

# Homer Jones: A Personal Reminiscence

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**W**hen I first met Homer Jones, he was a third older than I, a mature man of the world in my eyes—though, as I now look back, I realize that he was only a callow youth of 24, in his second year of teaching. Yet, in the nearly half century since, that original image has seemed to me to remain valid: In one sense, Homer matured early; in another sense, Homer never matured.

I met Homer when I was a junior at Rutgers University, where he had just arrived as an instructor, having gone from graduate work with Frank Knight at Chicago to teach at the University of Pittsburgh for one year, and then on to Rutgers—if I recall rightly mainly in order to coordinate better with the professional activity of his wife, Alice Hanson. As low man on the academic totem pole, Homer was stuck with teaching, among other courses, insurance and statistics—two subjects that I doubt he had been exposed to before. At the time, I was planning to become an actuary, so naturally I took both these subjects. Only later did I realize how fortunate I was. Insurance would hardly seem a subject of far-ranging significance, yet Homer made it one. His quizzical mind, his theoretical bent, yet withal his Iowa farmer interest in down-to-earth practical matters, combined to lead us far beyond the dry, matter-of-fact textbook into the much more fundamental issues of *Risk, uncertainty, and profit*.

In statistics, Homer was clearly learning along with us, and that experience has always persuaded me that the blind can in fact lead the blind—or is the right aphorism that in the country of the blind, the one-eyed man is king. Because he was just learning, Homer could recognize the points of difficulty. Because he was so mature despite his chronological youth, he had neither false pride nor false modesty. He did not try to hide his limited knowledge of mathematics and statistics, but neither was there any question, on his part or ours, that he was the teacher and we the students.

At the time this article was written, the late Milton Friedman was a professor of economics at the University of Chicago.

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The pattern of that course has characterized Homer ever since, with far less objective justification. Homer's shrewd questions and critical evaluations belie the profession of ignorance and puzzlement. But the tactic is extremely effective in leading others to examine more carefully their premises, improve their argument, and understand more deeply their conclusions.

Chronological maturity, which can bring wisdom and self-confidence and, less often, modesty, also often brings a dulling of the inquisitive sense, of the feeling of wonder, of the openness to new ideas that is the pearl of youth. It is in this sense that Homer has never matured. Today, as when I first met him, Homer's great forte is asking interesting and probing questions, not accepting superficial answers, and retaining the attitude that we all have a great deal to learn. He combines with this a great belief in the persuasive power of hard facts and an unusual patience in pressing his views.

Homer's inquisitiveness, his hunger for information and understanding, rested, even when I first knew him, on a bedrock of strong values and firmly held principles. He first introduced me to what was even then known as the Chicago view. A disciple of Frank Knight, and like him a product of the rural Midwest, he put major stress on individual freedom, was cynical and skeptical about attempts to interfere with the exercise of individual freedom in the name of social planning or collective values, yet was by no means a nihilist. It has always seemed to me a paradox in Frank Knight, to a lesser extent in Homer—and I can believe that others say the same about me—that they could be at once so cynical, realistic, and negative about the effects of reform measures and yet at the same time be such ardent proponents of the “right” reform measures.

The paradox is perhaps brought out best by an episode in which Homer was not involved. One evening in the early 1950s, a group of us were discussing various economic issues at Frank Knight's house, with much of the discussion consisting of Charles Hardy opposing one proposed change after another. Finally, Frank Knight said, “Hardy, is there anything wrong in the world?” Quick as a flash, Hardy retorted, “Yes, there are too damn many reformers.” How strange and yet how correct that Knight should be labeled a “reformer.”

Homer, along with Arthur Burns, another of my teachers at Rutgers, was primarily responsible for my going on in economics—rather than in actuarial work or mathematics—both by opening my eyes to the broader reaches of economics and to the beauties and intricacies of economic theory, and, on a more practical level, by getting me a scholarship to Chicago. Until that time, I had never been west of the Delaware River—except perhaps to Philadelphia—and without Homer's advice and encouragement, it would never have occurred to me to take graduate work in Chicago.

From Rutgers, Homer returned to graduate work at Chicago, then joined the New Deal migration of economists to Washington, where, after a year at Brookings, he settled in for a decade at the then recently established Federal Deposit Insurance Corporation [FDIC]. Before our marriage, my wife worked for him as a research assistant for a time. Her fondest memory is of Homer's daily greeting—his “good morning” was always accompanied by either a nugget of freshly acquired information or a question that had been nagging him, that he could not answer, but always asked as if she obviously could. Also, the never-ending files—the reams of clippings and other odds and ends that piqued Homer's curiosity and that he wanted to squirrel away because he was sure that they would sometime be useful.

My own contacts with Homer were rather limited during this decade or the succeeding decade when he was at the Board of Governors of the Federal Reserve System. We were personal friends, part of the Chicago circle and more particularly the group that regarded themselves as students of Frank Knight—including as key figures Lloyd Mints, Henry Simons, Aaron Director, Russell Nichols, Allen Wallis, and George Stigler. Already in the early thirties, Homer had joined with Allen, George, and me to edit *The Ethics of Competition* as an offering for Knight's 50th birthday. But beyond these personal and ideological connections, we had little professional interaction. While Homer was at the FDIC, I was not working primarily in the monetary area. After the war, when I was, and Homer was at the Federal Reserve Board, he came to be primarily responsible for the liquid assets survey, which the Fed conducted jointly with the Michigan Survey Research Center.

Throughout this period most of Homer's friends, and certainly my wife and I, believed that his talents were being grossly underutilized—and that remains my opinion today. But finally in 1958 when by some strange chance he was called—and that is the proper word in this context—to the Federal Reserve Bank of St. Louis, propensity, capacity, and opportunity coalesced.

Homer was in his element as Director of Research and then Senior Vice President of the St. Louis Bank. He was at home again in the Midwest, in a bank that had always had a reputation for independence and iconoclasm (I once teased William McChesney Martin Jr. at a Federal Reserve meeting by referring to some critical remarks that his father had made at an open market meeting in 1930 or so when his father was Governor of the St. Louis Bank, remarking, "You see, Bill, St. Louis was a maverick even then"), and with a President, Darryl Francis, who shared his basic values, as well as his integrity and independence of character, and had a properly high regard for his abilities.

Between them, Homer and Darryl Francis converted the St. Louis Bank into by far the most important unit in the System. For the first time since the days of Walter Stewart, Winfield Riefler, and Randolph Burgess in the 1920s, monetary research from within the System began to influence academic research and thinking. For the first time, a bank publication, *The Review of the Federal Reserve Bank of St. Louis*, began to be cited regularly in the academic journals. This academic revival was joined with a similar penetration into practical affairs. Homer's insatiable curiosity about the facts, and his belief in the power of repeated exposure to the facts to erode illusion, led to the publication by the Bank of its now famed series of weekly and monthly collections of statistics. These preached no explicit doctrine. They simply presented numbers. Yet the appearance week after week of those clearly drawn charts of the money supply did more than any other single thing, in my opinion, to bring about the change that has occurred from almost exclusive concentration in monetary policy on interest rates and on the esoteric "tone and feel of the market" to stress on the quantity of money. The shift is not yet complete but without Homer, I doubt that it would have occurred to anything like the extent it has.

Homer's influence is not to be looked for primarily or even largely in publications over his name. His influence is manifest rather in the whole output of the Federal Reserve Bank of St. Louis, from its great contribution to the improvement of current monetary statistics, to the series of important and wide-ranging articles in its *Review*, to the speeches of its senior officials, to the positions taken at the Open Market Committee and before Congress by its President. It is to be

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found also in the people whom Homer searched out, attracted to St. Louis, taught and influenced, and who are now spread far and wide. The hallmark of his contribution is throughout those same traits that exerted so great an influence on me in my teens: complete intellectual honesty; insistence on rigor of analysis; concern with facts; a drive for practical relevance; and, finally, perpetual questioning and reexamination of conventional wisdom. ■