



Written by [Bob Adelman](#) on June 25, 2012

Feisty, Fearless Economist Anna Schwartz Dead at 96

Best known as the co-author, along with Nobel Prize-winning economist Milton Friedman, of [A Monetary History of the United States, 1867-1960](#), Anna Jacobson Schwartz [died](#) on Thursday, June 21, in New York City at age 96.



A brilliant economist in her own right, she provided the background, the research, and [so much of the thinking](#) behind the 859-page *A Monetary History* that Friedman claimed that “Anna did all the work, and I got most of the recognition.” Considered by many classical economists as the magnum opus on monetary policy (the impact of money supply on economic behavior), by itself it shifted the blame for the Great Depression from the statist’s claim that it was due to excessive laissez-faire capitalism in the 1920s to the interventions by the Federal Reserve that caused the Great Depression and that greatly exacerbated both its depth and duration. So powerful were the conclusions that one of the book’s chapters, “[The Great Contraction, 1929-33](#),” was published as a stand-alone paperback in 1965, and the book itself was hailed by the Cato Institute as one of the most influential economics books of the 20th century. Even Federal Reserve Chairman Ben Bernanke admitted that *A Monetary History* “transformed the debate about the Great Depression.”

Accolades abounded following the announcement of her passing, even from those who parted ways with her on the role of central banking in a modern economy and the Federal Reserve in particular. George Selgin, a senior fellow at Cato, [remembers](#) Schwartz as being candid and uncompromising: “Anna never held a punch, and when she threw one, it landed square on target.” Robert Higgs, a scholar at the [Independent Institute](#), noted,

Over the years, as I moved away from monetarism and toward Austrian economics, I found myself in growing disagreement with Friedman and Schwartz in regard to monetary theory in general and the causes of the Great Depression in particular.

At no point, however, did I lose my great respect for Anna as a scholar.

That disagreement was founded on whether central banking could be used as a force for good, or



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whether it represented a threat to freedom itself. Schwartz took the position that, properly managed and limited in scope, a central bank could provide stability, liquidity, and predictability in the modern economy, so much so that establishment economist Paul Krugman said that Friedman's disciples had been successful in persuading the Fed to take a much less interventionist position in the economy, at least prior to the onset of the Great Recession.

Friedman and Schwartz supported the position taken by Fed Chairman Alan Greenspan that market imbalances would be self-correcting without major interventions by the Fed. (All this, of course, went out the window with the arrival of the new Fed Chairman Ben Bernanke and the onset of the Great Recession).

Noting the influence of Friedman and Schwartz on the Greenspan Fed, [Krugman wrote](#),

Friedman's followers have acted as a sort of disciplined army of the faithful, spearheading a broad, but incomplete, rollback of Keynesian heresy. By century's end, classical economics had regained much though by no means all of its former dominion, and Friedman deserves much of the credit.

Schwartz refused to suffer fools gladly, one of whom was Krugman. In her [devastatingly acid response](#) to an article on Friedman by Krugman, she noted "a few of the many inaccuracies in his essay [and also] noted the errors in his references ... concerning monetarism and Keynesism." Not happy with her initial response, Schwartz enlisted the help of Edward Nelson and other scholars at the National Bureau of Economic Research [where she worked for an amazing 71 years!] to produce a further detailed response to Krugman: "[Setting the Record Straight](#)."

Concluded Schwartz:

Paul Krugman is a respected trade theorist. But he does not speak authoritatively on subjects on which he has no expertise. Monetary economics is not his field of expertise. Krugman's research background does not qualify him as an authority on Milton Friedman's work....

Friedman's reputation is intact despite Krugman's deplorable efforts to denigrate him and his contributions.

Even in her 90s Schwartz [continued the fight](#) against statist thinking and collectivist behavior by the Fed. In October 2008, a year into the current Great Recession, Schwartz noted that the central bank had lent out hundreds of billions (later to be revealed as trillions) of dollars, accepted collateral that in the past it would never have touched, and opened direct lending to institutions that have never had that privilege. She said, "Nothing seems to have quieted the fears of either the investors in the securities markets or the lenders and would-be borrowers in the credit market." In fact, actions by the Fed have actually prolonged the agony:

[The Fed] should not be recapitalizing firms that should be shut down. Firms that made wrong decisions should fail. You shouldn't rescue them.

Once that is established as a principle, I think the market recognizes that it makes sense. Everything works much better when wrong decisions are punished and good decisions make you rich.

[But] that's not the way the world has been going.

Schwartz was, to the end, an apologist for central banking. In an article in the *Wall Street Journal* in October, 2008, she stated:



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Today's crisis isn't a replay of the 1930s, but our central bankers have responded by using the tools they should have used then. They are fighting the last war.

I don't see that they've achieved what they should have been trying to achieve. So my verdict on this present Fed leadership is that they have not really done their job.

The freedom fight will be won, or lost, in battles, major and minor, along the way. Schwartz helped to win one of the major battles — successfully pinning the responsibility for prolonging the agony of the Great Depression right where it belongs, on the Federal Reserve. The next battle, the one raging now, is ending the Fed altogether.



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