson Lake Lodge: An Historical Timeline of Grand Teton Lodge Company and Jackson Lake Lodge, Celebrating 50 Years, 1955-2005," Copyright Grand Teton Lodge Company.*
102. *Grand Teton Historic Resource Study: http://www.nps.gov/history/history/online_books/grte2/hrs17b.htm.*
103. *"Jackson Lake Lodge: An Historical Timeline of Grand Teton Lodge Company and Jackson Lake Lodge, Celebrating 50 Years, 1955-2005," Copyright Grand Teton Lodge Company.*
104. *"National Historic Landmark Nomination," Jackson Lake Lodge.*
105. The New York Times, *Aug. 7, 1955.*

the Lodge was, in fact, lauded by many for bringing together traditional and then-modern styles. The structure, for example, is largely steel and concrete to be fireproof but has been treated to resemble the characteristics of wood. The roofline, broken by several slightly sloping eaves, was designed specifically to handle the heavy snowload in a region where the snow can pile up 10 feet or higher in the winter.[106] Overall, the building was designed to be "nearly hidden from nearby highways and Jackson Lake, and … virtually invisible from most sectors of Grand Teton National Park."[107]

In a lengthy article talking about criticism of the newly opened Lodge's design, *New York Times* reporter Jack Goodman offered his opinion about the facility.

"As a non-practicing aesthete, this reporter can only say that the interior décor seems an elegant, artful blend of comfortable modern with western," he wrote.[108] "There is not a bearskin rug in the place … (b)ut no rustic artifices are needed in a lodge where picture windows and admirably situated terraces permit view after view of Jackson Lake and the pinnacles of the Grand Tetons and Mount Moran."

More than 20 years earlier, a fellow *New York Times* reporter visiting the region in August 1933 described the view across Jackson Lake this way: "Altogether the Tetons are few. They stand grouped like some members of some fabulous barbaric stronghold. Fitted by size and majesty to be the culmination of a mighty range, they concentrate their all in this one titanic group. Quickly, north and south, they subside. They are a granite island in a sea of plain.

"Seen from across Jackson Lake at a distance of a dozen miles, which seem in the clear high air but three, these clustered, steepled temples appear to rise perpendicularly from the water. Their flanks are snow-streaked still in August. Their shoulders hang with glaciers, their spires are bare and shining."[109]


National Geographic/Getty Images, photo by William Albert Allard (July 7, 1965).

"...their spires are bare and shining."

106. The New York Times, *Aug. 7, 1955.*
107. The New York Times, *Aug. 7, 1955.*
108. The New York Times, *Aug. 7, 1955.*
109. The New York Times, *Aug. 20, 1933.*

While it takes place in one of the nation's most picturesque regions, the symposium is not considered a vacation getaway. Jackson Hole is well known for its many resorts catering to outdoors enthusiasts from around the world, but the symposium is held each year at the Lodge, which, in line with its National Park setting, does not have some accommodations commonly found at other sites, such as a spa, exercise room or salon. In fact, televisions are not available in the Lodge's rooms.

In addition to the somewhat-rugged setting, the Federal Reserve Bank of Kansas City recovers the cost of hosting the symposium from the attendees. Even members of the news media, who in practice are typically admitted without charge at most other conferences, must pay the standard fee to attend. In addition, attendees are responsible for paying for their own airfare, lodging and all other expenses for activities they might undertake in Jackson Hole on their own time.

Bloomberg Contributor/Bloomberg via Getty Images, photo by unknown photographer (August 22, 2010).

Stefan Ingves, governor of Sweden's central bank, center, talks with Andras Simor, governor of the Central Bank of Hungary, left, and Alan Bollard, governor of the Reserve Bank of New Zealand, right, at the 2010 event.

Jackson Hole's awe-inspiring and isolated nature provides the ideal environment for symposium attendees to discuss economic policy issues away from daily pressures and distractions. At the symposium, barriers are removed and participants engage with each other in a way that isn't always possible at other gatherings, perhaps due to Jackson Hole's remote setting, no-frills location and the small number of participants.

"I meet these same people in different places, but here you take off the guardrails and start talking to each other," said Stefan Ingves, governor of the Sveriges Riksbank.[110]

110. Remark at 2010 Jackson Hole Economic Symposium.

The Jackson Hole Economic Symposium is considered a one-of-a-kind event. No other conference in the world provides a comparable gathering of central bankers, private economists, financial market participants, academics, government officials and news media to discuss key long-term policy issues of mutual concern. The gathering has become even more critical in the global economic environment than the 1978 organizers could have ever imagined.

Photo by Robert Hampton (August 1992).

The Jackson Lake Lodge, which opened in 1955, was designed to be built "around a picture window" that highlights the breathtaking vista to the West.

Appendix

The Federal Reserve Bank *of* Kansas City's Economic Policy Symposium

1978 World Agricultural Trade: The Potential for Growth
(Kansas City)

1979 Western Water Resources: Coming Problems and the Policy Alternatives
(Denver, Colo.)

1980 Future Sources of Loanable Funds for Agricultural Banks
(Kansas City)

1981 Modeling Agriculture for Policy Analysis in the 1980s
(Vail, Colo.)

1982 Monetary Policy Issues in the 1980s
(Jackson Hole, Wyo.)*

1983 Industrial Change and Public Policy

1984 Price Stability and Public Policy

1985 The U.S. Dollar - Recent Developments, Outlook, and Policy Options

1985 Competing in the World Marketplace: The Challenge for American Agriculture
(Kansas City)

1986 Debt, Financial Stability, and Public Policy

1987 Restructuring the Financial System

Oct. 19, 1987: BLACK MONDAY STOCK MARKET CRASH

1988 Financial Market Volatility

1989 Monetary Policy Issues in the 1990s

1989: BEGINNING OF THE FALL OF COMMUNISM

1990 Central Banking Issues in Emerging Market-Oriented Economies

1991 Policy Implications of Trade and Currency Zones

1992 Policies for Long-Run Economic Growth

1993 Changing Capital Markets: Implications for Monetary Policy

1994 Reducing Unemployment: Current Issues and Policy Options

December 1994: MEXICO PESO CRISIS

1995 Budget Deficits and Debt: Issues and Options

1996 Achieving Price Stability

July 1997: ASIAN FINANCIAL CRISIS

1997 Maintaining Financial Stability in a Global Economy

August 1998: RUSSIAN DEBT CRISIS

1998 Income Inequality Issues and Policy Options

1999 New Challenges for Monetary Policy

Spring 2000: DOT-COM BUBBLE BURSTS

2000 Global Economic Integration: Opportunities and Challenges

2001 Economic Policy for the Information Economy

Sept. 11 TERRORIST ATTACKS

2002 Rethinking Stabilization Policy

2003 Monetary Policy and Uncertainty: Adapting to a Changing Economy

2004 Global Demographic Change: Economic Impacts and Policy Challenges

2005 The Greenspan Era: Lessons for the Future

2006 The New Economic Geography: Effects and Policy Implications

Summer 2007: HOUSING CRASH BEGINS

2007 Housing, Housing Finance and Monetary Policy

2008 Maintaining Stability in a Changing Financial System

September 2008: LEHMAN BROS. BANKRUPTCY/FINANCIAL CRISIS UNFOLDS

2009 Financial Stability and Macroeconomic Policy

Early 2010: EUROPEAN DEBT CRISIS UNFOLDS

2010 Macroeconomic Challenges: The Decade Ahead

2011 Achieving Maximum Long-Run Growth

2012 The Changing Policy Landscape

2013 Global Dimensions of Unconventional Monetary Policy

**After the 1982 symposium, all events held in Jackson Hole except the second 1985 event held in Kansas City.*

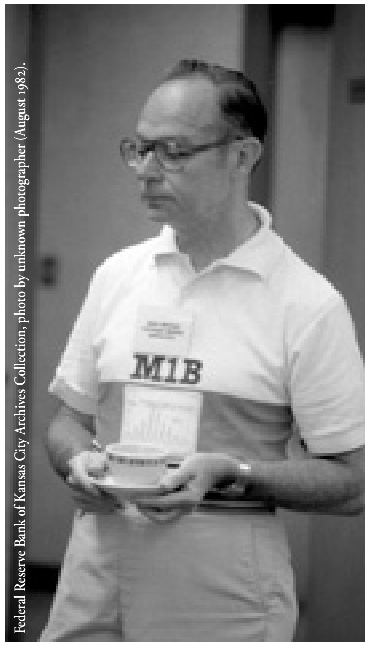
Images from Jackson Hole

Federal Reserve Chairman Ben Bernanke, right, walks with then-Vice Chair Donald Kohn, left, outside the Jackson Lake Lodge before the opening session of the 2010 symposium.

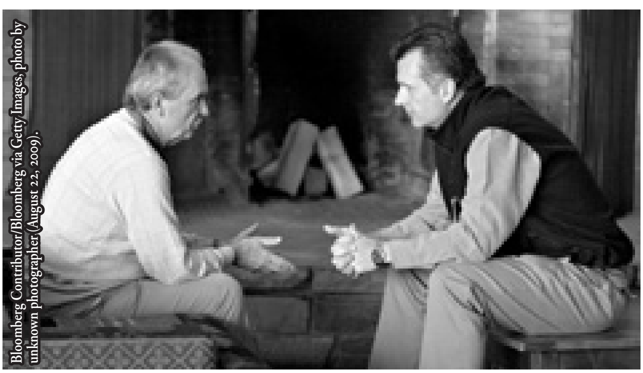
Pictured at the 2009 symposium are, from left to right, Tito Mboweni, then-governor of the South African Reserve Bank; Angel Gurria, secretary-general of the Organization for Economic Cooperation and Development; Martin Redrado, then-governor of the Central Bank of Argentina; and Keith Hall, assistant governor of banking and payments at the Reserve Bank of Australia.

Janet Yellen, former president of the San Francisco Fed, and now vice chair of the Board of Governors, speaks with University of California at Santa Cruz professor Carl Walsh, left, and husband George Akerlof, professor at the University of California at Berkeley, right, at the 2009 symposium.

Christina Romer, then-chair of the U.S. Council of Economic Advisers, is pictured at the 2009 symposium.



Allan Meltzer, an economist and Federal Reserve historian, is pictured at the 1982 symposium, the first symposium to focus on monetary policy issues. Meltzer's shirt referenced monetary aggregates, a topic discussed at the symposium.



Jean-Pierre Roth, then-chairman of the Swiss National Bank, left, talks with then-Vice Chairman Philipp Hildebrand, right, at the 2009 symposium.

Federal Reserve Bank of Kansas City

Jackson Hole Economic Symposium Organizers

Presidents

Roger Guffey	1978 - 1991
Thomas M. Hoenig	1991 - 2011
Esther L. George	2011 - Present

Directors of Research

Thomas E. Davis	1978 - 1997
Craig S. Hakkio	1997 - 2006
Gordon Sellon	2006 - 2009
Alan D. Barkema	2009 - 2012
Troy Davig	2012 - Present

Each year, the Kansas City Fed's staff plans, organizes and hosts the symposium.

Bibliography

A note on sources: All symposium quotes, unless attributed otherwise, come from proceedings volumes published by the Federal Reserve Bank of Kansas City and available online at: ***http://www.kansascityfed.org/publications/research/escp/archive.cfm***.

Author interviews

Much of the source material for this book comes from interviews with those personally involved in the symposium's history. Following is a list of interview subjects and dates.

Tom Davis, Oct. 16 and 17, 2008
Marvin Duncan, Nov. 17, 2010
Roger Guffey, Aug. 28, 2008
Martin Feldstein, Aug. 21, 2008
Barry Robinson, Feb. 20, 2007

News media

Material was used from the following sources:

CNNMoney.com
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Time

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Index

H

I

J

K

L

S

T

U

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W

Y

Over the years, the symposium has provided a *unique forum* for the exchange of ideas on important policy issues of interest to central banks around the world. The *continuing success* of this event is due to the contributions of all who have participated over its long history, including the presenters, discussants, panelists and audience members.

Photo by Lowell Jones (August 2005).