

## Review of

**Allan H. Meltzer's *A History of the Federal Reserve*,  
Volume 2, University of Chicago Press, 2009**

By

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When Allan Meltzer published Volume 1 of the history of the Federal Reserve in 2003, it was received with wide acclaim. Michael Bordo (2006), reviewing it in the *Journal of Monetary Economics*, praised it as a “monumental accomplishment” researched with “painstaking detail.” David Laidler (2003), writing in the *Journal of Economic Literature*, called it “an exceptionally clear story.” Both emphasized that the history complemented Friedman and Schwartz’s (1963) monetary history since Meltzer provides a penetrating biography of an institution rather than a broader history of monetary trends.

Volume 2, published six years later, is all this and much more. It picks up the story in 1951 where Volume 1 left off. Reflecting the increased volume of relevant source material, it is substantially longer than Volume 1—up from 800 pages to 1312 pages, which required that it be split up into two books. The year 1951 is a logical break point because it coincides with the start of William McChesney Martin’s long term as Chairman and also with the year of the famous Accord which gave the Federal Reserve freedom to set interest rates in a way that would “minimize monetization of the public debt” rather than simply peg the Treasury borrowing rate.

To write this history, Meltzer digested thousands of documents—transcripts of meetings of the Federal Open Market Committee, notes and interviews with Fed officials, records at the New York Fed and other regional banks, papers from presidents of the United States and their

assistants, not to mention records of the Congress, the Treasury, the Council of Economic Advisers, foreign monetary officials, academics and journalists. He selected key passages and quotes, insisting that policymakers express their views and explain their decisions, good or bad, in their own words; his frequent quotes of policymakers in memos, media appearances, and private interviews are a wonderful trademark of Meltzer's approach to monetary history. He then creatively weaves together the complex series of events into a single narrative, transforming the painstaking details into an exceptionally clear story, just as he did in Volume 1.

This is no easy task and no one is more qualified to carry it out than Allan Meltzer with his long experience as a monetary scholar active in public affairs. Policymakers, monetary economists, and historians should be forever grateful to him for making so much rarely-seen but crucial information accessible in a readable and manageable form.

Volume 2 can be read independently of Volume 1. Indeed, with a little knowledge of monetary economics and history, it is possible to read and learn a lot from any chapter in either volume independently of other chapters. In fact, this is the most sensible way to approach such a long history in which many chapters are longer than typical articles and even some books. Choose a chapter or a section you are interested in, read it, then go on to others. If you want to find out more about how to avoid bailouts, read the section "The Penn Central Failure" and you will see that Federal Reserve Board Chair Arthur Burns wanted a bailout while OMB Director George Shultz and the CEA did not, and you will also find out how and why the bailout was avoided and how the Fed prevented contagion anyway. Or you can read why Chairman Martin let inflation rise at the end of his long term, or how decisions were made that would eventually end Bretton Woods with the famous Camp David announcement on August 15, 1971. The excellent index facilitates using Meltzer's history as reference in this way, though it only appears

at the end of Book 2, and scholars might want to consider making copy and inserting it at the end of Book 1 as well.

But Meltzer's history is more than a reference work. It tells a consistent story of policy successes and policy failures with an explanation for both and a lesson for the future. This story is found in Volume 2, but it is also found in Volume 1, and even in what I see as a preliminary Volume 3, found within Volume 2. The main failures are the Great Depression of the 1930s, the Great Inflation of the 1970s, and the financial crisis which began in 2007 resulting in the Great Recession. The main successes are the Great Disinflation of the early 1980s and the Great Moderation which succeeded it. To explore this theme of success and failure, I start with a brief review of Volume 1.

### *The Great Depression*

Volume 1 begins with the antecedents of the Fed and its founding in 1914. It tracks the Fed's early operations into the 1920s when policy makers were searching for some kind of guide for actions and settled on a real bills doctrine. It also covers the 1940s when monetary policy was subservient to the borrowing needs of the Treasury in order to finance government spending in World War II.

But the main event in Volume 1 is the Great Depression of the 1930s. Chapter 5 of that volume addresses the key question, "Why Did Monetary Policy Fail in the Thirties?" Meltzer's overall assessment of the proximate cause of the deep contraction in output and employment was a monetary policy mistake in the form of a massive decline in the money supply. "From the peak of the cycle in the summer of 1929 to the bottom of the depression in March 1933, the stock of money—currency and demand deposits—fell by 28 percent and industrial production fell by

50 percent” (Volume 1, p 271). Meltzer shows that this decline could have been prevented, and carefully reviews the records looking for the most likely reason for that tragic mistake.

He concludes that a flawed view of how monetary policy works was the main problem. Federal Reserve officials viewed the *nominal* interest rate and member bank borrowings as measures of monetary tightness, rather than tracking the *real* interest rate and broader monetary aggregates—such as currency and deposits. His search through the Fed’s records documents for example that “The minutes of the period, statements by Federal Reserve officials, and outside commentary by economists and others do not distinguish between real and nominal interest rates” (Volume 1, pp 412-413). Meltzer argues that this faulty view, more than anything else—including a lack of leadership stressed by Friedman and Schwartz (1963)—led to harmful discretionary actions as well as to a reluctance to engage in open market purchases which would have prevented the decline in the money stock. Open market purchases were not thought to be necessary because low member bank borrowings and low interest rates were interpreted as a sign of monetary ease. Hence, an incorrect view of the monetary transmission mechanism took attention away from money supply measures. While it had the data showing the volume of currency hoarded by the public, it did not let the monetary base rise in order to accommodate this increased demand for money. Meltzer shows that the alternative, correct, view that the central bank should control deposits and currency was known at the time—referring, for example, to Keynes’ writings—but it was not reflected in the Fed’s decisions.

The bottom line is that the Fed did not have a sensible strategy or rule to guide its decisions. Meltzer writes that “So certain was the System about the correctness of its actions and its lack of responsibility for the collapse that I have found no evidence the Board undertook an official study of the reasons for the policy failure” (Volume 1, p 413).

## *The Great Inflation*

Next on the list of huge policy failures is the Great Inflation. In much the same way that the Great Depression of the 1930s is the central event of Volume 1, the Great Inflation from 1965 to 1980 is the central event of Volume 2. In fact, Chapter 7 of Volume 2 is an eerie parallel to Chapter 5 of Volume 1, and is entitled “Why Monetary Policy Failed Again in the 1970s.” In total, Meltzer devotes three chapters of Volume 2 to the Great Inflation: Chapter 4 which covers the original rise of inflation, Chapter 6 which covers the wage and price controls and their aftermath, and Chapter 7 which addresses the overall “why the failure” question. Moreover, these chapters are preceded by a logical prelude to the Great Inflation—the introduction of Keynesian economics to Washington in the 1960s (Chapter 3)—and they are followed by the Volcker Disinflation (Chapter 8) from 1979 to 1983 and the efforts to restore stability after the legacy of 1970s inflation (Chapter 9) from 1983 to 1986.

Meltzer emphasizes that the inflation of the 1970s actually began in 1965 under Martin’s chairmanship. The proximate reason for the rise of inflation was the increase in money growth and the corresponding decision to keep interest rates too low to prevent the rise in inflation. Why did the Martin Fed take these actions? Meltzer finds two main explanations.

A first reason is that the Fed “accepted its role as a junior partner by agreeing to coordinate its actions with the administration’s fiscal policy. Coordination permitted the chairman to discuss the administration’s fiscal policy with the president, but he had little effect on decisions. In practice, coordination meant that the Federal Reserve would not raise interest rates much, if at all” (p 485).

Why did Martin succumb to this junior partnership role? Meltzer argues that it was due to Martin's very narrow view of central bank independence, and he provides evidence in Martin's own words. According to Martin the Fed should be "independent within the government" (p 84), elaborating that "I do not believe it is consistent to have an agent so independent that it can undertake, if it chooses, to defeat the financing of a large deficit, which is a policy of the Congress" (p 85). As Meltzer summarizes, Martin made it clear that "He could not prevent inflation if the deficit remained large, so he could not meet the primary responsibility of an independent central bank—to maintain money's purchasing power" (p 85). Meltzer offers two other reasons for Martin's going along with the administration's wishes: Martin was committed to consensus building between the Fed and the administration, and he did not distinguish between real and nominal interest rates, similarly with the Fed in the 1930s.

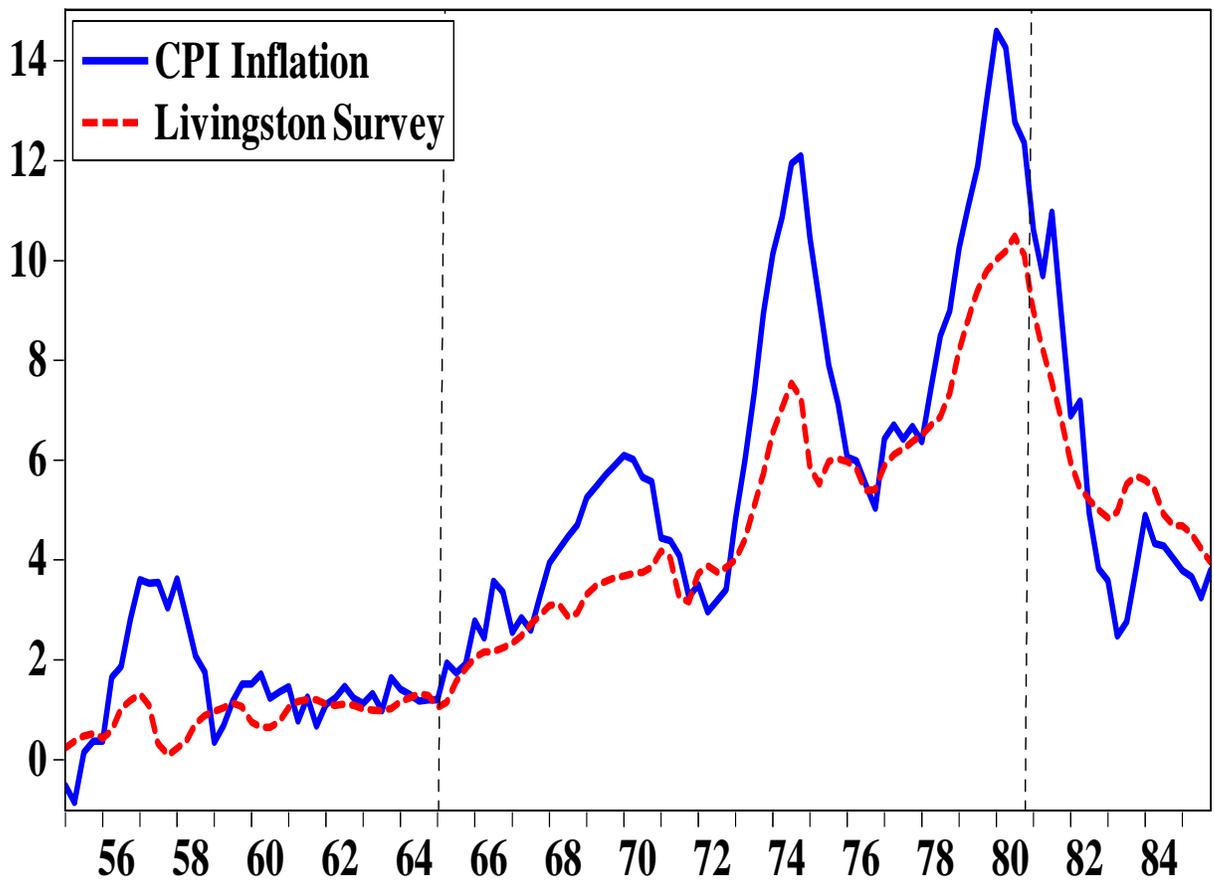
A second reason given by Meltzer for Martin's decision not to allow interest rates to rise was that he succumbed to a new but incorrect theory put forth by administration economists and others, namely a belief in the Phillips curve tradeoff, which lessened the resolve to keep inflation from rising because higher inflation was believed to reduce unemployment permanently. As Meltzer puts it, "Administration economists believed that a little more inflation was the price of permanently lower unemployment. This called for keeping interest rates from rising..." (p 485). Meltzer refers to documents showing references to the Phillips curve tradeoff from the members of the President's Council of Economic Advisers in the 1960s. This second reason for the Fed's low interest rate and high money growth decisions is similar to one that I have favored (Taylor, 1997) and differs from many other explanations such as Brad De Long's, which stresses memories of high unemployment in the Great Depression, Michael Parkin's, which is based on time inconsistency, or Alan Blinder's, which blames the oil price shocks. As argued in Levin

and Taylor (2009), Meltzer's first reason for the rise in inflation—the political reason stemming from lack of sufficient Fed independence—is a crucial part of the explanation, because the Fed continued to let inflation rise in the 1970s, long after Milton Friedman and Edmund Phelps convincingly showed the flaws in the concept of a Phillips curve trade-off. It was not only a flawed theory it was a reluctance to follow a strategy for political reasons.

If you look just a few years later into the Great Inflation, to the period after Richard Nixon was elected president, you see a different view put forth by the Council of Economic Advisers, one consistent with that of Friedman and Phelps. As Meltzer puts it, “the members of the Council of Economic Advisers in the Nixon administration brought different ideas but no less inflation” (p 485). By then the analytical changes implied by the Friedman-Phelps view was largely accepted, and “These analytic changes could have served as the basis for a successful anti-inflation policy, but they were not used for that purpose.... As the 1972 election approached, [concerns about unemployment] became overwhelming... No less important, Arthur Burns...became convinced that the unemployment rate required to reduce inflation would be politically unacceptable. He became the leading proponent in the administration of wage-price guidelines and later wage and price controls” (p 486). In other words the theory changed but the policy did not. Meltzer's emphasis on political influence and the lack of independence is the more important explanation.

Another piece of evidence which supports Meltzer's stress on political factors relative to changes in economic theory is found in the last few years of the Great Inflation. One might argue—in fact I made that argument in Taylor (1997)—that the reason for the delay in reducing inflation in the late 1970s was the view imbedded in the adaptive-expectations augmented or the accelerationist version of the Friedman-Phelps theory. Such versions had the implication that

reducing inflation would be costly and thus gave a theoretical argument for why policymakers were reluctant to take actions to reduce inflation earlier. But the problem with the argument is that inflation actually got higher, rather than remain steady in the late 1970s, as stressed in Levin and Taylor (2009) and shown in Figure 1 which is drawn from that paper. Political factors or insufficient independence is thus needed to explain why the Fed deviated from a policy strategy that even a pessimistic short-run accelerationist Phillips curve would support.



**Figure 1** Actual Inflation and Short-Run Inflation Expectations, 1955-1985

(Source: Levin and Taylor (2009))

## *The Great Disinflation*

Meltzer has many positive things to say about monetary policy during the disinflation period which began with Paul Volcker's appointment to the Fed. He emphasizes how Volcker recaptured much of the independence the Fed lost during the Great Inflation and thereby was able to take the necessary steps required to bring about the disinflation and the restoration of stability afterwards. In many ways, the story of the disinflation is the reverse of the stories of Great Depression and the Great Inflation which were about either insufficient independence or inadequate monetary theory, and it illustrates how following sound policies consistently can bring impressive results. Meltzer stresses Volcker's reliance on basic economic theory that inflation is a monetary phenomenon and that there is no long-run Phillips curve tradeoff.

In my view, the chapter Disinflation is one of the best parts of Meltzer's entire history. It is upbeat and even inspirational. It provides a model for how to make big changes in government. It does this by explaining in detail how Volcker accomplished this seemingly impossible mission. As Meltzer puts it: "President Carter gets credit for appointing [Volcker] and President Reagan for supporting him through a deep recession. But Paul Volcker's major contribution stands out. Unlike 1966, 1969, 1973, and other times, he persisted in an anti-inflation policy long enough to bring the inflation rate down permanently" (p 1011). There is much to learn from reading about how Volcker pulled this off.

Meltzer notes how Volcker was ideally suited for the job. He "had the background and experience to be a successful chairman.... Foreign central bankers and New York bankers knew him and had confidence in him. He was knowledgeable and strong-willed, and he recognized the importance of reducing inflation. He was also determined and committed to the task" (p 1012).

He was clear from the start that he would be independent and that he would be willing to go against the wishes of the White House if necessary, and at times he did go against such wishes. Meltzer quotes a memo from Charles Schultze, Chairman of the Council of Economic Advisers, to President Carter in which he urges the president to probe when Volcker could “begin easing a bit” (p 1020), even though inflation had not yet started coming down.

Volcker also kept it simple: “People don’t need an advanced course in economics to understand that inflation has something to do with too much money,” he said. And he was firm in his intentions. When asked on *Face the Nation* when he would change from “fighting inflation to fighting unemployment” he answered “I don’t think we can stop fighting inflation.... I think we’ve got to keep our eye on that inflationary ball” (p 1023). And most famously he became deeply involved in technical matters relying on a small group of economic advisers such as Steve Axilrod. Indeed, from a technical monetary economics viewpoint, his change in operating procedures is the most interesting action he took.

Meltzer tells this fascinating story in detail: It begins with a meeting of the Federal Reserve Board on September 18, 1979. It was a watershed event, occurring soon after Volcker was appointed. On that day the Board approved a proposal to increase in the discount rate by 50 basis points, but the vote was very close, four to three, which implied to the markets a low chance of additional tightening. With excessive money growth and high inflation continuing, the market had already begun to lose confidence in Volcker’s ability to reduce inflation.

It was then that Volcker knew he had to try something different if he was to get broad support for what had to be done. Working with the Fed staff, he assembled a three-part proposal: First, an increase in the discount rate of one percentage point to 12 percent; second, an increase in marginal reserve requirements on managed liabilities of large banks; third, a new operating

procedure, which would focus on reserves rather than on the federal funds rate. By targeting reserves, the new procedures would result in more sizable interest rate responses to inflation and would prevent the Fed from falling behind the curve. They would also allow Volcker to say that the market was setting the interest rate, rather than the Fed, and they even offered the possibility of a quick downward movement in the federal funds rate if the economy fell into a deep recession. But the main reason for the change according to Meltzer was to give a “psychological push to the idea that inflation would slow or end” (pp 1030-1031). When the FOMC and the Board met on October 6, 1979 the vote for the proposal was unanimous which represented a huge change in less than a month from the September 18 meeting. Those who dissented or disagreed earlier to raise the interest rate by a half percentage point now agreed to increase it by a full percentage point.

Why the change? Meltzer’s answer is that the crisis was more apparent. However, as I argued in Taylor (2004), I think an additional, perhaps even more important reason was that Volcker put the package together in a way that was purposely designed to get wide support; it had something for everyone, including a cut in rates if things became dire. In any case, the October 6 votes provide a clear example of good implementation of economic policy in practice. Both the knowledge of what to do and leadership to get it done were essential. Simply knowing the economic theory or proposing the economic reform is not enough. Implementing the solution required leadership and skillful coalition-building.

Unfortunately, the immediate impact of the policy change was not good. Long term interest rates rose and the stock market fell, and the Administration expressed its concerns. Charles Schultze wrote a memo to the president emphasizing the need for an alternative policy of wage and price controls. The disinflation was not going to be easy.

In Meltzer's view the October 6 decisions were a watershed in another more lasting sense. The Fed "implicitly changed the weights on unemployment and inflation" (pp 1033-1034). In another appearance on *Face the Nation* Volcker was asked: "How high an unemployment rate are you prepared to accept in order to break inflation?" His answer included the important line "over time we have no choice but to deal with the inflationary situation because over time inflation and unemployment go together" (p 1034).

An important part of this history is how the disinflation effort was almost aborted and certainly delayed by the request by President Carter to impose credit controls on March 14, 1980. Most of Carter's advisers and those at the Fed opposed the idea, but the decision was made for political reasons "to provide an alternative to high interest rates" (p 1050), according to Meltzer's research. While the Federal Reserve Board was reluctant, it went along and voted five to one to adopt the controls.

The controls led to a reduction in money growth and worsened the recession; the federal funds rate was allowed to decline. By summer the negative impact of the controls was clear and the Fed voted to eliminate them on July 2. Meltzer shows how the overall experience with the controls was counterproductive because the Fed "appeared to abandon its anti-inflation policy under administration pressure.... The Episode increase skepticism and further weakened the Federal Reserve's credibility" (p 1057). In effect, the disinflation effort was delayed by almost a year. "Although the Federal Reserve began its anti-inflation program in October 1979, it had to start over again in the Fall of 1980" (p 1094). As Goodfriend and King (2009) emphasize, long-term interest rates were higher after this episode than they were in October 1979.

This time, however, was different. Volcker and the Fed stuck with it. The federal funds rate went as high 20 percent in January 1981 and again in July 1981, and the tighter monetary

policy brought the inflation rate down. Happily the focus on inflation remained and inflation continued to decline and then stayed down for the rest of the 1980s and 1990s.

### ***The Great Moderation***

Meltzer states in the first sentence of Volume 2 that he has no plans for another volume which, when combined with Volumes 1 and 2, would then complete the history of the Fed from its founding to the present. But in several ways Meltzer does bring the history up-to-date and indeed there is a “preliminary-Volume 3” hidden in the concluding Chapter 10, in the Epilogue, and in the many references to research in monetary economics completed after the span of time covered in most of the chapters, even if simply to look back on the history from a more modern vantage point. This preliminary-Volume 3, covering the period from 1986 through the financial crisis in 2008, is largely about the Great Moderation and the Great Recession.

Meltzer’s assessment of monetary policy during the Great Moderation is as favorable as it is of policy during the Volcker Disinflation. Of course the actual economic performance was excellent. The volatility of output and inflation was low, expansions were long and recessions were infrequent and relatively mild. And he gives monetary policy and monetary policymakers credit. “From the end of the Great Inflation to 2007, the United States experienced three of its longest expansions interrupted by relatively mild, brief recessions. Federal Reserve policy contributed to the change sometimes called ‘the great moderation’” (p 1217).

He notes that Volcker’s successor Alan Greenspan also “put greater weight on inflation control” (p 1206), and that Greenspan and other FOMC members “said repeatedly that low inflation encouraged and even facilitated high employment and economic growth. The facts supported them” (p 1207). Going on, he emphasizes that, although the Fed did not formally

adopt a policy rule, it recognized that “policy should not be made one meeting at a time” (p 1238), and that “In 1994 it began to announce the current interest rate target and some clues to what it planned for the next meeting” (pp 1238-39).

I think Meltzer’s critique of the rational expectations/sticky price models which became the analytical framework during the Great Moderation paints too much of a caricature by stressing that they have only one interest rate, or do not have money in them. We should not confuse simplified textbook versions of these models, which frequently boil down to only three equations, with more detailed models used for policy. For practical monetary policy work, those simplifying assumptions are usually relaxed as I think the collection of models by Wieland and his colleagues (2009) illustrates. Some of the more complex models have time varying risk premia in the term structure of interest rates, an exchange rate channel, and more than one country. Nevertheless we can always improve monetary models, and central banks should try to be at the forefront of these improvements

In any case, Meltzer argues, correctly in my view, that during the Great Moderation period, the Fed did not fall to political pressure nor was trapped by a faulty theory. Its policy framework was one that emphasized predictable rule-like behavior.

### ***The Financial Crisis and Great Recession***

Meltzer is as critical of monetary policy leading up to and during the financial crisis that began in 2007 as he is of policy during the Great Depression and the Great Inflation. Reading the material presented in the Epilogue, one sees a remarkable consistency in Meltzer’s analysis of the policy mistakes which led to the crisis that began in 2007. Leading up to the crisis in the period from 2003 to 2005, “Federal Reserve policy was too expansive as judged by the Taylor

rule or the 1 percent Federal funds rate that held the real short-term interest rate negative in and expanding economy” (p 1248). Why did monetary policy keep rates too low? Meltzer gives several explanations but emphasizes that “Chairman Alan Greenspan believed and said that the country faced risk of deflation,” but Meltzer adds “That was a mistake” (p 1248).

Then during the crisis, Meltzer faults the Fed’s lender of last resort actions because “There was no clear pattern, no consistency, in the decisions” (p 1249). And he comes back to the political pressures and the loss of independence. He notes that “Chairman Bernanke seemed willing to sacrifice most of the independence that Paul Volcker restored in the 1980s. He worked closely with the Treasury and yielded to the chairs of the House and Senate Banking Committees and others in Congress” (p 1243).

Thus, in sharp contrast to the Disinflation and the Great Moderation we see a reappearance of both political pressures and a faulty model.

### ***The Lesson***

In sum Meltzer’s history of the Federal Reserve is a history of either making or avoiding two principle sources of policy errors: “political interferences or pressure and mistaken beliefs” (p 1217). The Great Depression was more the latter source of error: mistaken beliefs about the real bills doctrine. The Great Inflation was a combination of both types of errors, but failure to resist short term political pressures dominated because when beliefs changed in the 1970s, policies did not.

In contrast the Disinflation period is marked by an absence of both types of mistakes as Volcker regained independence and restored basic monetary fundamentals about the impact of changes in the money supply and interest rates. Similarly the Great moderation was a period

where rules-based policy, grounded in fundamentals, was followed, and independence was solidified, especially in the 1990s when independence of the Fed from the Treasury was discussed and accepted by the administration.

The financial crisis and the Great Recession were a return to a combination of both kinds of errors, a departure from rules-based policies that worked in the Great Moderation and a loss of independence as the Fed engaged in fiscal and credit allocation policy, either at the urging of the Administration or because they felt such discretionary actions were good policy.

Meltzer's historical research leads him to a clear and convincing policy conclusion as he wrote in the final pages of the book as it went to press in 2009: "Discretionary policy failed in 1929-33, in 1965-80, and now" (p 1255). And equally clear and convincing is that "The lesson should be less discretion and more rule-like behavior" (p. 1255). While I registered some disagreements with parts of Meltzer's history in my summary, I think his overall conclusion about monetary policy is largely correct. But most important, the facts and the references are there for anyone to inspect and debate.

### *Other Stories and Subplots*

In emphasizing this broad policy theme, I do not want to give the impression that this is all there is in Meltzer's history. In particular, there is much important and useful material on specific institutional reform efforts. Parts of Chapter 2 concern reform and reorganization of the Federal Reserve System in the 1950s by William McChesney Martin. Martin wanted to centralize more decision making power at the Board in Washington. While he was not successful in having the manager of the open market desk report directly to the Board, rather than to the president of the New York Fed, he was successful in shifting more control of the

FOMC decisions to the Board in Washington. For example, the Board usually decided in advance whether it would approve discount rate changes requested from the district banks.

There is also much in Chapter 2 about Martin's idea of Federal Reserve independence, discussed above, and the interesting episode was Martin's offer to resign when Eisenhower was elected in 1952. Of course, the resignation was not accepted, but Meltzer notes that Martin did not offer his resignation after any other presidential election.

Chapter 5 is a detailed study of the international side of monetary policy and can be read almost as a separate history, running in parallel to the Great Inflation episode discussed above. The story begins with the growing U.S. trade deficits in the 1960s and the reluctance to deal with them in a way which might risk slowing economic growth. The result was failed policies of capital controls and efforts to twist the yield curve by buying longer term Treasuries in "operation twist."

These policy inconsistencies naturally led to the decision to go off the gold standard, announced in 1971 by Richard Nixon, and then to set up a procedure which would lead to a system of flexible exchange rates. This part of the story extends into Chapter 6. I found it especially noteworthy that most of these momentous decisions were made by a very small group of people, including George Shultz, John Connelly, and Peter Peterson meeting in early August 1971. Later Paul Volcker as Under Secretary of Treasury would chair a group and devise a negotiating strategy that was successful in getting other countries to change their own exchange rates. It was a prelude to the combination of consensus-building and a tough negotiation strategy which would serve Volcker well twenty years later as he led the Disinflation.

## *Conclusion*

In sum there is much to like in Meltzer's *A History of the Federal Reserve, Volume 2*, just as there was in Volume 1. Not everyone will agree as much as I do with the key policy conclusion calling for less discretion and a more rule-like policy, but one cannot disagree that the history is comprehensive, thorough, and serious. Moreover, the facts presented in the book offer an opportunity for protagonists on either side of the rules versus discretion debate—whether inside or outside of central banks—to come closer together or else explain their differences. In this regard let me emphasize that while Meltzer does not hold back either his strong criticism or his strong praise of Federal Reserve decisions, he applauds the integrity and purposefulness of the people who work and who have worked at the Federal Reserve. As Meltzer writes in the preface to Volume 2, “Although I find many reasons to criticize decisions, I praise the standards and integrity of the principals.”

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