

Allan H. Meltzer

*With a Foreword by Alan Greenspan*

A HISTORY OF THE  
**Federal Reserve**

VOLUME 1: 1913-1951



A HISTORY OF THE FEDERAL RESERVE



ALLAN H. MELTZER

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WITH A FOREWORD BY ALAN GREENSPAN

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*To Marilyn*



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## FOREWORD

Allan Meltzer, who undertakes projects that to most appear daunting, has delved deeply into the history of the Federal Reserve System, with a result that will add substantially to the discourse on the institution's role and development. He has reviewed the records of policy discussion at an extraordinary level of detail, and his analysis illuminates the contributions of the many fascinating individuals who shaped the Federal Reserve System we know today.

Beginning with a history of developments that underlay the initiation of America's most recent experiment in central banking, Meltzer carries the reader through the challenges of a developing institution faced with enormous economic upheaval, aptly describing the strong personalities that influenced both policy and culture in the System.

His work explores the Federal Reserve's inadequate response to the Great Depression and the struggle for dominance in the System. According to Meltzer, the struggle did not wholly preclude agreement in times of crisis; nevertheless, the well-known exhortations of Bagehot and Thornton that a central bank must act to counter a banking crisis and currency drain without regard for the gold reserve were ignored. In Meltzer's view, the System's adherence to the real bills doctrine, combined with a belief that the purging of speculative excess was necessary to set the stage for price stability, led to the failure of monetary policy to lessen the decline.

The book describes in detail the roles played by Federal Reserve bank presidents, which have evolved substantially over the years, as has the relationship between the reserve banks and the Board of Governors. The early dominance of the Federal Reserve System by Benjamin Strong, governor of the Federal Reserve Bank of New York, is an interesting episode.