SYMPOSIUM ON

Monetary Policy and Reform in Practice

Introduction

Charles I. Plosser

Someone made a comment in the last session regarding the goals of monetary policy. I'm going to take the liberty of asking people, if you haven't read the Federal Reserve Act recently, go back and read Section 2A on the conduct of monetary policy. It's very interesting when you actually read what it says about the goals of monetary policy. And rather than try to quote it, I'll paraphrase it as follows: it says that monetary policy should control the long-run growth of money and credit aggregates consistent with the economy's long-run potential to produce so as to promote effectively maximum employment, stable prices, and moderate long-term interest rates. Notice it talks about the instruments of policy, long-run ability of the economy to produce, and goals of monetary policy. It says almost nothing about the Phillips curve or short-term stabilization policy. Many will read more or less into this statement, but I urge you to go back and read it as you contemplate the actions and demands of monetary policy making.

Anyway, it's great to be here in the last panel of the day. It's been a long day, but it's been a fascinating day, as usual at this conference. I want to thank John and John for inviting me to come back. I was looking up at the history of these conferences and thinking, I think I've been a participant in some way or another in all but one. And so I'm going to take that as a good sign as they keep inviting me back to participate in some way. So, I'm delighted to be here.

The tradition of this last panel has always been one of having actual policy makers engage in a conversation with the audience and talk about practical policy issues. And if you think we don't have any of those to talk about, just think about the last eight hours and the issues that have been broached in this conference, everything from international coordination— although I know Raghu doesn't like to use that phrase—so we'll say from international activities, to the balance sheet, which we've just had two sessions about. John Williams gave us a very interesting and thoughtful conversation about different ways of thinking about policy regimes and strategies and how to conduct the choices that the Fed has about something other than inflation targeting—maybe we should have some different strategy? So, there've been lots of issues on the table today that really speak to challenges facing policy makers. One way I like to think of it is, some people like to say, "Well, we had this crisis, we had the Great Recession, and lo and behold, we had a recovery, the recovery's been going on for nine years now. Let's just pat ourselves on the back and talk about a job well done." But the fact of the matter is that the crisis, the unconventional monetary policy that was adopted, that we are still debating about its merits or demerits, a lot of the issues of that period are still with us. As we have discussed today, the Fed and monetary policy still face the challenges going forward of those unconventional monetary policies.

So, this is an opportunity to have real-life policy makers on a panel who are doing day-to-day decision making, to share some of their thoughts about those policies, to share some of their thoughts about current challenges that the Fed has, and also the opportunity for you in the audience to prod them with some questions and see what their reactions will be.

It's really exciting to have the final panel of the day and I'm delighted to be here, since I've sat in their seats at least two or three times over the last four or five years. I'm glad they get to answer the questions today and not me.