Foreword

A key objective of central banks around the world is fostering conditions to achieve maximum long-run economic growth. While the Federal Reserve Act makes this goal explicit, central banks that focus on inflation targets do so under the presumption that low and stable inflation is optimal for growth in the broad economy. As the global economy recovers from the financial crisis, achieving maximum growth is necessary to reduce as rapidly as possible both unemployment and large cyclical fiscal deficits. Over a longer time horizon, strong global growth will allow countries to reduce poverty and improve the picture for looming fiscal obligations related to demographic trends and entitlements.

The recent financial crisis was also a reminder, however, that simply achieving maximum growth is not sufficient: growth built on imbalances is not ultimately sustainable. These imbalances can take on many forms, whether through housing, fiscal deficits, capital flows, trade, or widening inequality. In some cases, imbalances can produce crises severe enough to offset the benefits of many prior years of strong growth. Therefore, policies to foster maximum long-run growth in employment and incomes must also address imbalances within and across nations.

To explore these issues and others, the Federal Reserve Bank of Kansas City sponsored a symposium, "Achieving Maximum Long-Run Growth," Aug. 25-27, 2011, in Jackson Hole, Wyo. The

Jackson Hole symposium last addressed long-run growth in 1992. Since then, many developments have advanced our understanding of the determinants of long-run growth. In addition, the financial crisis highlighted the role of imbalances in the sustainability of long-run growth. The 2011 symposium has furthered our understanding of maximum sustainable growth.

We are grateful for the efforts of the authors, discussants, panelists and other participants for their contributions to the symposium. I also thank the staff of the Federal Reserve Bank of Kansas City who helped plan and arrange the symposium.

Lastly, we express our gratitude to Thomas M. Hoenig, who as president of the Kansas City Fed was responsible for the symposium for 20 years until he retired in 2011. The symposium was established 35 years ago by his predecessor, the late Roger Guffey, and Tom provided the leadership and vision central to making the symposium what it is today. We thank Tom for his invaluable contributions in fostering the exchange of ideas on important policy issues of interest to central bankers around the world.

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