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## Preface

Both the initial edition of this book, published in the spring of 2009, and this revised edition are ultimately the outgrowth of an effort first begun mainly to make my family (in particular its second and third generations) and a few friends aware of the highlights of a long professional career in central banking and in other, often closely related areas of private and public finance. That effort turned into a long essay on diverse topics, but the essay did include a large section about the Federal Reserve System that focused mainly on the Arthur Burns and Paul Volcker years there. Because of my position at the time, I was an active participant in monetary history as money-supply disputes raged and the battle against the great inflation, as it is now often called, was being waged. I thought of that section as a rather belated response to a much earlier suggestion from the late Milton Friedman, and also in more recent times from Ben Friedman, that I write up my view of events in those years.

The part on the Fed became the core of the original edition of this book. In the end, considerably expanded, it encompassed a period of more than half a century from William Martin's days as chairman through Alan Greenspan's tenure and after, into the first two years of Bernanke's term through the early spring of 2008.

As it turned out, that book unfortunately could cover no more than the early stages of a credit crisis that eventually became deeply threatening not only to the nation's financial stability but also to the economy and social order as a whole. It became as, or indeed more, dangerous to the nation's well-being than the great inflation. Having morphed into a great credit crisis, it occasioned many questions in markets, the halls of Congress, and the general public—not to mention in my own mind—about

whether the Fed as an institution had used the full range of its monetary and also regulatory powers as well as it could or should have to minimize and to contain the potential for disruption in underlying market trends and practices of the time.

This revised edition has been enlarged to take fully into account the Fed's dramatic, and in many ways mind-bending, experiences in the great credit crisis of 2007–2009. It extends the evaluation of the Bernanke years with a new, separate chapter that covers all of his first term and the early part of his second. It assesses the wide range of Fed's unusual and innovative actions, and also inactions, during the crisis and the beginnings of its aftermath. It includes, as well, substantial changes in the final two chapters, which evaluate the Fed's image and offer concluding remarks. Alterations and conforming changes have also been made in other sections of the original book.

Important to the process of preparing the original edition were very valuable comments and insights from Bob Solow; his communications also provided a sense of appreciation that was quite reassuring. Dave Lindsey—a good friend and in earlier times a highly valued colleague at the Board of Governors of the Federal Reserve System who retired as deputy director of its Division of Monetary Affairs in the latter part of Greenspan's tenure—generously read with considerable care two full drafts of the initial version. The three anonymous reviewers of the original edition for the MIT Press provided useful comments, one of which was lengthy and provided much food for thought. In addition, John Covell, senior editor at the Press, was instrumental in encouraging me forward. Of course, I am responsible for all interpretations and any remaining errors of fact.

Finally, recognizing that this project started as part of a broader essay for my family, I dedicate the book to six marvelous grandchildren (in order of appearance, Ben, Mike, Lindsey, Matthew, Eric, and Clio), three great kids (Pete, Emily, and Rich), and, above all, my wife, Kathy, a real artist (readers of the book will understand the reference) and a loving, cohesive force for us all.