

# Shadow Open Market Committee

## Opening Remarks: The Cleveland Fed and Inflation

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October 1, 2021

The regional Federal Reserve banks have played a key role in the framing of monetary policy in the Federal Reserve System. This goes back to the efforts of Chairman William McChesney Martin in the 1950s as explained in a recent Cleveland NBER WP I wrote with Cleveland Fed researcher Ned Prescott.

The St. Louis Fed was highly influential in bringing monetarist views to Fed policy making in the 1960s leading to the incorporation of monetary aggregates in the Fed's repertoire, Humphrey Hawkins and monetary targeting and ultimately to Paul Volcker's ending of the Great inflation with his famous shock in 1979. Minneapolis was key in introducing the concepts of rational expectations, time consistency and credibility into FOMC policy making in the 1970s and 80s. The Richmond Fed, especially our late SOMC colleague Marvin Goodfriend, did pioneering work on central bank transparency.

The Cleveland Fed played a key role in eventual adoption in 2012 of inflation targeting by the FRS. President Lee Hoskins was a pioneer in the 1980s in promoting the importance of direct targeting of the price level to deliver true price stability. He, along with Don Brash of the RBNZ and John Crow of the Bank of Canada, were ultimately successful in making inflation targeting the core monetary policy across the world.

The Cleveland Fed under Hoskins and Jerry Jordan were at the forefront of research on inflation in the world. Cleveland for many years held high profile annual conferences on inflation which included as participants all of the world's leading experts. Researchers John Carlson, Bill Gavin, Mike Bryant and Chuck Carlstrom were key in basic research on measuring and forecasting

inflation and inflation expectations. They developed the important median inflation and trimmed mean concepts. Research on inflation at Cleveland continues to this day with its Inflation center.

It is a great pleasure to welcome President Loretta Mester to the SOMC. She gave an outstanding presentation at the SOMC October 2016 meeting on uncertainties in forecasting and monetary policymaking, and with all of the uncertainties and risks in today's environment, we look forward to her remarks. We also hope that she carries forward the Cleveland Fed's historic anti-inflation message.