

Some Thoughts on Allan Meltzer

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* President of Wabash College. The views expressed in this paper are the author's own and do not necessarily reflect those of Wabash College.

Allan Meltzer was a superb mentor and friend to generations of economists. He always had time to listen to new ideas, engage in debate and discussion, and share his insights. He networked with economists who were young and unproven, while also connecting with those in far more elite circles. He was passionate and tireless in his research and policy pursuits, and his richly detailed and insightful volumes on the Federal Reserve are a testament to an exceptional academic career.

Though he received his education in a time period where economics took on a more mathematical and statistical focus, he never lost site of the fact that while economic theory can always be separated from politics, economic policy never can be. This fundamental understanding led Allan to a deep appreciation for the political institutions that governed and implemented economic policy. In addition to the Federal Reserve System, Allan widely consulted with central banks and businesses near and far. He also served our country with distinction by managing a commission that bears his name that looked into multilateral institutions such as the World Bank, the IMF, the Bank for International Settlements, and the Inter-American Development Bank.

In her remarks at the Federal Reserve Bank of Kansas City's conference at Jackson Hole, President Esther George pointed to some key elements that made Allan so effective.

"Yes, Allan could be critical of the Federal Reserve. But as John Taylor recently noted, Allan's criticisms were never personal, nor did he question the motivations of the policymakers. In fact, in the preface to volume II of his Fed history, Allan made a point of recognizing what he called 'the high level of integrity and purposefulness' of the Board of Governors and the regional Reserve Banks. To quote him, 'Although I find many reasons to criticize decisions, I praise the standards and integrity of the principles.'"

Perhaps one reason why Allan fully engaged with those he both agreed and disagreed with was his inherent belief that the process of evolving theory, evidence, and experience would leave society better off. As my SOMC colleague Charlie Calomiris shares in an upcoming tribute, Allan "... believed that good ideas will win in the end as important problems become more widely understood." Allan's enthusiasm and reality-tinged optimism always made the rest of us stick to the good work of making things better. As Charlie writes, "It's harder and much less fun to work on public policy reform without Allan's encouragement and advice. But I find re-reading Allan's work a great cure for despondency, and a reminder that he never had much patience for excuses."

I want to close with a personal story of Allan's tenacity in the face of adversity, and his commitment to policy to make our country stronger. In February of this year, I started receiving a number of emails from Allan with thoughts on changing our health care

policy. Allan presumed that, as a new Hoosier, I might have some connections to the White House to get his proposal heard. He indicated that he believed his proposal would save the country \$30 trillion out of our \$110 trillion of unfunded health care liability. He noted that estimates put the cost of care given to senior citizens in the last few months of life at 60 percent of total healthcare costs paid by our government, and that doctors and hospitals offer these costly treatments at little or often no cost to the patients.

Allan proposed to replace free treatments by requiring a modest payment. Patients or their families would be asked to choose whether they prefer to pay a small payment for treatment or accept free hospice or palliative care. All choices would remain voluntary without coercion. Allan noted that in Europe, governments spend as much as 5 percent of GDP less than America does on health care – largely because European governments do not offer as many end-of-life medical services. That's how he came up with \$30 trillion in savings.

Allan, even at 90 and having lived with an extended regime of cancer treatments, was typing out policy recommendations from his hospital bed. I cleaned the proposal up, got it to the desk that Allan wanted, and as usual, he thanked me.