Inflation Theory And Policy Link Springer

Scientific Cosmology is clearly one of the most active physics research fields at present, and likely to remain so in the near future. Shortly after the pioneering cosmological work of Einstein, Georges Lemaitre proposed a model which some years later to be known as the big-bang model. In the early fifties an alternative proposal, the so called steady-state (expansion at constant density) model, became the

fashionable model in prominent academic circles. The discovery of the cosmic background microwave radiation (Penzias & Wilson, 1965) made the steady-state model almost untenable. A quarter of a century later the inflationary model was proposed, becoming extraordinarily popular almost immediately. For some it seemed to combine attractive features of both the steady-state and the big-bang models, by postulating a very early violent (constant density) expansion during a very tiny fraction of a second.The book

makes use of the best and most recent observational data, from the Cosmic Background Explorer (COBE, 1992) to the Microwave Anisotropy Probe (WMAP, 2003), to discuss the merits and demerits of inflationary cosmology for a general readership acquainted with the basic facts of scientific cosmology. A complete Glossary and a detailed Index help the reader to follow controversial topics, such as dark matter, dark energy, cosmic flatness and accelerated expansion. Originally published in 1982,

this book begins with a wide-ranging and critical review of both first and second generation theories of inflation (and the related problem of unemployment), including the classical approach to macroeconomics. The author systematically integrates search, implicit contract, expectations and wage-bargaining theeoriees to outline a new and original synthesis. This synthesis and switching regimes model is then rigorously examined to see how well it can explain inflation the US and the UK. This book presents a

theoretical framework to explain chronic inflation and hyperinflation. The roots of these two phenomenon are a fiscal monetary regime in which money issues finance the public deficit. Chronic inflation is modeled by using both the old and the new Keynesian model, with a different policy rule. Instead of using the Taylor rule, the central bank policy rule states that money is issued to finance the public deficit. The chronic inflation models take into account the fact that indexation mechanisms adjust prices and wages, yielding the

inertial component of inflation. The dynamics of these models can be very unstable under parameter changes or shocks that hit the economy. The previous hyperinflation models surveyed in this book attempt to explain hyperinflation as a bubble phenomenon because they assume a constant real deficit financed by money. The mechanics of hyperinflation models in this book explains hyperinflation by a fiscal crisis, characterized by an increasing fiscal deficit. This fiscal crisis yields an intertemporal budget

constraint that is not sustainable. The analysis of the pathology of hyperinflation uses the same tools employed to understand the pathologies of public debt and external debt crises. The hyperinflation model allows a taxonomy of hyperinflations, namely bubble, weak and strong, that can be tested with the inflation tax revenue curve.

Inflation and the Theory of Money

A Study in the Theory of Inflation and Unemployment

The relationship between the money supply and the inflation rate and the role of the

European Central Bank in changing the money supply
Theory and Policy
The Great Inflation
International Trade and Transmission of Inflation
Monetary Theory and Policy

An in-depth analysis set in the context of the ongoing debate on fiscal policy vis-à-vis monetary policy Is fiscal deficit detrimental to growth rate? Does it create macroeconomic imbalance? If so, is deficit containment a prerequisite for sustained reduction in inflation? Does fiscal deficit crowd out private investment and, if so, to what extent? Does fiscal deficit affect rate of interest? This book analyses such debates and impacts of fiscal deficit in India, empirically, through macro econometric exercise. Filling an existing gap, it revisits the debate on the macroeconomic effects of deficit by taking India as a case study based on a longtime series analysis from 1980–81 to 2012–13. Structuralist macroeconomics has emerged recently as the only viable theoretical alternative for economists and practitioners in developing countries. Lance Taylor's innovative work represents a landmark in this field. It codifies a new generation of structuralist macroeconomic models that incorporate the economic power relationships of key institutions and groups, integrates both finance and real macroeconomics, and covers a diverse range of experience in the developing world over the past three decades.In an introduction Taylor explains his methodology, describes assumptions underlying the models used, and reviews theories that relate economic growth and the role of financial assets. He then takes up basic structuralist models of a closed economy and moves on to consider the open economy cases. He incorporates the latest developments in the field (inflation, financial crisis, exchange rate management, increasing returns, and the like) in a treatment that departs substantially from economic orthodoxy.Taylor first addresses the question of how to specify.closure" or define the causal structure of macro models. He also considers how income redistribution influences growth and output and how income redistribution interacts with inflation. Next, an investment-driven non-full employment growth model draws on ideas introduced earlier to illustrate how different sorts of macroeconomic policies affect short-run adjustment and growth prospects over time. Taylor then turns to the problems proposed by economic openness in a stylized semi-industrialized country, starting with international trade. A fix-price/flex-price model is developed, and additional models demonstrate cases of policy relevance as well as interactions between class conflict and growth.Lance Taylor is Professor of Economics at MIT.

The new edition of a comprehensive treatment of monetary economics, including the first extensive coverage of the effective lower bound on nominal interest rates. This textbook presents a comprehensive treatment of the most important topics in monetary economics, focusing on the primary models monetary economists have employed to address topics in theory and policy. Striking a balance of insight, accessibility, and rigor, the book covers the basic theoretical approaches, shows how to do simulation work with the models, and discusses the full range of frictions that economists have studied to understand the impacts of monetary policy. For the fourth edition, every chapter has been revised to improve the exposition and to reflect recent research. The new edition offers an entirely new chapter on the effective lower bound on nominal interest rates, forward guidance policies, and quantitative and credit easing policies. Material on the basic new Keynesian model has been reorganized into a single chapter to provide a comprehensive analysis of the model and its policy implications. In addition, the chapter on the open economy now reflects the dominance of the new Keynesian approach. Other new material includes discussions of price adjustment, labor market frictions and unemployment, and moral hazard frictions among financial intermediaries. References and end-of-chapter problems allow readers to extend their knowledge of the topics covered. Monetary Theory and Policy continues to be the most comprehensive and up-to-date treatment of monetary economics, not only the leading text in the field but also the standard reference for academics and central bank researchers.

Monetary Policy, Inflation, and the Business Cycle
Interpretations of the Phillips Curve
A Radical Theory of Unemployment and Inflation
An Introduction to the New Keynesian Framework and Its Applications - Second Edition
Microfoundations, Macroeconomic Dynamics, and Monetary Policy
Unemployment in Western Countries
Proceedings of a joint conference of the

International Economic Association and the Indian Economic Association held in Pune, India

Martin Bronfenbrenner in the Journal of Finance had this to say when the book was first released "A thoughtful, scholarly, and systematic treatise on the economics of inflation. If this reviewer were asked to hang a course on inflation theory upon one single text, it would almost certainly be this one." The principal concern of this book is to set out the elements that enter into problems of analyzing inflation. This detailed, readable review of contemporary theory on the problems of inflation fills an important gap in the literature on macro-economics that: 1) assesses the implications of inflationary processes for economic policy; 2) synthesizes a general framework within which to illustrate inflationary processes; 3) reconciles the approaches of "demand inflation" and "cost inflation"; and 4) analyzes the determination and behavior of the general price level in an exchange economy. The first part of the book reviews neo-classical and "Keynesian" type models of the closed macro-economy, analyzes determination of the general price level, and introduces a restatement of conventional employment theory with emphasis on the general price level. The second part considers the problems of price and wage determinations and the demand for money in more detail, synthesizing the analyses into a model of the macro-economy and discussing the implications of this model and the preceding analysis for economic policy. Describing alternative approaches to the theory of inflation, each of which has resulted in partial theories, the book avoids fragmentary explanations by setting the entire discussion in the context of a macro-economic general equilibrium framework.

Seminar paper from the year 2007 in the subject Economics - Monetary theory and policy, grade: 1,7, Berlin School of Economics, course: Economics II, Business Cycles, Employment and Trade, 19 entries in the bibliography, language: English, abstract: This essay consists of two topics, both belonging to the field of money supply in the European Union (EU) since the introduction of the Euro 2002. The first part examines the relationship between money supply and inflation rate. Illuminating this relationship, it also explains the monetary policy of the European Central Bank (ECB). The link between its policy and the relationship of money supply and inflation rate will be highlighted by using graphs and current data. The first part ends with a critical view upon the policy of the ECB and the theories regarding the money supply. The second part deals with the role of the ECB in controlling the money supply. It shows which tools central banks have in general at hand to control the money supply, followed by an explanation of how these tools work. Finally, it discusses the development of the ECB and the steps it takes to control the money supply efficiently.

This paper points out and tests a straight forward but previously unnoticed prediction of models in which the absence of precommitment in monetary policy leads to excessive inflation. Because unanticipated monetary expansion leads to real exchange rate depreciation, and because the harms of real depreciation are greater in more open economies, the benefits of surprise expansion are decreasing in the degree of openness. Thus, under discretionary policy-making, money growth and inflation will be lower in more open economies. After presenting a simple theoretical model demonstrating this prediction of the theory, the paper examines the link between openness and inflation using cross-country data. The data reveal a strong negative link between openness and inflation.

Economic Concepts Explained

Annual Report

Economic Breakdown &

Recovery
Core Inflation
Evolution, Drivers, and Policies
Employment Policy in a Developing Country A Case-study of India Volume 1
Towards a Reconstruction of Macro-economics

This comprehensive book presents an original reconstruction of the different interpretations of the Phillips curve. The authors demonstrate through an in-depth analysis how it is possible to find non-neoclassical foundations in the trade-off between inflation and unemployment. The debate is presented from a historical perspective which charts the evolution of the Phillips curve from a non-neoclassical perspective, taking account of post Keynesian literature. In the first part of the book the authors focus on the origins of the Phillips curve and they critically analyse Richard Lipsey's interpretation and approach to the Phillips curve. They then explore the neoclassical and monetarist interpretation, paying special attention to the evolution of monetarism and the Keynesian critique of this approach. The Kaleckian, Keynesian and Marxist interpretations of the Phillips trade-off are then presented. Here the authors show how the relationship between inflation, unemployment and money described in these approaches accurately reflects the fundamental features of today's capitalist economies. In the final section a new Phillips curve is constructed, taking into account the non-accelerating inflation rate of unemployment and the hysteresis of it. Inflation, Unemployment and Money will be of interest to macroeconomists, post Keynesians and monetary and financial economists.

This paper uses a dynamic factor model for the quarterly changes in consumption goods' prices to separate them into three components: idiosyncratic relative-price changes, aggregate relative-price changes, and changes in the unit of account. The model identifies a measure of "pure" inflation: the common component in goods' inflation rates that has an equiproportional effect on all prices and is uncorrelated with relative price changes at all dates. The estimates of pure inflation and of the aggregate relative-price components allow us to re-examine three classic macro-correlations. First, we find that pure inflation accounts for 15-20% of the variability in overall inflation, so that most changes in inflation are associated with changes in goods' relative prices. Second, we find that the Phillips correlation between inflation and measures of real activity essentially disappears once we control for goods' relative-price changes. Third, we find that, at business-cycle frequencies, the correlation between inflation and money is close to zero, while the correlation with nominal interest rates is around 0.5, confirming previous findings on the link between monetary policy and inflation.

'The latest generation of research in comparative institutional analysis of business is impressively captured in this volume; readers find depth in theory development, breadth in application to practice and policy, and insight on the big research issues ahead. Both generalist and specialist readers will find much of value here.' – Bruce Evan Kaufman, Georgia State University, US This inspiring Handbook brings together alternative perspectives from a range of disciplines to shed light on the nature of institutions and their relationship to firm-level practices and outcomes across a wide range of national settings. Expertly written by leading scholars from a range of different starting points, this compendium presents a synthesis of recent work relating to institutionally-informed accounts from transitional and emerging markets, as well as from mature economies. It specifically focuses on the linkage between institutions and what goes on inside firms, and the relationship between setting, strategic choice and systemic outcomes. The Handbook is explicitly multi-disciplinary, encompassing perspectives from a range of the functional areas of management studies. It will prove invaluable for postgraduate students and faculty in international business, and the wider research community in the areas of international business, corporate governance, socio-economics, and comparative HRM.

Inflation, Unemployment and Money

Survey of the Literature, Theory, and the Japanese Experience

Inflation Theory and Anti-inflation Policy

Post-Keynesian Economics

Problems of Theory and Policy

Income Distribution, Inflation, and Growth

Macroeconomics

The award-winning The New Palgrave Dictionary of Economics, 2nd edition is now available as a dynamic online resource. Consisting of over 1,900 articles written by leading figures in the field including Nobel prize winners, this is the definitive scholarly reference work for a new generation of economists. Regularly updated! This product is a subscription based product.

This book provides a comprehensive coverage of the origin and development of economic thought from the ancient times to the present day. It documents the contributions of major thinkers from the time of Hebrews to Maurice Dobb, and the perspectives that influenced the economic thought. The book also provides an account of the recent trends in Indian economic thought and will be of interest and relevance to all students and scholars of the subject. It covers the syllabus of economic thought of major Indian universities.

This second edition explores how money

'works' in the modern economy and synthesises the key principles of Modern Money Theory, exploring macro accounting, currency regimes and exchange rates in both the USA and developing nations.

The Rebirth of Modern Central Banking
Stagflation
A Theoretical Survey and Synthesis
Proceedings of a Conference Held by the International Economic Association at Saltsjöbaden, Sweden
Fiscal Consolidation, Budget Deficits and the Macro Economy
Capital, Inflation and the Multinationals

Inflation: Theory and PolicySpringerThe Great InflationThe Rebirth of Modern Central BankingUniversity of Chicago Press

Controlling inflation is among the

most important objectives of economic policy. By maintaining price stability, policy makers are able to reduce uncertainty, improve price-monitoring mechanisms, and facilitate more efficient planning and allocation of resources, thereby raising productivity. This volume focuses on understanding the causes of the Great Inflation of the 1970s and ’80s, which saw rising inflation in many nations, and which propelled interest rates across the developing world into the double digits. In the decades since, the immediate cause of the period’s rise in inflation has been the subject of considerable debate. Among the areas of contention are the role of monetary policy in driving inflation and the implications this had both for policy design and for evaluating the performance of those who set the policy. Here, contributors map monetary policy from the 1960s to the present, shedding light on the ways in which the lessons of the Great Inflation were absorbed and applied to today’s global and increasingly complex economic environment.

The classic introduction to the New Keynesian economic model This revised second edition of Monetary Policy, Inflation, and the

Business Cycle provides a rigorous graduate-level introduction to the New Keynesian framework and its applications to monetary policy. The New Keynesian framework is the workhorse for the analysis of monetary policy and its implications for inflation, economic fluctuations, and welfare. A backbone of the new generation of medium-scale models under development at major central banks and international policy institutions, the framework provides the theoretical underpinnings for the price stability–oriented strategies adopted by most central banks in the industrialized world. Using a canonical version of the New Keynesian model as a reference, Jordi Galí explores various issues pertaining to monetary policy's design, including optimal monetary policy and the desirability of simple policy rules. He analyzes several extensions of the baseline model, allowing for cost-push shocks, nominal wage rigidities, and open economy factors. In each case, the effects on monetary policy are addressed, with emphasis on the desirability of inflation-targeting policies. New material includes the zero lower bound on nominal interest rates and an analysis of unemployment's significance for monetary policy. The most up-to-date introduction to the New Keynesian framework available A single benchmark model used throughout New materials and exercises included An ideal resource for graduate students, researchers, and market analysts

Theory and Evidence

Inflation

A Primer on Macroeconomics for Sovereign Monetary Systems

Modern Money Theory

Inflation: Theory and Policy

The Conquest of American Inflation

Back to Basics

Inflation plays a central role in

macroeconomic and financial policy regulation, and its dynamic formation has gradually become a popular research topic in this field. This book comprehensively studies the dynamic mechanism of inflation in China from the perspective of New Keynesian economics. By combining the dynamic trajectory of price changes since China's reform and opening-up under Deng Xiaoping as well as the underlying economic operating characteristics, the book deploys a multifaceted approach to understand the mechanism of inflation dynamics. The author explores the microfoundations of inflation dynamics, and underlines their importance in the context of modern monetary policy. In particular, he builds upon the traditional New Keynesian Phillips curve to include factors of globalization and financialization within the inflation formation regime of modern China. As the book explores the dynamic mechanism of China's inflation from different perspectives including inflation cycle theory, price index internal conduction, price index chain transmission, capital rotation, and industry inflation mechanisms, international readers will gain a full understanding of China's inflation, monetary policy, and economy.

An overview of recent theoretical and policy-related developments in monetary economics.

In the past fifteen years, inflation has been conquered by many advanced countries. History reveals, however, that it has been conquered before and returned. In The Conquest of American Inflation, Thomas J. Sargent presents a groundbreaking analysis of the rise and fall of U.S. inflation after 1960. He examines two broad explanations for the behavior of inflation and unemployment in this period: the natural-rate hypothesis joined to the Lucas critique and a more traditional econometric policy evaluation modified to include adaptive expectations and learning. His purpose is not only to determine which is the better account, but also to codify for the benefit of the next generation the economic forces that cause inflation. Sargent begins with an explanation of how American policymakers increased inflation in the early 1960s by following erroneous assumptions about the exploitability of the Phillips curve--the inverse relationship between inflation and unemployment. In subsequent chapters, he connects a sequence of ideas--self-confirming equilibria, least-squares and other adaptive or recursive learning algorithms, convergence of least-squares learners with self-confirming equilibria, and recurrent dynamics along escape routes from self-confirming equilibria. Sargent synthesizes results from macroeconomics, game theory, control theory, and other fields to extend both adaptive expectations and rational expectations theory, and he compellingly describes postwar inflation in terms of drifting coefficients. He interprets his results in favor of adaptive expectations as the relevant mechanism affecting inflation policy. Providing an original methodological link between theoretical and policy economics, this book will engender much debate and become an indispensable text for academics, graduate students, and professional economists.

Inflation Expectations

Exploring the Mechanics of Chronic Inflation and Hyperinflation

A Cross-Country Study and Its Application to Jamaica

Money and Banking

An International Text
Openness and Inflation
Inflation in Emerging and Developing Economies

Students in economics are ever more distressed by the disconnect between mainstream economics and the real world. This book shows how post-Keynesian economics constitutes a coherent heterodox alternative, based on realistic assumptions and the integration of the financial and real sides of the economy, with an emphasis on the many paradoxes that arise in a truly macroeconomic analysis. The book is a considerably revised and updated version of the widely used and frequently cited 2014 edition, which won the EAEPE

Myrdal Prize (now the Joan Robinson Prize). It provides an exhaustive account of post-Keynesian theory and policy. Topics covered include its methodological foundations, consumer theory and choice under fundamental uncertainty, firms and pricing, money and credit, effective demand and employment, growth theory, open-economy issues, inflation theory. It also links up with ecological economics. Scholars of economics, particularly post-Keynesian and heterodox economists, will find this comprehensive look at the field a necessary addition to their libraries and students and instructors will find it a perfect text for any class on post-Keynesian economics.

This study of macroeconomics combines treatment of opposing theories with a presentation of evidence to point the way toward a reconstructed macro research and policy programme.

This groundbreaking new core textbook encourages students to take a more critical approach to the prevalent assumptions around the subject of macroeconomics, by comparing and contrasting heterodox and orthodox approaches to theory and policy. The first such textbook to develop a heterodox model from the ground up, it is based on the principles of Modern Monetary Theory (MMT) as derived from the theories of Keynes, Kalecki, Veblen, *Marx, and Minsky, amongst others. The internationally-respected author team offer appropriate fiscal and monetary policy recommendations, explaining how the poor economic performance of most of the wealthy capitalist countries over recent decades could have been avoided, and delivering a well-reasoned practical and philosophical argument for the heterodox MMT approach being advocated. The book is suitable for both introductory and intermediate courses, offering a thorough overview of the basics and valuable historical context, while covering everything needed for more advanced courses. Issues are explained conceptually, with the more* *technical, mathematical material in chapter appendices, offering greater flexibility of use.*

The New Palgrave Dictionary of Economics

A History of Economic Thought, 10th Edition

Public Debt, Money Supply, and Inflation

New Foundations

Relative Goods' Prices and Pure Inflation

Inflation Theory-anti-in/h

Lectures on Structuralist Macroeconomic Theory

This is the first comprehensive study in the context of EMDEs that covers, in one consistent framework, the evolution and

global and domestic drivers of inflation, the role of expectations, exchange rate pass-through and policy implications. In addition, the report analyzes inflation and monetary policy related challenges in LICs. The report documents three major findings: In First, EMDE disinflation over the past four decades was to a significant degree a result of favorable external developments, pointing to the risk of rising EMDE inflation if global inflation were to increase. In particular, the decline in EMDE inflation has been supported by broad-based global disinflation amid rapid international trade and financial integration and the disruption caused by the global financial

crisis. While domestic factors continue to be the main drivers of short-term movements in EMDE inflation, the role of global factors has risen by one-half between the 1970s and the 2000s. On average, global shocks, especially oil price swings and global demand shocks have accounted for more than one-quarter of domestic inflation variatio--and more in countries with stronger global linkages and greater reliance on commodity imports. In LICs, global food and energy price shocks accounted for another 12 percent of core inflation variatio--half more than in advanced economies and one-fifth more than in non-LIC EMDEs. Second, inflation expectations

continue to be less well-anchored in EMDEs than in advanced economies, although a move to inflation targeting and better fiscal frameworks has helped strengthen monetary policy credibility. Lower monetary policy credibility and exchange rate flexibility have also been associated with higher pass-through of exchange rate shocks into domestic inflation in the event of global shocks, which have accounted for half of EMDE exchange rate variation. Third, in part because of poorly anchored inflation expectations, the transmission of global commodity price shocks to domestic LIC inflation (combined with unintended consequences of other government policies) can

have material implications for poverty: the global food price spikes in 2010-11 tipped roughly 8 million people into poverty. Inflation is regarded by the many as a menace that damages business and can only make life worse for households. Keeping it low depends critically on ensuring that firms and workers expect it to be low. So expectations of inflation are a key influence on national economic welfare. This collection pulls together a galaxy of world experts (including Roy Batchelor, Richard Curtin and Staffan Linden) on inflation expectations to debate different aspects of the issues involved. The main focus of the volume is on likely inflation developments. A

number of factors have led practitioners and academic observers of monetary policy to place increasing emphasis recently on inflation expectations. One is the spread of inflation targeting, invented in New Zealand over 15 years ago, but now encompassing many important economies including Brazil, Canada, Israel and Great Britain. Even more significantly, the European Central Bank, the Bank of Japan and the United States Federal Bank are the leading members of another group of monetary institutions all considering or implementing moves in the same direction. A second is the large reduction in actual inflation that has been observed in most countries over

the past decade or so. These considerations underscore the critical – and largely underrecognized - importance of inflation expectations. They emphasize the importance of the issues, and the great need for a volume that offers a clear, systematic treatment of them. This book, under the steely editorship of Peter Sinclair, should prove very important for policy makers and monetary economists alike.

This book focuses on the core issues in money and banking. By using simple applications for anyone that understands basic economics, the lessons in the book provide any student or reader with a background in how financial markets work, how

banks as businesses function, how central banks make decisions, and how monetary policy affects the global economy. Money and Banking is split into sections based on subject matter, specifically definitions and introductions, financial markets, microeconomic issues, macroeconomy policy, and international finance. It also covers: - derivative and currency markets - the microeconomics of banking - trade and currency movements - asymmetric information and derivative markets - the future of financial markets and their participants By providing a mix of microeconomic and macroeconomic applications, focusing on both international examples and open economy

macroeconomics, this book reduces the minutiae seen in competing books. Each chapter provides summaries of what should be learned along the way and why the chapter's topic is important, regardless of current events. For undergraduate business, economics or social science students otherwise, this book is a concise source of information on money, banking and financial markets.

Inflation in China

Handbook of Institutional Approaches to International Business

An Overview of Contemporary Scientific Cosmology After the Inflationary Proposal

Inflationary Cosmology Revisited

Monetary Theory and Policy,

fourth edition

This paper provides comprehensive empirical evidence that supports the predictions of Sargent and Wallace's (1981) "unpleasant monetarist arithmetic" that an increase in public debt is typically inflationary in countries with large public debt. Drawing on an extensive panel dataset, we find that the relationship holds strongly in indebted developing countries, weakly in other developing countries, but generally not in developed economies. These results are robust to the inclusion of other variables, corrections for endogeneity biases, and relaxation of common-slope restrictions and are invariant over sub-sample periods. We estimate a VAR to trace out the transmission *channel and find the impulse responses consistent with the predictions of a forward-looking model of inflation. Wealth effects of public debt could also affect inflation, as posited by the fiscal theory of the price level, but we do not find supportive evidence. The results suggest that the risk of a debt-inflation trap is significant in highly indebted countries, and pure money-based stabilization is unlikely to be effective over the medium term. Our findings stress the importance of institutional and structural factors in the link between fiscal policy and inflation. This paper discusses about capitalism that is often thought of as an economic system in which private actors own and control property in accord with their interests, and demand and supply* *freely set prices in markets in a way that can serve the best interests of society. The essential feature of capitalism is the motive to make a profit. In a capitalist economy, capital assets—such as factories, mines, and railroads—can be privately owned and controlled, labor is purchased for money wages, capital gains accrue to private owners, and prices allocate capital and labor between competing uses. Although some form of capitalism is the basis for nearly all economies today, for much of the past century it was but one of two major approaches to economic organization. In the other, socialism, the state owns the means of production, and state-owned enterprises seek to maximize social good rather than profits.*

The conference that is recorded in this volume derived its initial impetus and choice of subject from the Jubilee of the Swedish Riksbank which was being celebrated in 1975. AJ part of that celebration, the International Economic Association was invited to organise a conference on the very topical subject of inflation-a subject of great concern to the banking community in all countries-and the Riksbankens Jubileumsfund bore the largest share of its expenses. We are greatly indebted to Mr Kristen Rickman, Governor of the Sviriges Riksbank, for his interest and support in all the work of the con-ference.