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Paul A. Volcker & Christine Harper, *Keeping At It: The Quest for Sound Money and Good Government*, Public Affairs Book Group, 2018, 304 pp. $14.59 Hardcover

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Abstract. The Federal Reserve chair Paul Volker led the US through its tumultuous 1970s and 1980s. His biography, *Keeping at It*, chronicles his thinking and actions throughout his time in public service.
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Book review

In late August 2020, Jerome Powell and the Federal Reserve announced they were relaxing their inflation target to accommodate maximum employment growth to focus exclusively on their employment mandate (Federal Reserve, August 27, 2020; Meyer, 2004, p.41; Greenspan, 2007, pp.478-485; Bernanke, 2015, p.39-40, 172-174). However, maximum employment has not always been the Fed's primary policy objective. During the early 1980s, inflation peaked, interest rates increased, and the Fed's primary objective was maintaining stable prices. The person most identified with these high interest rates is Paul Volcker, and these high interest rates put short-run stress on firms, entrepreneurs, and households. Right or wrong, the accompanying early 1980s contraction is dubbed the "Volcker Recession." However, in the long-run, few Fed policy choices are hailed as facilitating long-run growth as those by Volcker during the early 1980s. After decades, Paul Volcker has written his biography about those frightening years in *Keeping At It: The Quest for Sound Money and Good Government*.

Volcker spent his career advocating for sound international monetary arrangements. He did his undergraduate work at Princeton and graduate work at the London School of Economics, after which he worked at Chase Manhattan Bank and then U.S. Treasury from 1969 until 1974. The impossibility trinity or trilemma in monetary theory is the proposition that it is impossible for monetary policy authorities to maintain fixed foreign exchange rates, free capital movements, and to maintain an independent

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monetary policy. At the end of World War II, international policy makers established the post-war exchange rate policy—Bretton Woods—making the US dollar the world's default currency. However, during the late 1960s and early 1970s, the Bretton Woods' order and US dollar came under stress. Volcker, committed to the Bretton Woods arrangement, held that an organized international monetary system required a fixed-point numeraire, currency, or commodity to anchor international currencies. At the time, Milton Friedman (1953) advocated a floating exchange system, while Volcker and others maintained the Bretton Woods agreement needed to be maintained. However, on August 15th, 1971, Nixon, upon the advice of Treasury Secretary John Connally, closed the Gold Window and committed the US to a floating exchange rate system, which isthe international payment arrangement the US and international order have used since.

In 1975, Volcker started work at the Federal Reserve of New York, and by 1979, Jimmy Carter tappedhim as the Federal Reserve Chair to preside over the US monetary system during its most tumultuous inflationary period. Between early 1979 and late 1982, inflation averaged around one percent per month, and in 1980's second quarter, output decreased by eight percent. By December 1980 the prime rate reached 21.50 percent and averaged near 20 percent through 1982. Civilian unemployment reached 10 percent for the second half of 1982 and first half of 1983. Volcker stepped into this policy abyss andincreasedinterest rates to reduce inflation. The takeaway is that Volcker's policy to increase interest rates broke inflation's back, and by 1990, inflation was back to five percent. Like few other Fed Chairs, when faced with a persistent problem remedied by Fed policy, Paul Volcker implemented a period of high interest rates to overcome inflation, a policy that has benefitted generations of households, firms, and policy makers. The economics profession has come a long way since the 1970's inflation, and we are yet to see if recent loose monetary policy decisions to keep interest rates low over prolonged periods will lead to inflation, but nowhere in *Keeping at It* does Paul Volcker retreat from his anti-inflation position.

While he later doubted the decision, by 1987 Volcker had had enough of his Fed career and decided to step away to let long-time Fed chair, Alan Greenspan, assume Fed leadership. His post-Fed options were many, and his first stop was Wolfensohn & Company, a New York corporate advisory and investment firm. He lectured for a time at his alma mater, Princeton, and by 1996, his public spirit took him to examine Jewish Holocaust victimclaims regarding their dormant Swiss bank accounts. He was able to bring agreement with the World Jewish Congress for a settlement of $1.25 billion dollars. His final public act was to work with the Obama Administration andthe Dodd-Frank Actto restrict speculative investments and proprietary trading by commercial banksin what Barrack Obama termed the Volcker Rule. Subsequently, Volcker's commitment to government and public service were foundations of his career, and *Keeping at It* is Volcker's account of his time in government and how a return to public-spirited oversight of the financial and monetary systems are necessary.

Quality economic policy makers are scarce, and they became scarcer on December 8, 2019, when this giant among policy makers passed on. His biography was published in November 2018, just like young Paul Volcker to put it off to the end. While part of his narrative is diminished by age, he provides a vital missing perspective to monetary history and his lifetime of public service. We are better off for his time in public service and his recommendation for a return to public spiritedness.

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