

*A MONETARY HISTORY AS A MODEL  
FOR HISTORIANS  
Allan H. Meltzer*

In 1963, the American Bankers Association invited the late James Tobin and me to review *A Monetary History of the United States* at a conference held at Princeton. At the time, I wrote and subsequently published a review article that began this way:

This volume is a delight to the economist. The book is clearly destined to be a classic, perhaps one of the few emerging in that role rather than growing into it. The reader cannot fail to be impressed by the size of the task to which the authors committed themselves, by the authors' ability to treat the broad sweep of a century of monetary history without being overcome by the mass of detail that they carefully examine, by the originality of the scholarship that is everywhere displayed, and by a host of other considerations, most of which are conveyed by the word "classic" [Meltzer 1965: 404].

Some of those words have greater resonance now that I am well along in the second volume of *A History of the Federal Reserve*. I do not know whether Anna Schwartz and Milton Friedman anticipated the size of the task and the amount of detail. I certainly did not. I have available most of the correspondence, minutes, and internal records that they were not permitted to access. That made their task very different from mine. To write their history, they had to find substitutes for the internal records.

One of the curious facts about their work is that the Federal Reserve discussed releasing internal documents during much of the period when they were working, but it would not release old minutes to Anna and Milton with a lag to protect confidentiality of current or recent discussions.

---

*Cato Journal*, Vol. 23, No. 3 (Winter 2004). Copyright © Cato Institute. All rights reserved.

Allan H. Meltzer is Chairman of the Gailliot Center for Public Policy at Carnegie Mellon University and a Visiting Scholar at the American Enterprise Institute.

There was a strong precedent for releasing materials. Seymour Harris wrote a Federal Reserve history about 1930 using internal records. A Committee on the History of the Federal Reserve System worked in the 1950s. Allan Sproul, president of the Federal Reserve Bank of New York, was an active participant in the Committee's work. Aside from some unpublished interviews stored at the Brookings Institution, the only completed work was Lester Chandler's biography of Benjamin Strong Jr., the first governor of the New York Fed and the dominant personality in the early years.

Chandler had access to all of Strong's papers, including minutes of the committee that, under different names, made decisions about open market operations. Strong's papers were stored at Columbia University as well as at the New York Fed. Anna and Milton therefore had access to the papers but not to the minutes of weekly board meetings at the New York bank.

The directors had a more powerful role in the 1920s. Their discussions determined whether a Reserve bank would participate in open market operations. The Reserve banks were still semi-autonomous, and directors could—and at critical times did—refuse to take a pro rata share of purchases. On issues such as the failure of the Bank of the United States or the Federal Reserve System's actions and inactions in the winter of 1933, the New York directors meetings help us to understand the considerations that led to the decisions taken.

I stray from my task. I want to discuss Anna's profound influence on me. Her work is a model for historians and would-be historians. Any historian has to decide what is relevant detail and what might be called interesting facts that have no apparent relevance for events. Does it matter that William McChesney Martin Jr. did not like economics and did not find it useful for policymaking? Does it matter that Marriner Eccles was a frequent White House adviser during his term as chairman of the Board of Governors? Does it matter that he was able to serve as the chairman of various Eccles' enterprises while serving as a Governor of the Federal Reserve? Questions of this kind arise regularly. Historians must decide from the mass of detail what is worth reporting and relating to events and what is not. Anna's work is a model.

How much importance should be given to personalities? Martin was collegial. He rarely forced his views on the Board or the Open Market Committee. Often, he would wait for events to persuade other members even if he believed that action was called for at the time.

Arthur Burns was very different. He had what I call the arrogance of the distinguished academic. He thought he knew what was right

and wrong. He did not have Martin's patience with those who differed with him, unless they could make a persuasive argument to show that he was wrong. That was not an easy task, because he believed he knew more than others about business cycles and much else.

Anna's work has been a model for me in deciding what to explore and what to avoid, what to include and what to omit. Her work, like that of any great historian, is more than a collection of interesting facts. The facts are part of an analysis. There must be a hypothesis, explicit or perhaps implicit, by which the historian decides questions of this kind. Reading Anna's work, in *A Monetary History* and elsewhere, helped me to think about and decide issues of this kind.

Anna has been, and continues to be, an excellent critic of my chapters. To say that she reads the material carefully is an understatement. Her criticisms go to detail, organization, and omissions. But they do not miss the larger issues.

Anna and I see our work on monetary history as complementary. More than any other friend or colleague, Anna has encouraged me to write the history. I am proud to say that we are good enough friends that she felt able to tell me that she thought I was wasting my time when I agreed to chair the so-called Meltzer Commission on international financial institutions. She thought my primary task, and more lasting contribution, was to complete *A History of the Federal Reserve*.

Having undertaken a task that has continued for nine years, with no end in sight, I am grateful for a friend that reminds me that the work is valuable and valued. I tried to express some of my debt in the preface to volume 1. After thanking the many people who commented on the manuscript, I said, "I owe a special debt to Anna Schwartz, who encouraged and prodded me. Anna commented fully and helpfully on each chapter from her vast store of knowledge" (Meltzer 2003: xiii).

I then went on to discuss briefly the importance to me of the Friedman and Schwartz book. "Several readers have asked why I included the years covered in Friedman and Schwartz's now classic monetary history. In one respect this is a strange question: in the physical sciences, replication of experiments is the norm. No one appreciates their work more than I, but its quality and importance should encourage, not deter, replication." I should add that replication is not limited to the physical sciences. There must be an infinity of histories of the American Civil War, the Kennedy assassination, and many other topics.

Anna has never held a permanent appointment as professor but she has been an inspiring teacher for a generation of historians. I am but

one of them, happy to join in the acclaim on this anniversary as on other occasions.

## References

- Meltzer, A. H. (1965) "Monetary Theory and Monetary History." *Schweizerische Zeitschrift für Volkswirtschaft und Statistik* 101: 404–22.
- \_\_\_\_\_. (2003) *A History of the Federal Reserve*. Vol. 1: 1913–1951. Chicago: University of Chicago Press.