Forbes

Stephen Moore's Critics Acquitted Themselves Poorly

Brian Domitrovic

May 3, 2019

The Federal Reserve shall continue in its same old vein now that Stephen Moore has relinquished his bid to be President Trump's nominee to the Board of Governors. Let's recount how off-base Moore's major critics were in this episode.

The palm goes to Catherine Rampell of the *Washington Post*. When news of the Moore pick broke in March, she wrote about the "falsehoods" Moore had recently been putting forth about monetary policy. The big one was Moore's identification, as she put it, of "a rule adopted by Paul Volcker in the early 1980s." This rule never existed. Saying it did was "flat-out false."

At issue was a contention Moore made in an op-ed that Volcker, as Fed chair in the 1980s, had adopted a "commodity price-rule" (Moore's term), whereby tightening would follow increases in commodity prices and loosening would follow price drops. "I…honestly had no idea"—mark that one, "no idea"—"what he was talking about when I read this," Rampell wrote in the *Post*. Researching the question, she "looked through"—her verb—Volcker's autobiography and two biographies and came up empty. As for the "dozens of historical Fed meeting transcripts I read through in recent days," they "made no mention of such a rule, either, or even the suggestion that changes in commodity prices were the primary driver of interest rates during Volcker's tenure." She called Volcker on the phone and got a goose egg from him.

Was that a keyword search, Control F, of those Fed meeting transcripts, Catherine Rampell? "Commodity" or "commodities" perhaps? If you read—distinguished perhaps from "read through"—the 1982 Federal Open Market Committee minutes, for example, you do not find these terms. You do, however, find an FOMC in tumult, with Volcker trying to lurch it in the direction of a price rule.

That price was the exchange rate of the dollar. In the latter half of 1982, Volcker made it repeatedly clear to his board that he could not countenance a dollar headed into the "wild blue yonder" (his words, October 5, 1982). A dollar going up, up, and up (meaning, by common association, commodities going down) was going to be his new reason for loosening. He had a whale of a struggle getting the inflation hawks on the FOMC, Bill Ford of the Atlanta Fed for example, on board.

These transcripts drip with drama and world-historical import, as Volcker tried to articulate a view that at long last the horrendous stagflation of the last 13 years was giving way to a new era of inflation-free growth. He could not be bound by old verities about interest rates and monetary quantities, those classical monetary-policy targets and warhorses of the 1970s. He wanted a price rule to guide his institution into the sunny uplands approaching the nation, after so long, and which perhaps only he at his institution was able to see at that momentous transition point in 1982. I wrote a paper about this last month, proprietary at Laffer Associates.

Rampell offered no alternative as to what Volcker's policy was in the 1980s, once she dismissed Moore's talk of a "rule" as a "falsehood." Had she done any positive history (presumably the basis of her "no idea"), she would have had to identify a price rule.

Catherine Rampell and the Wapo are one thing. Journalism is a funhouse these days, unprofitable, bankrolled by philanthropists, and yellow like in the Citizen Kane days. It is apt to get in touch with its inner yearning to tell people—Beltway devotees in this case—what they want to hear when they are feeling flighty. Rampell may be a bogus historian, but she is playing to type.

George Selgin at the Cato Institute is another matter. Here is an important figure who we need to help us reform our monetary regime. Somehow he chose to dismiss Moore, on the Volcker rule issue again, with uncharacteristically ill-founded claims.

In a blog post at Cato's Alt-M, Selgin, like Rampell, fell prey to doing things too quickly. "A little digging," Selgin wrote, brought him to writings where Moore had recounted how Volcker, in a conversation with economist Arthur Laffer, explained his thinking on a price role circa 1982. Selgin looked at these and argued against a straw man. "It's easy to see why anyone reading this [the Moore] might think….that Laffer himself convinced Volcker to target an index of commodity prices," Selgin wrote, even as he added, "Laffer never actually claims to have urged any such rule upon Volcker during the meeting of which he speaks. He merely mentions the meeting, and the subsequent (supposed) change in the Fed's policy, inviting readers to connect the dots."

Again, this is history poorly done. Here is what the sources Selgin consults say: Laffer remembers a meeting where Volcker talked about commodities, and afterwards Laffer tracked how what he had heard at that meeting held over the next period of time, discussing it later on with Volcker as the Fed chair remonstrated. The "convinced" and "easy to see" and "actually" and "merely" and "urged" and "invited" and "connect the dots" are all weasel words, pushing evidence where it does not lead. There is no story, Moore made an innocuous account of something in the 1980s, and yet somehow Selgin is trashing him. After Bob Murphy called Selgin out, his response changed nothing. Rampell, by the way, ate up Selgin's post with a spoon. You are known by the company you keep.

Then there was Peter Conti-Brown. Here is another essential figure, a scholar of great importance and a Fed historian, at Wharton, who again we badly need to be good at what he does. What we got was cringeworthy:

“Any student interested in learning more about the state of the art of central banking in 2019 would have gotten a wonderful education during the last six weeks as two candidates” (Moore and Herman Cain) “were deeply vetted. I loved it.”

Here is how they were deeply vetted: “the debates about Moore…among specialists were full of nuance, history, evidence, uncertainty. Wonderful to behold. One need not look far for these debates—they were in most newspaper op-eds (well, not the WSJ so much).”

There were, in point of fact, anti-paragons of uselessness and opportunistic sloppiness in the op-eds etc. clear of the *Wall Street Journal*. We can't make that out, given the evidence, as we usher Steve Moore away from a sentence at the Fed?

In the popular mind, the Fed is alternatively a laughingstock and the object of righteous indignation. Our opinion leaders took the opportunity of Steve Moore's possible association with it to prove, inadvertently, that we have a tremendous amount of work to do to reform our monetary regime according the justified aspirations of a democratic people. The Fed's cheerleaders have passed into the realm of ludicrousness.