

Foreword

The experience of the last 30 years clearly indicates that modern market economies remain vulnerable to periodic financial crises. In the most recent crisis, financial markets seized up, institutions failed and economic activity slowed or contracted in most countries around the world. To mitigate the effects of the crisis, central banks, governments and international institutions took unprecedented and coordinated actions.

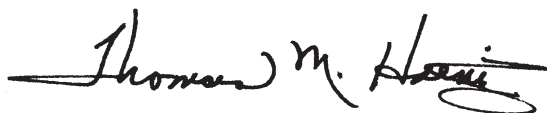
Though a new financial architecture may be the necessary result of this crisis, a more immediate concern is determining how macroeconomic policy can best be marshaled to limit the impact of the crisis on financial markets, institutions and real economic activity. Recent lessons learned will also influence how macroeconomic policy responds to future financial crises.

To explore these important policy issues and to help assess whether recent events might require policymakers and economists to reevaluate their views, the Federal Reserve Bank of Kansas City sponsored a symposium, “Financial Stability and Macroeconomic Policy,” in Jackson Hole, Wyo., from Aug. 20-22, 2009. With the effects of the financial crisis still fresh in the minds of participants, the symposium provided an examination of financial crises and the effectiveness of various responses to such events from a global perspective.

We greatly appreciate the efforts of the authors, discussants, panelists and other participants for their contributions to the symposium. We thank the Federal Reserve Bank of Kansas City staff members who helped plan and arrange the symposium. Special thanks go to former Senior Vice President and Director of Research Gordon Sellon, who provided valuable advice and guidance for the symposium over the years until his retirement in 2009.

Lastly, we express our gratitude to the late Roger Guffey, the Kansas City Fed president who founded the symposium. From the symposium's beginnings in 1978 until he retired in 1991, Mr. Guffey provided the leadership and vision central to making the symposium what it is today. Even in retirement, he remained eager to contribute to the symposium in any way he could, often traveling to Jackson Hole to attend the event. We will miss him. A tribute to Mr. Guffey, who passed away on April 15, 2009, is included in these proceedings.

We dedicate these proceedings to his memory.

A handwritten signature in black ink that reads "Thomas M. Hoenig". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Thomas M. Hoenig
President and Chief Executive Officer
Federal Reserve Bank of Kansas City