President's Message

It is with great pleasure that we dedicate these proceedings in honor of Anatol B. (Ted) Balbach and his years of distinguished service at the Federal Reserve Bank of St. Louis. Ted first joined the Bank as a visiting scholar in August 1970. After returning to his position as Dean of the School of Business at California State University at Northridge one year later, he rejoined the Bank in August 1972 as a Senior Economist; in 1975 he became Senior Vice President and Director of Research, the position he held until his retirement on Oct. 31, 1992.

The period of his tenure offered a wide spectrum of research topics for monetary economists, and Ted led the research staff to put the Bank's imprint on most. In the early days, the stress of 4 percent inflation precipitated an ill-advised experiment with peacetime wage and price controls and the closing of the gold window; a move to freely floating exchange rates soon followed. Those days also saw a Republican president declare "We are all Keynesians now!" at the same time serious discontent with that dominant paradigm was being articulated.

Building on the foundation already established by Homer Jones and notable work such as the Andersen-Jordan equation, Ted led the staff to write rigorous, but still readable, articles on controversial topics: the links between money growth and both nominal spending and the inflation rate; the link between rapid money growth and higher, rather than lower, nominal interest rates; the merits of flexible exchange rates; and the adverse consequences of unconstrained discretionary actions in monetary policy. Although this research agenda ran in parallel to one thread of the academic literature, it contributed in important ways to making the controversial issues of the 1970s the common ground for discussion in the 1990s.

The proceedings of this conference represent the main areas of research Ted emphasized during his tenure at St. Louis. These interests, in turn, reflect his ongoing concern that a research department in a Federal Reserve Bank has to be accountable for its expenditure of taxpayer dollars. As such, the research topics must be relevant to the concerns of a central bank, and the lesson of the work must be understandable to a broad audience. Whatever recognition has accrued to the Bank over time can be attributed in large measure to an adherence to these simple principles.

Many staff members achieved great success working for Ted and moved on to important responsibilities elsewhere. This occurred because Ted insisted on high productivity from the Research staff, while seeing to it that they received proper credit for their work. Clearly, he played a key role in the recognition that the Bank received during his tenure and in the professional success of many who worked for him. Nonetheless, Ted, like Homer Jones before him, was content to be anonymous to most people.

These proceedings are a small effort to shed that anonymity and acknowledge that many people owe a great debt to Ted Balbach. Armen Alchian's warm opening comments give much of the flavor of sentiments expressed by speakers and guests alike. Indeed, the authors of the papers in this volume produced papers of uniformly high quality as a sign of respect for Ted's high standards: They knew he would have been offended by a routine "festschrift" that stressed style and forgot the substance. Students of a central bank's responsibilities should find something of interest in each of these contributions.

Thomas C. Melzer
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Federal Reserve Bank of St. Louis