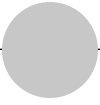

The Great Inflation



**A National Bureau of
Economic Research
Conference Report**



The Great Inflation The Rebirth of Modern Central Banking

Edited by

Michael D. Bordo
and Athanasios Orphanides

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Preface

The idea for this conference came from several conversations Michael Bordo had with Athanasios Orphanides in the early 2000s at the Board of Governors of the Federal Reserve System. We were encouraged to go forward with the project by Ben Bernanke, who at that time was a governor of the Federal Reserve. Marty Feldstein, then president of the NBER, was most supportive of the project from the outset. We would like to thank Marty and the NBER Conference Department for all their efforts in creating a memorable conference. The conference was generously funded by the Smith Richardson Foundation, and we would like to thank Mark Steinmeyer for his guidance in preparing the grant proposal.

The conference was held on September 26–27, 2008, at the Woodstock Inn in Woodstock, Vermont, shortly after the collapse of Lehman Brothers and the bailout of AIG—the most critical episode of the subprime mortgage crisis. As a consequence of the fast-emerging global banking crisis that followed these events, some of the participants from central banks could not make the conference. Meryvn King, governor of the Bank of England notified us a few days before the conference that he would not be able to attend. Lucas Papademos, then vice president of the European Central Bank, canceled his flight from Frankfurt at the last moment but subsequently sent us the remarks that he had already prepared. Remarkably, Don Kohn, then vice chairman of the Federal Reserve, managed to arrive from Washington, DC, on time to participate in the closing panel on Saturday. The late Anna Jacobson Schwartz, despite declining health, also attended the conference, her last NBER event after close to seventy years of service.

The financial crisis, the Great Recession, and the European debt crisis delayed the publication of this conference volume. Despite the delay, we believe the subject of the Great Inflation will continue to be of great inter-

est to both scholars and policymakers. While inflation in most countries is at present subdued, the risk of a run-up of global inflation in the not too distant future is not negligible in the light of the extraordinary monetary accommodation that was engineered by central banks around the world to contain the crisis. And some of the challenges facing central banks today have parallels to those faced in the period leading to and during the Great Inflation. We hope that the lessons learned from the historical experience of the Great Inflation in this conference volume will be a reminder of the costs of allowing high and persistent inflation to reoccur.