Tom Humphrey: An Appreciation

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This issue of the *Economic Quarterly* marks the end of Tom Humphrey's tenure as editor. Tom, who is retiring at the end of 2004, took on the role of editor of the *Monthly Review* in 1975 and continued in that post as the publication evolved, first into the bimonthly *Economic Review*, and eventually into its current form as the *Economic Quarterly*. Over that time, Tom has guided to publication hundreds of articles by Department economists and visiting scholars. He has also found the time to write more than 70 articles for this publication, its predecessors, and the Bank's *Annual Report*, not to mention numerous articles for external publications. His editorial gaze has seen many changes in our publication, our department, and the economics profession over the last 30 years. Despite these changes, Tom's editorial guidance has provided a constancy to the quality of our publications, just as his own work has stressed a certain constancy to the ideas and debates that have engaged economists throughout the history of our profession.

Tom came to this Bank in 1970, an opportune time for a young monetary economist with an interest in the history of thought on the subject. Much of the profession's thinking on aggregate fluctuations and inflation was still dominated by the Keynesian view that emphasized movements in aggregate demand as the force driving real output. The taxonomy of "demand-pull" and "cost-push" inflation allowed for a variety of causes, mostly unrelated to the central bank's monetary policy. Empirical evidence on the Phillips curve trade-off seemed to suggest that price stability could only be had at an unacceptable cost of long-lasting, high unemployment. In the Keynesian view, money was just one part of a broad spectrum of liquid assets, the evolution of which further limited the central bank's ability to control inflation.

The Keynesian view, however, faced a challenge from the monetarist school of thought that placed the quantity of money at the center of the determination of the price level and other nominal variables. This quantity theory view, which presumed the long-run neutrality of money, allowed for short run real effects when money growth and inflation deviated from their expected rates. Indeed, under this view erratic monetary policy was seen as a primary cause of economic fluctuations. Where the Keynesian school saw causation running from prices to money, the monetarist view was the opposite; the central bank, through its control of the monetary base, could achieve price stability without a long-run inflation-unemployment tradeoff.

Of course, the 1970s experience of high unemployment and high inflation presented a particular challenge to the traditional Keynesian view. It all appeared to underscore the importance of expectations, a view that gave rise ultimately to the rational expectations revolution. This evolution of thinking played itself out in the profession throughout Tom's career at the Richmond Fed and in the *Economic Quarterly* and its predecessors under Tom's editorial eye. Along the way, he established himself as a leading scholar on the history of monetary thought.

Tom's notable contribution has been to make clear that the debates that took place during his career as a Federal Reserve economist were in fact not new to the 1970s, or even to the 20th century. Applying his knowledge of the history of monetary thought, Tom traced the debate from the mercantilist writers John Law and James Steuart to their classical quantity theory critics David Hume and others in the 18th century, to the Bullionist-Antibullionist controversy in the early 19th century, to the Currency School-Banking School debate in the middle decades of that century, to the mid-19th / early 20th century disputes between cost-pushers Thomas Tooke and James Laurence Laughlin and their opponents Knut Wicksell and Irving Fisher, and finally to the German hyperinflation debate of the early-to-mid-1920s. He showed that the debate keeps recycling because people forget the lessons of the past and because, for better or worse, politicians and the public have tended to believe that central banks have the power to boost output, employment, and growth permanently. The result is that Keynesian ideas and their antecedents gained currency when unemployment was the main concern, just as monetarist ideas tended to reign when price stability was the dominant problem.

This historical perspective makes it clear that the central dimensions along which people have thought and debated about monetary policy and inflation have always remained essentially the same, even as economic thinking and methodology have evolved. It also shows that intellectual debate can be affected by political forces and the fluctuating degree of social concern for different problems. This last point provides an important cautionary tale for current and future economists and policymakers. Indeed, Tom's article in this issue shows that the recurrence of debates and the interaction of political forces with intellectual discourse are not unique to monetary concerns. Similar patterns can be seen in the history of thinking on such questions as the effects of technology on labor.

We at the Richmond Fed have gained much from our association with Tom Humphrey. We have benefited both from the red pen he has wielded to make our papers more readable and, more importantly, from the long-view perspective he has brought to our thinking about economics and monetary policy. For all this we thank him, and we offer him our best wishes. We won't say good-bye, though, as I'm sure we'll be hearing from him again.