Foreword

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President

The Federal Reserve System is charged with managing the nation's monetary system so as to promote economic efficiency, stability, and growth. Economists, however, are far from agreed on how to do that. Agreement would have to come from a well-developed theory of how money works in an economy, and there simply is no such theory. In an attempt to help fill this gap, in December 1978 the Federal Reserve Bank of Minneapolis provided a forum for new research on the theory of money. This volume, *Models of Monetary Economies,* contains the conference proceedings and some post-conference contributions by participants.

The research presented in this volume departs from standard monetary analysis in two fundamental ways. First, unlike some current approaches, it sticks strictly to the assumption that money is only useful because of what it can buy. That is, in itself money does not satisfy consumers, and it cannot be used to produce anything that does. Second, unlike virtually all current approaches, the research rigorously works out the implications of that assumption in various general equilibrium contexts.

While the Minneapolis Federal Reserve Bank does not necessarily endorse the views expressed at the conference or in this volume, we believe their publication makes a significant contribution to the literature on monetary economics. We hope it will stimulate further discussion and research and ultimately lead to improved monetary policies.

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