This volume collects the proceedings from a conference on the evolution and practice of central banking sponsored by the Central Bank Institute of the Federal Reserve Bank of Cleveland. The articles and discussants' comments in this volume largely focus on two questions: the need for central banks, and how to maintain price stability once they are established. The questions addressed include whether large banks (or coalitions of small banks) can substitute for government regulation and central bank liquidity provision; whether the future will have fewer central banks or more; the possibility of private means to deliver a uniform currency; if competition across sovereign currencies can ensure global price stability; the role of learning (and unlearning) the lessons of past inflationary episodes in understanding central bank behavior; and an analysis of the most recent experiment in central banking, the European Central Bank.

David E. Altig is the Vice President and Director of Research for the Federal Reserve Bank of Cleveland. He manages the department’s money/macroeconomics division and specializes in monetary and fiscal policy research. His current work focuses on tax policy, business cycle issues, and monetary policy analysis. Dr. Altig has served on the faculties of Case Western Reserve University, Cleveland State University, John Carroll University, Indiana University, and the University of Chicago. He holds a doctoral degree in economics from Brown University.

Bruce D. Smith was the Hofheinz Regent’s Professor of Economics at the University of Texas–Austin and was the author of more than 90 articles on the topics of monetary economics, banking, and monetary history. He served on the editorial boards of the Journal of Economic Theory, Economic Theory, Journal of Financial Intermediation, and Macroeconomic Dynamics. In addition, Dr. Smith was a Central Bank Institute scholar at the Federal Reserve Bank of Cleveland and a consultant to the Federal Reserve Banks of Atlanta, Kansas City, Minneapolis, New York, and St. Louis, as well as the Board of Governors of the Federal Reserve System. Dr. Smith passed away in July 2002.
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The essays in this volume represent the collected contributions from a conference originally titled “The Origins and Evolution of Central Banking,” sponsored on May 21–22 by the Central Bank Institute of the Federal Reserve Bank of Cleveland. The product is the result of much hard work by many industrious and committed people. Beyond those who are acknowledged elsewhere in this volume, special mention goes to Kathy Popovich, Mary Mackay, and, especially, Connie Jones for her patient and tireless administrative assistance; Darlene Craven, Patricia DeMaioribus, and Deborah Zorska for shepherding our end of the production process; Scott Parris for being our advocate at Cambridge University Press; and Monica Crabtree-Ruesser for making sure that whatever else needed to get done got done.

And, oh yes—the views expressed herein do not necessarily reflect those of the Federal Reserve Bank of Cleveland, the Board of Governors, or anyone else in the Federal Reserve System.
In Memoriam

On July 9, 2002, as the final touches were being prepared to bring this conference volume to the public, Bruce Smith, the Hofheinz Regent’s Professor of Economics at the University of Texas–Austin and Central Bank Institute scholar for the Federal Reserve Bank of Cleveland, passed away. It is no exaggeration to say that this volume likely would not have seen the light of day without Bruce. The effort here reflects Bruce’s vision and hard work from conception, through organization of the program, to all but the smallest details in preparation of the volume.

The articles collected here represent the first formal conference of the Federal Reserve Bank of Cleveland’s Central Bank Institute. The Institute was founded to promote research and education on central banks as institutions. Specifically, with the Institute we hope to stimulate thinking on all aspects of central banking, from payments to supervision and regulation to monetary policy, and the connections (or lack thereof) across these varied activities.

In late 1999, when the Bank decided to create the Central Bank Institute, our first course of action was to enlist the support of a small number of eminent scholars to assist us in the endeavor. We established three criteria for our choice: First, the individuals would need to be widely published and recognized as intellectual leaders in the profession. Second, we were interested in individuals whose research interests had been, and would be, at the frontier of questions relevant to understanding the past, present, and future of central banking. Third, we were looking for scholars who had a demonstrated commitment to the future of the Federal Reserve Bank of Cleveland and the Federal Reserve System.

The mere recitation of these criteria brings Bruce to mind. The volume and influence of his work placed him among the elite of monetary economists of his generation. His research covered virtually all areas of interest to central bankers, from payments mechanisms to supervision and regulation to monetary policy. To the very end, he was an unflagging mentor and advocate for the Research Department, the Central Bank Institute, the Cleveland Fed, and, indeed, the Federal Reserve System.
Bruce’s influence can be found everywhere in the Central Bank Institute’s activities and programs. In fact, it was to Bruce that we turned to produce the “white paper” that would, and still does, provide the vision that underlies the Institute’s core research mission. (That article can still be found at www.clev.frb.org/CentralBankInstitute/cbi.pdf.)

It was only natural that we would ask Bruce to organize the Institute’s inaugural conference. In fact, there really could have been no other choice. In his amazingly prolific—if all too short—career, Bruce’s work practically defined the nexus between payments, banking, and monetary research. Any doubt about this can be quickly dispelled by perusing the list of his published work provided in the fall 2002 issue of the Federal Reserve Bank of Minneapolis’ Quarterly Review.

Besides the breadth and volume of his work, one thing that stands out about his record was the large number of coauthors who had the privilege to work with him. This is not just a testament to his intellectual capacity, but to his generosity as well. Bruce’s death was an enormous loss to the academic community, to the Federal Reserve System, and to us at the Federal Reserve Bank of Cleveland. His professional contributions will be difficult to replace. His friendship will be impossible to replace.