HENRY C. WALLICH: A THIRD GENERATION BANKER

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ABSTRACT

Born in Germany and descendant of a wealthy banking family, Henry C. Wallich emigrated to the United States like others of Jewish ancestry who fled during the 1930s. A professor of money and banking at Yale for two decades, Wallich capped his career as a Governor of the Federal Reserve. During the stagflation of the late 1960s, Wallich, a dissenter, tirelessly advocated tighter monetary policy to stem inflation. Always a scholar, Wallich published extensively; he also served as the Fed's public spokesman. Owing to his Harvard doctorate and his eminence as an economist, Wallich knew everyone worth knowing in the economics profession.

Using the biographical approach, this paper probes several questions concerning the link between Henry Christopher Wallich, a key post World War II economist, and his times, that is, his career and public policy. How did Henry C. Wallich attain the apex of his profession? How did he exert his influence both as a scholar and in the public arena? By what route did that economist achieve distinction, given that economists divide their careers among academia, the private sector, and the public sector? In view of the conflicting policy objectives, how did that economist choose between contending alternatives? How did that economist reconcile the sometimes disparate goals of monetary and fiscal policy? Did he see monetary policy as a necessary corrective to fiscal policy? How did that economist interact with his peers?

In 1982, Wallich (1914-1988), member of the Board of Governors of the Federal Reserve System, member of the President's Council of Economic Advisers, and professor of economics at Yale University, published a memoir at the invitation of the *Banca Nazionale del Lavoro Quarterly Review*. Wallich informed his readers (many of whom undoubtedly had crossed his path or had become acquainted with him through his extensive publications) that "my account will...deal more with what I observed than what I achieved."[1] Although never awarded the Nobel Prize in Economics, Wallich's eminence enabled him to know virtually everybody worth knowing in the economics profession. Furthermore, his years as an economic columnist for the *Washington Post* and *Newsweek*, in addition to occasional contributions for the *New York Times*, *Fortune*, and elsewhere, brought him to the attention of that select minority who read beyond the headlines and concern themselves with the economy beyond the Dow Jones Industrial Average.

In a sense, Henry's paternal grandfather, Hermann (1838-1928), founded the family in that he was the first to raise himself significantly above his fellows and achieve at least a footnote in history. He became one of the leaders of the Deutsche Bank during its first quarter century and one of the richest men in Germany before World War I.

Descended from an observant Jewish merchant in Bonn, Germany, Hermann's business career (which included meaningful foreign banking experience), culminated in his appointment in 1870 as a director of the Deutsche Bank, organized in that same year. Complementing the much more aggressive Georg von Siemens until his resignation from the Administrative Board in 1894, Hermann remained on the Supervisory Board until his death.[2] In addition to being a domestic credit institution, the Deutsche Bank became active abroad. Like its competitors (the Dresdener Bank, the Disconto Bank, and the Darmstadter Bank), the Deutsche Bank, the biggest before World War I, like other giant universal banks, exercised considerable influence in German industry.

In 1875, Hermann married Anna Jacoby, the daughter of a Jewish rentier, and inherited substantially from his father-in-law, Moritz Jacoby. Jewish emancipation occurred in 1848 and assimilated Jews had long been in Germany. As an indication of the degree of assimilation, contemporary biographical tributes ignore the religion of the managing directors of the Deutsche Bank. On the other hand, German Jews had a dual identity in that they assimilated the cultural values of Germany but were not themselves assimilated into German society. Moreover, increasing anti-Semitism in Wilhelmine Germany confronted Jews and Hermann's memoir treats this forthrightly. During the 1870s, Hermann, one of the prosperous social outcasts, considered emigration but Anna balked. Not himself religious, Hermann rejected conversion because of his memory of his father as a pious Jew. However, the Wallichs had their son, Paul, baptized at birth as a Lutheran.[3]

Paul Wallich (1882-1938) presents an interesting illustration of ambivalence. While earning his bread as a banker, thus pursuing the occupation in which his father had distinguished himself, Paul enjoyed a parallel career as an independent scholar. In the early twentieth century, Paul published the standard text on the evolution (concentration) of German banking before 1900, followed several decades later by a study of Berlin entrepreneurs during the early industrialization. An avid reader and book collector, Paul accumulated a personal library of 30,000 volumes.

Initially, Paul attempted to follow in his father's footsteps at the Deutsche Bank; however, the bank declined to make him what he deemed an appropriate offer. He apprenticed as an unpaid trainee in a Hamburg trading firm 1905-06 and in Berlin in 1906. A "volunteer" at a Parisian bank in 1908, about that time Paul spent a year in the United States. During 1913-18, he partnered in the Berliner Handels-Gesellschaft. Founded in 1856, this so-called "Jewish bank," one of the six biggest German banks before World War I, engaged in international high finance and in the financing of German industry. He finally affiliated with J. Dreyfus & Company, a private bank.[4]

Hermann required that Paul not marry a Jew although the Christian *haute boureoisie* failed to accept Paul, a baptized Jew and therefore seen as a Jew, as a suitable marriage partner. Paul married Hildegard Rehrmann, a woman with kindred cultural tastes but merely the daughter headmaster at a cadet academy.[5] Bringing to their marriage neither wealth nor high social status, instead Hildegard possessed that absolutely essential characteristic , namely, Christianity. According to the mores of the larger German society, Christians of Jewish origin were half breeds and consequently not fully assimilated. This expression of the limits of assimilation foreshadowed what occurred two decades later.

Despite baptism, German society regarded Paul as a Jew. The coming of Hitler to power inaugurated a succession of official and unofficial policies designed to make the lives of those defined as Jews difficult if not intolerable. By the Nuremberg Laws (1935) the Jews (including those of one-quarter Jewish extraction) were deprived of rights of citizenship and all intermarriage with Jews was forbidden. In 1937, Paul visited the United States and, despite the urging of friends, returned to Germany. Like many others, Paul failed to recognize the Nazi threat in timely fashion. Kristallnacht (1938) constituted an apocalyptic event. Hildegard warned Paul by phone that the Gestapo had come to their Potsdam home to arrest him thus giving Paul time to commit suicide. Neither a Christian upbringing nor the Iron Cross awarded Paul as an officer in World War I saved him or his family. In 1939, Hildegard emigrated from Germany to the United States.[6]

This catastrophe transformed a family of well-to-do-and honest parents into one in desperate need of safe harbors. The Wallichs had three children: Henry, the eldest, ended in the United States by way of Argentina; his younger brother, Walter, was rescued from anti-Semitic persecution, settled in the United Kingdom, and entered Cambridge University in 1936; and their sister, Christel, made her life in Argentina from 1937.

Named after his grandfather, Henry was born in 1914. He graduated at the top of his class from the Bismarck Gymnasium in 1932; the experience pleased him to such an extent that he attended a class reunion in 1982. A classical high school, nevertheless, it taught differential and integral calculus, invaluable preparation for advanced study in economics. From his father, Henry absorbed the rudiments of such elements of the banker's trade as the gold standard and arbitrage.

One term at Munich University preceded study at Oriel College, Oxford University, during 1932-33. Although not a serious student, he read the standard British economists of the early thirties, who had little to say about the depression then raging, but primarily regarded the year more as an experience. Perhaps this was just as well since he may have had less to unlearn after the Keynesian Revolution which overturned existing economic doctrine regarding depressions.

The German government under the Nazis imposed exchange controls to prevent Jews from exporting money; consequently, Henry no longer had access to his family's funds. Returning to Germany under those circumstances hardly seemed propitious. Henry therefore emigrated to Argentina in 1933 and during 1933-35 took positions at a Buenos Aires export house with which his grandfather had connections, and half a year in Valparaiso, Chile.

Having garnered a modicum of practical business experience, Wallich migrated to the United States and, in particular, to its financial capital on Wall Street. During 1935-36 he gained banking knowledge as a bond analyst for the Chemical Bank &

Trust Company, then one of New York's leading commercial banks; in addition, he and his colleagues practiced public speaking on each other. From 1936 to 1940 he analyzed securities at Hackney, Hopkinson & Sutphen, a minor securities house.

With only a short-term pragmatic goal in mind, Wallich took courses at New York University's Wall Street Division. He studied with Lewis Haney, author of a highly regarded analysis of scientific business forecasting. During a summer visit to Germany in 1937, Wallich worked briefly for J. Dreyfus & Company, his father's firm, followed by a stay in The Netherlands but he rejected that world. Returning to his career in Wall Street, Wallich shifted from security analysis to economics.[7]

To study economics during the late thirties must have been much like living during the French Revolution, for out of the fog of despair and incomprehension came the Keynesian Revolution. In 1936, John Maynard Keynes published *The General Theory of Employment, Interest and Money* which immediately polarized the economics profession. Wallich serendipitously encountered the *General Theory* in a seminar conducted by Otto Nathan, a German refugee and later executor and trustee of the estate of Albert Einstein. Nathan did what any professor should do for a student with outstanding potential, namely, recommend that he go elsewhere. As a result of Nathan's advice, in addition to that of an older economist and investment banker, Wallich submitted an application for graduate work in economics to Harvard University, already the center of Keynesian economics in the United States. Despite the lack of a college degree, perhaps compensated by his years in business, Harvard admitted Wallich.

Harvard's Economics Department included such luminaries as: Alvin Hansen, the leading American Keynesian, Seymour Harris, Joseph Schumpeter, and others. Paul Samuelson, slightly ahead but still a contemporary of Wallich, undoubtedly constituted a role model for all his peers.

While a Harvard graduate student, Wallich attended a seminar in the spring of 1941 on the *General Theory* conducted by Samuelson at MIT. Wallich fondly recalled: "I never before or after so enjoyed anything as this intensive acquisition of knowledge during graduate school. Somewhat to my surprise, I found myself to be a successful student."[8] Harvard awarded Wallich an M.A. in 1941 and a Ph.D. in 1944.

Wallich's doctoral dissertation, in which he applied Keynesian analysis, particularly the focus on government intervention, became his first book: *Monetary Problems of an Export Economy: The Cuban Experience, 1914-1947.* This monograph received favorable reviews in the scholarly journals but, despite its merit, has passed into virtual oblivion. A year later he published: *Public Finance in a Developing Country: El Salvador, a Case Study.*

Having completed all but the dissertation, in 1941 Wallich became the Latin American expert of the Federal Reserve Bank of New York. He remained at that institution until 1951, later viewing this as probably a mistake, a detour, which pigeonholed him as a regional specialist for a decade. After absorbing New Deal liberalism at Harvard, Wallich learned conservatism at the New York Fed.

While with the New York Fed, Wallich accepted various assignments but one that he studiously avoided is worth noting: "I very firmly resisted numerous attempts, very plausible, given my background, to involve me in U.S. occupation and post-occupation activities in Germany. I did this not because of any anti-German sentiment, of which I was quite free, but because it seemed to me too ambivalent a role in my circumstances. In retrospect, had I yielded to the pressures and taken advantage of the opportunities, I might still have ended a German banker."[9] So much for the road not taken.

When Ray B. Westerfield, Yale University's professor of money and banking, neared retirement, Lloyd G. Reynolds, in the process of restoring the lustre of the Economics Department, quite naturally approached Wallich, whose books and scholarly articles differentiated him from many others. Pleased with the variety of activities and foreign travel at the New York Fed, Wallich hesitated because university life appeared staid by comparison. However, after canvassing his functional specialty, it seemed unlikely that a comparable position at a major research institution would materialize in the foreseeable future. As a result, in 1951 Wallich accepted an appointment at the rank of professor, remaining at Yale (with two later notable Reynolds' recruits, Robert Triffin and James Tobin) until 1974.

During that almost quarter-century, Wallich published two books that warrant attention. The first, and assuredly the most enduring, was *Mainsprings of the German Revival* which provides insights into the German economic miracle (*Wirtschaftswunder*) following the 1948 German currency reform. Even earlier, Wallich had picked up the threads of his former associations in Germany. Yale's sabbatical policy (half pay for a full year) left the professor to make up the difference as best he could. Wallich originally considered work on either Germany or Spain. With funding from the Rockefeller Foundation, Wallich was able to spend 14 months in Germany after which he concluded that Germany "reduced the role of the government and gave private business the scope and the incentives to do most of the work of reconstruction." However, he left room for the chance in the "real German miracle." His insights derived from incentives and from Schumpeterian concepts. *Mainsprings* was widely and well reviewed in both the popular and the scholarly media. Samuelson complimented Wallich: "You are not only an outstanding economist but are as well an outstanding stylist" (Paul Samuelson to Wallich, October 17, 1955). Despite such lavish praise, Wallich, replied, "I hope you will not mind if I continue to regard you as a leader of the distinguished opposition."[10] This major policy contribution retains utility for those who study not only Germany but also Western Europe during the immediate postwar decade.

In the course of his years at Yale, Wallich managed to combine the best of two worlds using advising and consulting, especially for the Treasury, to vary the routine. He capped this phase of his career as a member of the President's Council of Economic Advisers, 1959-61, during the second Eisenhower administration. Shifting to macroeconomic policy, Wallich chose to become a generalist rather than a specialist. Wallich's principal fields of interest included domestic monetary and financial theory and policy and especially the interplay between mathematical analysis/theory and economic reality.

While a member of the President's Council of Economic Advisers and on leave as a professor of economics at Yale University, Wallich published *The Cost of Freedom: A New Look at Capitalism.* Widely praised then, Wallich argued: "The ultimate value of a free economy is not production, but freedom, and freedom comes at a cost." Wallich's conservatism embraced the New Deal but, despite this, he complained that he was attacked by Hansen, Harris, and Samuelson as a reactionary and by the conservative *Wall Street Journal* as a leftist planner. To Wallich, conservatism meant centrism and moderation, leaving Friedman well to the right. Wallich's centrist viewpoint had been shaped first by his student years at Harvard and later by his tenure at the Federal Reserve Bank of New York. "I wrote," he observed two decades later, "a book on capitalism, *The Cost of Freedom.* Its principal thesis was that capitalism probably was not the most effective economic system if freedom were no objective." He confided to Gottfried Haberler, a conservative Harvard economist during Wallich's student days, that he formerly believed that a planned economy could be more efficient than a market economy owing to the World War II command economy during which the United States produced both a greater output of consumer goods and services and a seemingly endless supply of war materiel.[11] Eventually, the economic as well as the political advantages of a market economy became readily apparent.

After his service on the CEA, Wallich returned to Yale. It would belabor the obvious to say that economics has changed during the past half century, that it has become both more quantitative and more theoretical and therefore less comprehensible to the man in the street who, all too often, knows not a star in the sky. What passes for economic journalism is rarely of a high order. To this task Wallich devoted himself for some years, first as an editorial contributor to the *Washington Post* during 1961-64 and then as a columnist for *Newsweek Magazine* during 1965-74. He wrote several editorials weekly for the *Washington Post* and visited Washington frequently. In addition, he wrote for the *Journal of Commerce* and the *Frankfurter Allegemeine Zeitung,* the latter proved particularly challenging owing to his diminishing knowledge of German. At *Newsweek,* Wallich rotated with Paul Samuelson and Milton Friedman. Wallich later observed: "I always felt that I [a right-of-center Keynesian] represented common sense tempering the voices of genius. I did not discover how Friedman and Samuelson felt."[12] Both "geniuses" won the Nobel Prize in Economics. These journalistic efforts Wallich regarded as minor; they derived from rather than adding to his professional reputation.

On the recommendation of Arthur F. Burns, Fed chairman, who probably anticipated a kindred spirit, Richard Nixon appointed Wallich in 1974 to fill the vacancy on the Federal Reserve created by the resignation of Andrew Brimmer. It is a commonplace that a judge is a lawyer who knew a governor and similarly a Governor is someone of appropriate background who "knew" a president. Membership on the President's Council of Economic Advisers while Nixon served as Vice President as well as his standing with Burns, appointed Fed chairman by Nixon, undoubtedly account for Wallich's selection.[13] This appointment for a full term of 14 years, coming when Wallich was 60, and therefore approaching the then customary university retirement age of 65, helps to explain why Wallich accepted the offer to join the "autonomous" or "independent" Federal Reserve and therefore the community of central bankers, with a chance to "scotch" inflation.

Surely the salary of $40,000 cannot have been any inducement since the Federal Reserve Board did not allow Governors to accept honoraria and, in addition, paid all expenses; moreover, the Fed prohibited speaking for private profit-oriented enterprises. Some Governors, therefore, resign before the expiration of their term in quest of higher income, despite the non-pecuniary advantages. Beyond that, while publication will increase the salary of a university professor, has absolutely no effect on the legally mandated income of a Governor.[14]

Nonetheless, Wallich proved to be extraordinarily industrious; he continued his scholarship while a Governor and devoted much time and effort to the public education task of the Federal Reserve Board. As one indication of this, *Monetary Policy and Practices: A View from the Federal Reserve Board* contains only about 20 percent of his papers, speeches, and statements between joining the Fed and 1982. No wonder Wallich could state with pardonable pride: "I am my own speechwriter."[15] His scholarly reputation, the additional output generated while on the Fed, and the interaction with the staff, combined to make Wallich an influential Governor until his resignation in 1986 owing to illness and incapacity.

Since the Fed is structured to confer enhanced power and prestige on the Fed chairman, even a cursory knowledge of Fed chairmen contributes to an understanding of Fed policy. William McChesney Martin Jr., former president of the New York Stock Exchange and federal government official, chaired the Fed during 1951-70 and acquired considerable autonomy regardless of the president, Congress, or the composition of the Board. Arthur F. Burns, former economics professor, former director of the National Bureau of Economic Research until deposed in 1967, and former chairman of the President's Council of Economic Advisers, succeeded Martin and held that post until 1978. "Governmental policies for checking inflation," Burns perceptively analyzed the dilemma, "cannot be expected to be as popular as policies for reducing unemployment."[16] Martin and Burns, as chairmen, inevitably exercised considerable personal influence; their votes were indeed weighed and not merely counted. Since G. William Miller, formerly chairman of Textron and a director of the Federal Reserve Bank of Boston, was a cipher, fortunately he had only a brief tenure as chairman in what can best be described as an "interregnum." The Fed reverted to type with Paul A. Volcker, an economist with a long string of credits in both banking and federal banking agencies, including the presidency of the Federal Reserve Bank of New York, before assuming the helm in August 1979 and restoring credibility, presumably with the implicit support of the Carter-Reagan administrations.

A brief sketch of the inflation of the late 1970s and the ensuing recession will suffice to highlight Wallich's role:

Apparently economic orthodoxy did not comprehend the late 1970s. The demand-management model proved incapable of coping with stagflation. As inflation and stagflation accelerated, the public lost confidence in the future and in the ability of the government to protect the future. Some economists lost confidence in the explanatory power of the Keynesian theories that had dominated economic thinking since the 1930s. There was a growing conviction that inflation would not stop because the public and the government lacked the will to stop it. There was little reason to take the Federal Reserve seriously. Even though as an autonomous agency, the Fed, unlike the political branches of government, is shielded from the wrath of the public. Inevitably, the autonomous and therefore anomalous status of the Federal Reserve gives rise to concern about the role of the elite or expert in a democracy. To what extent does the Federal Reserve act as a concertmaster or central controlling agency?

How bad was inflation? At 18 percent in February 1980 inflation was bad by any standard. The prime interest rate hit an all-time high of 21.5 percent by Christmas 1980 and interest rates remained high during 1981 and early 1982. Residential housing collapsed owing to high mortgage rates which induced prospective buyers to defer purchasing. Even before that, recognizing that policies were not working and that the American people were becoming increasingly cynical about the prospects of reining in inflation, the Federal Reserve (belatedly in Wallich's judgment) took dramatic steps. In September 1979, Wallich, although not a monetarist, dissented time and again at the Federal Open Market Committee (FOMC) and advocated limiting the money supply to achieve higher interest rates. Since earlier efforts had been unavailing, on October 6, 1979, the Federal Reserve, with Volcker as chairman, announced a fundamental shift in policy from interest rates to monetary aggregates and the growth of the money stock. Obviously, the Fed's decision risked a recession. Wallich supported this action because, as he explained later, interest rates would rise indirectly. In February 1980, the FOMC tightened; Wallich again dissented but only because he favored even further restriction (Greider 1987, 148). According to Jerome L. Stein, Wallich's graduate assistant, life-long friend, and professor of economics at Brown University, Wallich "was too thoughtful so he did not have much influence at meetings. Discussion was in terms of soundbites–no matter how difficult was the problem."[17]

As 1981 progressed, the Federal Reserve made a determined independent effort to crush the rate of inflation with high interest rates. Owing to its independence, the Fed can do that which the political branch of government cannot possibly do. By spring 1982, a short but sharp recession generated 9 percent unemployment. The inflation rate which had been over 13 percent a year in August 1979, declined to 3.9 percent, but interest rates remained high. By the fall, both the inflation rate and the interest rate were down but unemployment rose above 10 percent and the recession lingered until 1982. Inflation slowed, owing to an induced recession. The Fed curtailed the stock of money but the cost of deflation proved high; however, the high interest rates associated with high inflation might have caused the recession without the intervention of the Fed.

Why the delayed reaction to what might seem to cry out for prompt and decisive action? Then, as now, there are those who argue that growth and lower unemployment may be an acceptable tradeoff for the risk of a slight increase in prices. Of course, what once had been a moderate price increase had become an acute case of accelerating inflation. Inflationary expectations limited the scope for government policy making. Still, those who thought the price exacted to stop inflation excessive criticized the FOMC. Neither inflation nor its remedy affect all alike; inflation adversely impacts, particularly, those on fixed incomes, especially retirees living on pensions lacking a cost-of-living adjustment. Also, long-term lenders lose and therefore seek and receive a risk premium. Higher interest rates, whether imposed by the Fed or the outcome of market forces, make the rich richer and the poor poorer. Certain industries, automobile manufacturing and residential construction, for example, bear a disproportionate share of the burden. "Several of the events of the 1970s required painful adjustments," Wallich commented, "regardless of the choices pursued by domestic policymakers."[18] Is there one best way to distribute the cost of decision-making? Much depends, as Wallich fully recognized, on whose ox is being gored.

For several decades Wallich had been an inflation hawk (Melton, 192). While he ascribed this stance to the early twenties hyperinflation during his childhood in Germany, one need not go quite that far afield. In 1973, the Organization of Petroleum Exporting Countries (OPEC) tripled the price of oil; this shock triggered both inflation and stagflation. "I have persistently predicted," Wallich told Joseph A. Livingston, economic columnist of the *Philadelphia Inquirer*, "That inflation would escalate if we did not take it seriously." Although not a monetarist himself, follow the 1974-75 recession, he explained to Allan H. Meltzer, a monetarist economist: "We do not have a choice between unemployment and inflation but only between somewhat more unemployment in the near term and much more unemployment in the long term."[19] Wallich contended that monetary policy should have a long-term horizon and should not be subservient to short-run considerations.

Like many centrists, Wallich tried to reconcile the irreconcilable and therefore became subject to attack from all sides in the running controversy. Hence, he was no doubt glad to be able to tell two liberal economists, Robert M. Solow and James Tobin, a fellow Harvard graduate student as well as a former Yale colleague, that the gap between him and his "easy money" critics "would seem to have narrowed quite a bit."[20]

To Wallich, inflation, "a form of cheating," always constituted "a form of social and political decay," and thus was a moral as well as an economic matter. In addition to his extensive correspondence with a broad spectrum of economists while on the Federal Reserve, Wallich received letters, occasionally on lined, notebook paper, pleading that he defend assets and income from the ravages of inflation. In contrast to Walter Heller, former chairman of the President's Council of Economic Advisers, Wallich contended that inflation reduced productivity substantially and that therefore the output loss from inflation probably exceed the loss from moderately higher levels of unemployment.[21]

Within months after the recent inflation-deflation crisis, Wallich formulated a post mortem. He concluded that rational expectations explained much of the public's behavior. Also, he conceded that Arthur "Okun [former Yale economics professor and former CEA chairman] was right in believing that to bring inflation down is very costly in terms of unemployment." Fortunately, inflation declined much more rapidly than anticipated. However, Wallich contended that Okun "underestimated both the danger and the likelihood of inflation."[22] Wallich was openly critical of theories that postulated the existence of a stable trade-off between inflation and unemployment.

As Wallich recognized, the Fed is a unique institution which, for all its autonomy, follows the election returns. Central banks in other countries are considerably less public; the Fed (if only through the Shadow Open Market Committee) is obliged to reveal more of what is happening. The public is not necessarily in accord with Fed policy and academic economists, ranging from the then liberal majority to the conservative minority, who did not concur either. "Unlike other strong central banks," Wallich argued, "the Fed is under constant attack from intellectuals. The attacks undermine the credibility of the institution."[23] All of this enhanced the difficulty of Wallich's policymaking.

A decade after his death, what legacy did Wallich leave? Wallich had his feet in the waters of both academia and politics but he hardly has the name recognition of those American economists of his generation who received the Nobel Prize in Economics (Friedman, Samuelson, Solow, and Tobin, among others). Nevertheless, owing to his varied scholarly writings, he had a significant impact both on economics as an academic discipline and on applied macroeconomic policy. For some years to come, students and professors alike will encounter the embodiment of his thoughts concerning his public service role in the two articles he co-authored for *The New Palgrave: A Dictionary of Economics*: "Monetary Policy" and "Open-Market Operations."

Despite a teaching career of more than two decades, and a long list of scholarly publications, Wallich probably had his greatest impact as a policymaker while at the Fed even though frequently a dissenter. Not only did he help to formulate policy but also Wallich went forth to preach the gospel to economists and others who frequently doubted and at times displayed downright hostility.

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Notes

1. Henry C. Wallich, "Some Uses of Economics," *Banca Nazionale del Lavoro Quarterly Review* 141 (June 1982): 119.

2. "Glimpses of Deutsche Bank's Early Days–through the Papers of Hermann Wallich," *Studies of Economic and Monetary Problems and on Banking History* (Mainz: Hase & Koehler, 1988), 394.

3. Werner E. Mosse, "Problems and Limitations of Assimilation: Hermann and Paul Wallich,1833-1938," in *Leo Baeck Yearbook* 33 (1988): 49; Katie Hafner, *The House at the Bridge: A Story of Modern Germany* (New York: Scribner, 1995), 23-24; Luther Gall, et al, *The Deutsche Bank 1870-1995* (Munich: Beck, 1995), 10, 13-21, 122-23.

4. Mosse, "Problems and Limits of Assimilation," 56; Hafner, *House at the Bridge*, 25; W.E. Mosse, *Jews in the German Economy: The German-Jewish Economic Elite, 1820-1935* (Oxford: Clarendon Press, Oxford University Press, 1987), 230; Dolores L. Augustine, *Patricians and Parvenus: Wealth and High Society in Wilhelmine Germany* (Oxford: Berg, 1994), 65-66.

5. Augustine, *Patricians and Parvenus*, 65, 67-68, 90.

6. Hafner, *House at the Bridge*, 44, 47-48; Mosse, "Problems and Limits of Assimilation," 63.

7. Wallich, "Some Uses of Economics," 119-122.

8. Ibid., 122; Henry C. Wallich, "Samuelson on Trends in Monetary Policy," in *Samuelson and Neoclassical Economics*, ed. George R. Feiwel (Boston: Kluever Nijhoff, 1982), 263.

9. Wallich, "Some Uses of Economics," 129.

10. Henry C. Wallich, *Mainsprings of the German Revival* (New Haven: Yale University Press, 1955), 1-2; Wallich, "Some Uses of Economics," 131; Samuelson to Wallich, Oct. 17, 1955; Wallich to Samuelson, Nov. 8, 1956.

11. Wallich, "Some Uses of Economics," 132; Henry C. Wallich, *The Cost of Freedom: A New Look at Capitalism* (New Haven: Yale University Press, 1960), x; Wallich to Haberler, May 23, 1983.

12. Wallich, "Some Uses of Economics," 135-37.

13. Wyatt C. Wells, *Economist in an Uncertain World: Arthur F. Burns and the Federal Reserve, 1970-78* (New York: Columbia University Press, 1994), 115, 312, n 19.

14. Wallich, "Some Uses of Economics," 139.

15. Henry C. Wallich, *Monetary Policy and Practice: A View from the Federal Reserve Board* (Lexington, MA: Lexington Books, 1982), xiii.

16. Arthur F. Burns, *Prosperity Without Inflation* (New York: Fordham University Press, 1957), 69.

17. William Greider, *Secrets of the Temple: How the Federal Government Runs the Country* (New York: Simon and Schuster, 1987), 78, 80, 106, 148; Donald F. Kettl, *Leadership at the Fed* (New Haven: Yale University Press, 1986), 177, Interview, Aug. 9, 1985; Jerome L. Stern to Saul Engelbourg, Feb. 10, 2000.

18. Henry C. Wallich and David J. Stockton, "A Macroeconomic Perspective on Tax-Based Incomes Policies," in *Inflation and Income Distribution in Capitalist Crisis*, ed. J.A. Kregel (New York: New York University Press, 1989), 49.

19. William C. Melton, *Inside the Fed: Making Monetary Policy* (Homewood, IL: Dow-Jones -Irwin, 1985), 192; Wallich to Livingston, Jan. 4, 1975; Wallich to Meltzer, Mar. 15, 1977.

20. Wallich to Solow, Mar. 21, 1977; Wallich to Tobin, Nov. 27, 1978; James Tobin, "Agenda for International Coordination of Macroeconomic Policies," in *Essays in Honor of Henry C. Wallich*, ed. Paul A. Volcker (Princeton, NJ: International Finance Section, Department of Economics, Princeton University, 1987), 61.

21. Wallich to Haberler, Apr. 11, 1977; Wallich to Jacoby, Jul. 17, 1978; Wallich to Heller, Jul. 24, 1979; Wallich, *Monetary Policy and Practice*, xv.

22. Wallich to Haberler, Feb. 22, 1983; Wallich to Stein, Jul. 15, 1983; Wallich to G.L. Bach, Aug. 19, 1983.

23. Wallich to Friedman, May 30, 1985.

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