

Federal Reserve Board Oral History Project

Interview with

J. Dewey Daane

Former Member, Board of Governors of the Federal Reserve System

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Interviewers: David Skidmore and David H. Small (Supplement, David H. Small)

Federal Reserve Board Oral History Project

In connection with the centennial anniversary of the Federal Reserve in 2013, the Board undertook an oral history project to collect personal recollections of a range of former Governors and senior staff members, including their background and education before working at the Board; important economic, monetary policy, and regulatory developments during their careers; and impressions of the institution's culture.

Following the interview, each participant was given the opportunity to edit and revise the transcript. In some cases, the Board staff also removed confidential FOMC and Board material in accordance with records retention and disposition schedules covering FOMC and Board records that were approved by the National Archives and Records Administration.

Note that the views of the participants and interviewers are their own and are not in any way approved or endorsed by the Board of Governors of the Federal Reserve System. Because the conversations are based on personal recollections, they may include misstatements and errors.

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On June 1, 2006, David Skidmore from the Board's Public Affairs Office and David H. Small from the FOMC (Federal Open Market Committee) Secretariat in the Board's Division of Monetary Affairs interviewed former Federal Reserve Board Governor J. Dewey Daane. Mr. Daane served on the Board from November 29, 1963, to March 8, 1974. [This interview was supplemented by a subsequent conversation between Mr. Small and Mr. Daane, who was accompanied by his wife, Barbara Daane, on December 12, 2009.] This interview is part of the Oral History Project of the Board of Governors of the Federal Reserve System. [Both conversations for] this interview took place in Nashville, Tennessee.

Working at the Federal Reserve Bank of Richmond

MR. SKIDMORE. How did you come to the Federal Reserve Bank of Richmond?

MR. DAANE. It was an interesting piece of lore. Up until the spring of 1939, the Richmond Fed apparently had not recruited college graduates directly out of college. The Bank usually brought people in as "runners" and elevated them later on. One of their stars was Tom Storrs, who became head of research.

MR. SKIDMORE. What did the runners do?

MR. DAANE. They were helping in unusual and ad hoc tasks at the Reserve Bank. The point is that the Bank didn't recruit directly at universities until the spring of 1939. I'm speculating on this, but I think this change might have been from Allan Sproul inspiring the president of the Richmond Fed at that point.

MR. SKIDMORE. Allan Sproul was president of the New York Federal Reserve Bank from 1941 to 1956.

MR. DAANE. Yes, and he was a good friend of Hugh Leach, president of the Richmond Fed [1936 to 1961].

As an aside, I have an interesting story to tell. George J. Seay had been governor of the Richmond Fed from 1914 to 1936.¹ My understanding is that the board of directors of the Richmond Fed reappointed him for another term, but the Board in Washington rejected him for that term. The Board in Washington wanted Hugh Leach to be the president; he was already at the Reserve Bank's branch in Baltimore in the accounting area. Apparently, the Board in Washington so notified the board of directors in Richmond. The Richmond board of directors took another vote and again reappointed George Seay. Seay was still in his office in what was then the Richmond Fed building on 9th Street. Finally, the Board in Washington simply appointed Hugh Leach as president.

The Board told him to go down to Richmond to the Rueger hotel, which was about a block away from the Reserve Bank, and wait for confirmation from the board of directors in Richmond, a confirmation that did not arrive. I don't know how all of that came about. Apparently, the Board in Washington finally simply told Leach to go to the Richmond Fed. He did, and he put a desk in the main lobby. Seay was still in the corner office, the president's office. I don't know how long it took to resolve that. What a sight that must have been, because Hugh Leach was 6'8" and weighed about at least 250 pounds! I never met George Seay. Anyway, they resolved their differences, and Leach became president in 1936.

Now, back to your question. Leach had been president for a few years, and, I think at Allan Sproul's instigation, top officials from the Richmond Fed went to universities in the South and came up with three college graduates. They hired two from the University of North Carolina and hired me from Duke. I had just gotten my undergraduate AB degree summa cum laude in June 1939 with divisional honors in economics, political science, and philosophy.

¹ Originally, the head of a Federal Reserve Bank was called a "governor." The title was changed to "president" by the Banking Act of 1935.

As a senior undergraduate, when I was at Duke, I met Richard Milhous Nixon. In Nixon's senior year during law school, my fraternity brother from Missouri, Charlie Harrison, said, "There is this fellow, Richard Nixon, that has coffee klatches on Sunday in his law school digs during which he passes out tea and cookies and talks about world issues." Charlie thought I would be interested in attending a session. I went with him. I met Nixon, and he did pass out tea and cookies and talk about world issues. Several times during the discussion, Nixon made it clear he intended to be the President of the United States. When we came out of that session in the law school quarters, Charlie asked me what I thought of Nixon. I said, "I think he's out of his tree, talking about being President of the United States. He hasn't graduated yet from law school, and I'm guessing he's not one of the top students." [Laughter] How wrong could I be!

Now, back to when I left Duke and went to the Richmond Fed. The New York Federal Reserve Bank had a training program in which people were rotated through the various departments in the Bank. I think Allan Sproul was trying to get Leach to do the same at the Richmond Fed. When I got to the Richmond Fed, they asked us—the two recruits from the University of North Carolina and me—what we wanted to do. All three of us said we wanted to be in the examining department. One fellow's name was Rutherford "Rud" Yeates, and the other was Ned Hamilton. They put Yeates in examining, they put Ned Hamilton in the auditing department, and they put me in research.

I was the only person in research except for an older man who may technically have been head of it, Frank Broyles. Then they borrowed some other person named Dr. Elbert Kincaid, who held the chair of banking at the University of Virginia. He became a vice president and director of research of the Richmond Fed, I guess—I don't know whether he formally had that

title. He was in a consulting job with President Leach. So I was working pretty much all by myself in the research department and reporting to Kincaid.

This was June of 1939. I was fresh out of school and, as I recall, my first assignment with the Fed was to read a book and discuss it with Kincaid. Kincaid said, "Have you read [W. Randolph] "Randy" Burgess's book on the Reserve Banks and the money market?"² This book was a classic. Burgess was one of the very early ones to understand how the Fed could actually use the money market in conducting monetary policy. Kincaid said I should read that book, and that was my first assignment at the Federal Reserve.

MR. SKIDMORE. After you read that book, what were some of the early things that you were interested in researching?

MR. DAANE. Dr. Kincaid decided that I should do some research on the textile industry. I spent a year studying the textile industry of the Fifth Federal Reserve District and cranked out a 30-some page paper on it. Then we suddenly were into the war. We had a director of the Richmond Fed named Robert "Bob" Lassiter, who was the head of a textile firm.³ At any rate, a piece of the puzzle of my long paper on the textile industry, with charts and everything else, was whether the mill profit margins, which were set by the government, were wide enough. At that time, somebody at the Board had to review my paper. I had taken a position that, in effect, said the government was wrong and that the textile people were right. As a result, the Board in Washington wouldn't approve the public release. We had thousands of copies of my study, of which I was so proud, all ready to go.

MR. SKIDMORE. How did you take that news?

² Warren Randolph Burgess (1927), *The Reserve Banks and the Money Market* (New York: Harper).

³ Robert Lassiter was chairman of the board of directors of the Federal Reserve Bank of Richmond from 1937 to 1947.

MR. DAANE. I had to take that section out of the paper entirely. But then Chairman Lassiter got into the act. He said, "If you're not going to tell the truth here, we're not going to publish it at all. We're going to incinerate it all." Consequently, all the copies except one were incinerated. I sequestered that copy, and it was in one of the files in the vault of the bank (Commerce Union Bank, Nashville) where I worked many years later, and that copy disappeared. So I doubt that there is any existing copy of that anywhere.

MR. SKIDMORE. The Banking Act of 1935 shifted power from the Reserve Banks to the Board in Washington. What was the relationship like between the Reserve Banks and the Board?

MR. DAANE. I worked closely with President Leach for 20 years. At some point early on—I don't recall the exact date—he called me into his office and said, "I don't know much about monetary policy, but I think the Reserve Bank presidents are going to play a bigger role in it, so I want you to learn everything there is to learn about monetary policy. First, I want you to go to New York and meet with the heads of the government security houses. I'll set it up, and I'll go with you. Then I want you to spend time in the trading room at the New York Fed. I've already spoken to Allan Sproul about it."

I went to New York with Leach. I almost met my demise there, because he had a habit of emphasizing a point with his elbow, and he knocked me into the street in New York. He was 6'8", and at that time I probably weighed 135 pounds. [Laughter] He put me right out in the street!

We met with Christopher J. Devine, the head of C.J. Devine and Company. Chris was the son of a Newark fireman. We met with Herbert N. "Herb" Repp, the head of the Discount Corporation of New York, and we met with Newell Childs of C.F. Childs and Company. So I

met the government security dealers that the Trading Desk of the New York Fed did a lot of business with. At that time, there were 16 dealers on the list of who could trade with the New York Fed. But the main government security firms were those 3 that I met at the start of my career. Later, I met with the head of Aubrey G. Lanston and Co., and so on.

Following this, Leach arranged for me to spend a week, at least, at the Trading Desk at the New York Fed. My recollection is that I was at the Trading Desk when Dwight D. Eisenhower had a heart attack [September 1955]. My recollection also is that the trading room was run by a martinet, Silas A. “Sy” Miller, who barked his orders out of the side of his mouth to a handful of traders. He had a chalkboard to keep up with the market. Sy Miller didn’t want me in that room at all. Much later, when they had a Systemwide training program, I spent a couple of weeks in the trading room with my counterpart at the San Francisco Fed—the vice president and chief economist of the San Francisco Reserve Bank, Robert Einzig—and I guess by then it was not Sy Miller anymore, it probably was Robert V. “Bob” Roosa.

Graduate School at Harvard

MR. SKIDMORE. You mentioned Hugh Leach and Professor Kincaid. Who were some of your early mentors and people who brought you along?

MR. DAANE. After I was with the Reserve Bank about five or six years, Kincaid, being a college professor, spurred me to go to Harvard and get my master’s and doctorate degrees. He helped me get the Littauer Fellowship, which was the top-paying fellowship at Harvard at the time. When I was a graduate student at Harvard, the Richmond Fed did not pay me anything, but my father insisted that he continue to pay me my last salary at the Richmond Fed, in addition to what I received from my Littauer Fellowship. So when I left Harvard, I was “money ahead” and immediately bought my first automobile—a Ford, for \$1,900.

Anyway, I studied at Harvard in the Littauer School (now the Kennedy School). My inspiration was twofold: one was Kincaid pushing me to go, and the other was John Williams, the head of the Graduate School of Public Administration before it was the Kennedy School. John Williams was a famous economist in this country and one of the greatest of all time. He was dean of the Littauer School, and, at the same time, he was a vice president and consulting economist to the New York Fed. This was in the 1940s. All through the Bretton Woods period, Williams was the point man for the Federal Reserve. And Williams was my mentor at Harvard as well.

Williams said to me, "I think this school (which had produced a lot of MPAs [Masters in Public Administration]) has matured enough that we could have a doctoral degree." Up until that time, they had given a master's in public administration, but no doctoral degrees. Williams asked, "Would you be the guinea pig?" I foolishly responded, "Yes," but the faculty didn't immediately approve of that, so for my fall term at Harvard, my first term on leave of absence from the Fed of Richmond, I took nine courses for credit so that I could go into either the doctorate in public administration or the Ph.D. program in economics. That was the peak of my academic career.

MR. SKIDMORE. That was a pretty heavy load.

MR. DAANE. Oh, goodness, nine! I survived the midterms in nine courses (five was the official limit), and then, about two weeks before the final exams, the faculty caved and said that I could take the doctorate in public administration. To the best of my knowledge, I was Harvard's first recipient of a doctorate in public administration, although there was a Professor Black at Harvard, in the agricultural area, who was trying hard to get one of his students to also have a doctorate. I don't know how that race came out, but, to the best of my knowledge, I was

Harvard's first doctorate in public administration. I think they may have hung my certificate in the Widener Library for a while.

Early Exposure to Monetary Policy and the FOMC

MR. SMALL. I'd like to go back to when you talked about your first assignment—reading from Burgess—and about the money market. Burgess worked at the New York Fed, right?

MR. DAANE. Yes.

MR. SMALL. With Benjamin Strong getting away from the “real bills” doctrine and more into open market operations, was the Burgess book about working out the new framework of how to deal with open market operations?

MR. DAANE. Yes—work out how the Federal Reserve would carry out its policies in the money market. The book was *The Reserve Banks and the Money Market*, and it reinforced the idea that was finally beginning to seep in—that open market operations were a tool of monetary policy. The first vice president of the Fed in Richmond said that when the Federal Reserve Banks first started buying securities, they did it because they had to get the income. They didn't have any idea that they were conducting monetary policy. So, at times, the Reserve Banks could unknowingly be working at cross purposes.

MR. SMALL. During your early years at the Richmond Fed, were you bringing in new ideas—as a new generation sometimes does?

MR. DAANE. I was attached early on to the Reserve Bank president. I was only 20 years old, yet in my early years at the Fed, I became privy to the minutes of the FOMC. Because of that, I had a written directive from the board of directors of the Richmond Fed that I could not own a stock or a bond or a piece of real estate for capital gain, and, as it turned out, I

adhered to that directive all my life in the Fed. Of course, I wasn't making any money, either. I had started working at the Reserve Bank at \$100 a month. Two years later, when I got married, they raised my salary to \$110. [Laughter]

Jumping ahead of my story, when I moved over from the U.S. Treasury Department to the Fed as a Governor, I was making \$20,000, and Chairman William McChesney Martin was making \$20,500. So I never had any money to play with in the markets anyway. I've never really bought a bond, a stock, or a piece of real estate for capital gain, and that's true today.

MR. SMALL. Returning to the Burgess book on open market operations—

MR. DAANE. Yes. I think the Board in Washington and Reserve Bank presidents were beginning to understand the effects of individual Reserve Bank's open market purchases, and then, somewhere along in there, the Reserve Banks realized that, through their discount window and open market purchases and sales, they could be countering each other, so they set up a committee to oversee all that.

MR. SKIDMORE. That was in the 1920s—the first informal FOMC?

MR. DAANE. It may have been in the early 1930s, but in any event, it was before me. I'm not sure when it was, but Westerfield had the date.⁴

MR. SKIDMORE. But the Banking Act of 1935 formalized the FOMC by statute—five votes from the Reserve Banks and the seven from the Board.

MR. DAANE. One of the early experiences I had—when I was attached to Leach—was that the Federal Reserve System had an Executive Committee. The FOMC still met quarterly in formal meetings, and I guess I might have gone to one of those. The Reserve Bank presidents, if they were in the statutory group that met four times a year, would go to the FOMC meeting, but

⁴ For a brief history of the organization of the control of open market operations, see Ray B. Westerfield (1938), *Money, Credit and Banking* (New York: Ronald Press Company), pp. 692–96.

otherwise would not. So you had quarterly meetings of the FOMC, but there was an executive group that met between FOMC meetings. At them, I did see quite a bit of Marriner Eccles (Chairman of the Federal Reserve Board).

MR. SKIDMORE. Now you have nonvoting Reserve Bank presidents that participate in the FOMC meetings.

MR. DAANE. Yes. Then Bill Martin came along as Chairman. I liked it the best when the System had the Executive Committee, because then it would meet almost biweekly and really ran policy. The Executive Committee was composed of the Chairman and the Vice Chairman of the Board, one other Governor, the president of the Federal Reserve Bank in New York, and the president of one other Reserve Bank. Because of the transportation situation in those days, the other Reserve Bank president was either from Richmond or Philadelphia, but it was from the Richmond Bank most of the time. I would drive Hugh Leach up to Washington. We could make it easily in a couple of hours.

Executive Committee meetings were interesting because everybody sat at the table, me included. You had the Board staff people, who included Winfield W. “Win” Riefler and Woodlief “Woody” Thomas, principally. I’ve forgotten just when C. Richard Youngdahl got into the act—it may have been much later. All I can remember is that Riefler and I got along well. Riefler was always a force with the Chairman.

Whenever I was in Washington, Riefler invited me to come in and visit. He had a meeting in his office there at the Board every Monday, I think, with a little group that included Woody Thomas. I don’t know whether Ralph Young was in on that group. It may have included Youngdahl or Guy Noyes. Anyway, Riefler invited me into that morning group he had that met

in his office. He was the one that really talked turkey about where the System was going, what the policy was, how it was put together.

MR. SMALL. When the United States came out of World War II, it must have been interesting because of the conversion from defense production to civilian production. You also had some memories of the Great Depression. How much did the Great Depression sit in the memory and concerns of policymakers, or did they believe we were in a new era?

MR. DAANE. I think we thought we were in a new era. I don't recall exhaustive discussions about it.

MR. SMALL. Did all the banking regulation from the Great Depression—deposit insurance and Glass-Steagall—give you a sense that the financial system was much more stable and that you could operate policy more actively? Were you in better shape because of that?

MR. DAANE. I don't think it ever came up in that way. I'm trying to think of some of the conversations with Riefler, who was a strong and articulate person. He really ran it. I think Martin really learned from Riefler.

I can remember Win and Woody. Woody Thomas was a good, intelligent man—very steady and reliable. He was straightforward, no frills. Riefler was the think-tank man. He was the source of a lot of the thinking on policy at the Fed. This is my version. I have that impression to this day that Riefler was calling the shots on policy or explaining it. I got into the act a little bit later.

I was one of the two people they were training to be heir apparent for the presidency of the Richmond Fed, the other one being Tom Storrs. Tom "Buddy" Storrs and I were friends and competitively poised for, I'd say, 20 years. The Federal Reserve Bank of Richmond made us monetary economists on the same day, and they made us assistant vice presidents on the same

day.⁵ They made us vice presidents on the same day. They made Storrs vice president and director of economic research. They pulled me out of the research department, gave me one assistant of my choosing, and put me down on the same floor with the president as vice president and economic adviser. So Storrs and I were in a competitive race for the presidency, but it did not adversely affect our friendship.

Later, Leach pulled Storrs out of his job as vice president and director of research and put him in charge of the Charlotte branch. And then, to my job, which was vice president and economic adviser, they added vice president and director of research. I had an office on the first floor near the president, and I had the vice president and director of research office on the fifth floor of the Reserve Bank, supposedly running the research department.

When Leach had to retire because of the age requirement, my recollection is that Buddy and I were both 40 years old, and the board of directors decided we were both too young to be president of the Bank! [Laughter]

What I enjoyed the most in my whole career was actually doing research. When I had the responsibility for the Bank's research, I didn't like overseeing other people's research nearly as well as doing my own research. I was trying to bring along some of the younger people like Robert P. "Bob" Black, who became president of the Richmond Fed [1973 to 1992]. Buddy Storrs hired him, but I became Bob's first boss.

I always liked working in the policy area with Leach, and I enjoyed the Executive Committee meetings immensely, because they put everybody on par. I sat there at the table with the rest of the people. Sproul did a lot of the talking. He was a powerhouse person. Martin was

⁵ Mr. Daane joined the staff of the Richmond Bank in 1939 as a statistical clerk in the research department. He was promoted to statistician in 1941, monetary economist in 1947, assistant vice president in 1953, and vice president in 1957.

much less inclined to articulate, but one of the things I remember was when they were wrangling over “bills only.” We had one meeting—it must have been an FOMC meeting—I sat opposite the clock, behind Chairman Martin, so that I could see my Bank president, who sat under the clock on the other side of the table. That was so I could get his reactions. I sat behind Martin and Sproul. Sproul was always to the left of Martin. It was the old Board table, which was more imposing than the present one. At that meeting on “bills only,” Sproul and Martin got very angry. I could just see the redness showing on the Chairman’s neck and on Sproul’s. They asked everybody in the room, except the principals, to leave.

Changing the subject—at some point in my career, I got asked to go over and be the head of the fiscal side of the Marshall Plan office in London, and I accepted. My first glimpse of the Marshall Plan was in June of 1947, when George Marshall announced the plan at Harvard’s commencement, where I secured my MPA degree.

Early on I accepted the London assignment, and the Richmond Bank was willing to give me leave to do it, and I was preparing to go. Then Leach said to me, “The directors have approved, and you have the leave. The Richmond board will pay you on leave, but I can’t assure you that this job will be open when you return.” He added that he thought I would finish my doctorate degree earlier if I did not go. So I pondered about it and finally reneged and gave up the Marshall Plan job and stayed in Richmond with Leach.

MR. SKIDMORE. At those first FOMC meetings that you attended with Leach, what role did the economic forecast play? How much of it was an economic discussion and how much of it was a markets discussion?

MR. DAANE. It was probably more an economics discussion, though some of the presidents didn’t contribute very much. The president of one Reserve Bank would always tell us

about weather conditions and that kind of business. Malcolm Bryan, president of the Atlanta Fed [1951 to 1965], would always talk about the money supply. Once, while I was driving Leach to an executive meeting, he said, “Why does Malcolm always want to talk about the money supply?” [Laughter] Malcolm was the only one who was a monetarist through and through.

At the FOMC meetings, the Reserve Bank presidents each had their own statement. I’d write a draft of Leach’s statement. Then we’d have a session in his office. Tom Storrs and others would be involved. We’d polish up the statement, and Leach would read it at the FOMC meetings.

The FOMC meetings were formal. Chairman Martin would begin by calling on the president of the New York Fed, and then he’d alternately go either clockwise or counterclockwise around the table. Every president or Governor would have a written statement. Martin had the happy facility of being so respected and so low key. He didn’t come up with his view until the end of a meeting. I vividly remember one meeting where the participants were all over the lot, and Martin closed by saying, “Well, I guess we are all pretty well agreed, so what we will do is ‘thus and so.’ ” And with that, he ended the meeting. On the way out of the Board Room, Al Hayes (the New York Fed president) said to me, “Dewey, just what did we agree to do?”

Nomination to the Board of Governors: Talking with President Kennedy

MR. DAANE. I am jumping ahead here, but when I was appointed to the Board of Governors from my position in the Treasury Department, Martin said, “Dewey, I wanted you.” There’s quite a history on my appointment. In the Johnson Presidential Library, there’s an 18-page account of the struggle that they had. Some people close to President Kennedy didn’t want me at all. They wanted Seymour E. Harris, my former Harvard professor, as did the others

around the President—namely, Walter Heller, Gardner Ackley, James Tobin, and Kermit Gordon. They discussed my appointment at length and how they had fought against it. These are people with whom I later became good friends. They concluded—this was the part I liked the best—that “We can all agree that he was a good Governor.”

Back to the appointment question. Under the Board schedule, the following February there would be an open full-time 14-year appointment. I think the reason I got the job was because Robert Roosa was so smart. Roosa, an undersecretary of the Treasury for monetary affairs in the Kennedy Administration, was a brilliant fellow. He had advised General Bradley in World War II. Roosa, either directly or indirectly, convinced President Kennedy to appoint me for the then currently open unexpired term of 11 or so years and appoint Harris for the full term starting in February. By staging the appointments in this order, Roosa got me appointed while making it seem that the advocates of Seymour Harris had won by their man getting the longer 14-year appointment.

So I was appointed in November 1963. My best recollection, and Roosa’s, was that the President signed my commission on his way to Dallas. Unfortunately for all of us and the whole world, Kennedy was assassinated. Mrs. Lincoln, his secretary, brought back to me my commission as Governor signed by President Kennedy.

I remember well my conversation with Roosa before I went to the Board. Roosa told me, “This is great, Dewey. You’ll go over to the Board. You’ll be able to think. You’ll be able to read. You’ll be able to make a speech when the spirit moves.” In the Kennedy Administration, I had been working from 7:00 in the morning until 11:00 at night every day. Roosa stated, “You’ll be out of this rat race, and you’ll be over there at the Board. It will be just great to have you there.” Well, despite his brilliance, he was wrong. The minute I got to the Board we got into the

international picture, and, essentially, I became the international Governor on the Board. At this time, the international developments became much more difficult, with England's problem with sterling and such.

MR. SKIDMORE. Did you meet President Kennedy, and did you talk to him?

MR. DAANE. Oh, absolutely.

MR. SKIDMORE. What did he want to know about you before he would appoint you?

MR. DAANE. His first question to me was, "Now, tell me, Daane, you're not one of those #@!#!* bankers, are you?" That was the opening question!

MR. SKIDMORE. What did you say?

MR. DAANE. My father had been the head of a bank in Michigan and a very prominent banker nationally. He was on the Executive Council of the ABA (American Bankers Association) and scheduled to be the president of the ABA, but before he could take that position, he left his bank. I didn't say that to President Kennedy. I just said, "No," and we went from there. I have a mental picture of Kennedy in a powder blue suit and a red polka dot tie, poking his finger at me. Theodore C. "Ted" Sorensen [adviser to President Kennedy] had fortunately alerted me before I got in to see the President. Sorensen said, "The President's very interested in economic growth."

I was in a very fortunate position, because I had been working in the economic growth area. The OECD (Organisation for Economic Co-operation and Development) had an economic policy group, and then they broke down into working parties. They had Working Party Three (WP3) on international payments, which I attended with Roosa over in Paris. They had a Working Party Two (WP2) on economic growth. For WP2, the head of the U.S. delegation was Gardner Ackley from the Council of Economic Advisers (later, our ambassador to Italy). I was

in that WP2 group with him. My point is that I had been working in the economic growth area. WP2 had devised a five-year plan for the industrial countries—which they exceeded—and I discussed that with the President.

Getting back to President Kennedy, his first question was the one I just mentioned. Kennedy called me “Daane” all through the interview. He continued, “Daane, I know where you stand on inflation—you’re a hawk—but where do you stand on growth? As President, I am concerned about growth.” I had an hour alone with him less than three weeks before he was killed. Most of that hour was discussing what he could do to encourage this country’s economic growth. My first comment was to say, “The best thing we can do to encourage growth is to avoid inflation,” a standard Fed answer.

Before that visit, I had seen President Kennedy in small meetings. Secretary of the Treasury Dillon took Roosa with him to the Quadriad meetings, and when Roosa had a period when he was out sick, Dillon took me with him to the Quadriad meetings. So I’d seen Kennedy in action, for example, telling Walter Heller, “Walter, just cut the jargon and tell me what you’re trying to say.”

MR. SKIDMORE. What did you think of President Kennedy?

MR. DAANE. I think he was great. I admired that he was always interested in the substance of a problem. By the time he was killed, he really understood our balance of payments problem as well as most of us working on it at the Treasury. He had a keen, quick mind.

I have a favorite Kennedy story. Joseph “Joe” Slevin, at the time a journalist for the *International Herald-Tribune*, had me as his guest at the White House correspondents’ dinner that they had for Kennedy, which was traditionally in February—that first February of President Kennedy’s presidency. We were about 30 feet away from Kennedy and the dais. At the end of

the dinner, the master of ceremonies said, “Mr. President, it’s traditional for us to give the President a token of our appreciation, and we have something for you.” He reached down and brought up this sheet-covered object and put it in front of President Kennedy.

To provide the background for this story, in those early days, on Friday evenings there was a TV program with Charles A. “Charlie” Halleck, a top Republican congressman from Indiana [1935 to 1969], and Everett M. Dirksen, a senior Republican Senator from Illinois [1950 to 1969]. On that program they would just rip Kennedy apart and everything he’d done all week.

Now, coming back to the White House correspondents’ dinner, the emcee places this shrouded object in front of Kennedy. Kennedy pulls the sheet off, and there are two Paul Revere lamps. And Kennedy, without a moment’s hesitation, grabs them and says, “One if for Ev, two if for Charlie.” [Laughter] He was so quick on the draw! I still believe—naively, I guess—the world would have been different if he had not been killed. He definitely had the ability to sway people, and he was totally dedicated to our country and the world at large.

I went to another one of those WP2 or WP3 meetings two or three weeks after Kennedy’s death in November 1963. They had a December meeting—I believe it was WP3, in Paris. A Treasury friend of mine had a translator friend in Paris, and I was with the translator friend one Saturday evening. That evening she said to me, “How would you like to go walking in the woods tomorrow with my brother and the family?” I said, “Fine.” So she said, “Meet me at the Church of the Madeleine tomorrow morning.” As it happened, it snowed that night. The next morning, the church was cold as could be, but her brother had brought gear for me. Much to my surprise, after church we went to the Gare de Lyon train station and paired up with a large French alpine group. They were all, except me, disappointed because the snow meant they couldn’t climb the rocks. I was not disappointed. We took the train to Fontainebleau, if I

remember correctly, where we started walking in the woods and they splintered off into groups of 20 to 25. They would come up to me with tears in their eyes and say, “Did you really know Kennedy?” So Kennedy had an ability to relate to people. He had tremendous empathy with his audiences, with people, with me. I just thought he was fabulous.

MR. SKIDMORE. When you were nominated to the Board, a *New York Times* article described you as a moderate. What did that mean then? We wouldn’t use those terms. We might say inflation “hawk” or “dove.” What did that mean in relationship to, say, Seymour Harris?

MR. DAANE. Well, Seymour was an avid liberal.

MR. SKIDMORE. What does the term “liberal” or “moderate” mean in the context of monetary policy?

MR. DAANE. Well, I was more conservative than some and not as conservative as others.

MR. SKIDMORE. But on what?

MR. DAANE. On most everything here.

MR. SKIDMORE. So would an inflation hawk be conservative?

MR. DAANE. No, that was a different matter. When President Kennedy asked me the question about growth, I said, using Fed jargon, “You know me. I sincerely believe that the best thing we can do for growth for our economy is to avoid inflation. Inflation is the greatest enemy of growth.” That’s been standard Federal Reserve jargon since I was knee high to a duck. I did not say to him that it was standard Fed jargon, but I still believe it. I was a moderate. I was never pontificating about my own intelligence, although I thought that I was a scholar.

Back to my earlier statement to you—I liked doing my own research and working in research. When I had to rely on others for the research, I was never as happy as when I was doing the research myself.

MR. SMALL. Did you attend any Quadriad meetings?

MR. DAANE. Yes, but I don't know how many, whether I attended one, two, three, or whatever. I attended the Quadriad when Roosa was ill. He had quite an illness for a short while. I did see the Quadriad in action.

MR. SMALL. The economic views of the “new economics”—the Tobins and Hellers—are pretty well documented. When did you actually see Kennedy himself? Was he in that group? Was he between groups?

MR. DAANE. I think he was still in a learning phase, and, for my part, I took the view that—who said it best—“We're all Keynesians” in using the framework.

MR. SKIDMORE. Wasn't it Nixon who said that?

MR. DAANE. Maybe it was, but Keynes really came out my senior year at Duke. I didn't really understand Keynes until I got to Harvard and got into the hands of Alvin H. Hansen and John H. Williams. Alvin Hansen was a superb teacher of Keynesian economics. My two advisers were John Williams and Alvin Hansen.

I have always considered myself a moderate. I have never had anything to do with either political party. I have never voted in a primary because I would not declare myself. I recall being in Spain and being with Congressman Henry Reuss—one of the good Democrats—on a porch one morning having breakfast and saying, “Henry, I probably should join a political party, because it probably has hurt me not to.” And he said, “It's too late.” Of course, he said that if I did, I'd have to be a Democrat. That was his take. [Laughter] I couldn't say to him, “How do

you know that? I don't know that I'd be a Democrat!" George Mitchell, the other Kennedy appointee to the Board of Governors, always used to say, "Dewey, basically, at heart, you're a Stevensonian Democrat." Julian B. Baird, the undersecretary of the Treasury whom I worked for, was convinced I was, at heart, a Republican. My father had been the number one fundraiser in the state of Michigan for the Republicans. He had been a force behind the governor and raised money for Jerry Ford's first term in the Congress, and he never understood why I wasn't a Republican. One year I went to one of the Republican national conventions with him when my father was a delegate.

Arriving at the Board: Discussions with Chairman Martin

MR. SMALL. When you got to the Board, there were two changes. One was the switch with some of the new appointees, the Keynesians, to the Board—the switch to the new economics and the impact some of those new Governors had on the Board. Also, I think you were the second Ph.D. economist ever to be appointed. How did these changes—the new economics and more economic analytic firepower—affect the Board and the debates?

MR. DAANE. I want to mention two things before addressing your question. When I came to the Board, Chairman Martin said, "Dewey, I wanted you here. I want you to do two things. I want you to take over the international side and begin by going to Basel." He continued, "I don't have the time or the strength to do it, and it's in your territory." He said that he spent 75 percent of his time on strengthening the Federal Reserve System as a system. He believed in that and spent much of his time on the appointments of Reserve Bank presidents, Board members, and the like. He did it, in part, because he eliminated the Executive Committee. Originally, he had the FOMC meeting every month. He got all the Reserve Bank presidents involved, so my earlier comment about Leach was correct.

At the FOMC meetings, I never paid attention to who among the Reserve Bank presidents was a voting member and who wasn't, but Governor Sherman Maisel, who sat on my left, did. On a tablet, he had the voting members and the nonvoting members, and he would make notes on their views.

Anyway, Martin said, "I want you to pick up all the international." That didn't sit well with the Vice Chairman, J.L. Robertson, who thought he should do all the international, but I did it. I went to all the international meetings. I went to Switzerland to the BIS (Bank for International Settlements) every month and to Paris once or twice a month. I went wherever there was a monetary disturbance. Martin didn't do that—he turned that over to me. For a while, my successor, Henry C. Wallich, did it. He was a great friend. He was a superior Governor, and he may well have even outdone me on the international side. He was in that same role of being more or less the international Governor on the Board. M.S. Szymczak had had that role before me, so there was some precedence for it. Martin had asked me to take it on, much to the discomfiture of some of the other Board members.

Probably most of all, this was where my moderateness might come in. I managed to deal with the New York Fed people, who had been accustomed to doing the international side. Al Hayes and Charlie Coombs of the New York Reserve Bank had been the Federal Reserve people at the Basel meetings. In taking it over, I managed to keep Al in the picture. At the meetings in Basel, I would always say, "Al, why don't you talk about the U.S. economy and so forth." I gave the lead to the New York Fed there, in that sense. But on policy, I represented the United States.

MR. SKIDMORE. George W. Mitchell and you were the only economists on the Board. Were the two of you listened to especially because you were economists?

MR. DAANE. No, I don't think so. It was a different group. Roosa had it right. You had people that could enjoy the title, and they were very good people, too, not to denigrate them at all.

But there was that underlying tension between New York and the Board. The Board was always seeking ways to ride herd on New York. If the Board had had its druthers, it would have moved the whole Trading Desk to Washington! [Laughter] A committee was set up to look at the directive. I think they wanted to figure out some way to have a better handle on what the New York people were doing. I used to say to Alan Holmes, who headed up the System open market section of the New York Fed and reported directly to the FOMC, that he made policy, and he would deny that vigorously.

I remember talking to Martin one-on-one during my first day as a Governor. He said, "Dewey, I want you to take over the international." Then he said, "The other thing I want you to do is be the liaison with the Treasury," which was a natural for me. I was always involved in the Treasury financings—when they were thinking about a financing or what to do about it. Treasury had two committees at the time that it brought in. One was from the investment bankers—the old IBA (Investment Bankers Association) committee came in and gave its views on what Treasury ought to do, how Treasury ought to be financing. The other group was the American Bankers group. The groups came separately. I was always there representing the Fed.

When Arthur Burns came in as Fed Chairman, he said, "I don't want you to have anything to do with the Treasury. I don't want you to go over to Volcker's office."⁶ It was quite a far cry from Martin's view, which was, we needed to work with the Treasury and we needed to

⁶ At that time, Paul Volcker was undersecretary of the Treasury for monetary affairs.

have a piece of the action in the sense of having somebody there. Prior to coming to the Board, I had had three years at Treasury.

MR. SKIDMORE. What was the transition in leadership like between Martin and Burns?

MR. DAANE. I'm not sure Martin liked Burns and vice versa. The difference between them was most notable for FOMC meetings. At the end of a meeting, Martin would lay back, smile—which he did all the time anyway—and say, “Well, I suppose we’re all pretty much in agreement. What we ought to do is so-and-so and so-and-so. If you want to take a vote on it, we’ll have a vote. Otherwise, that would just do it.” As I said earlier, I can recall vividly going out of one meeting with Al Hayes, president of the New York Federal Reserve Bank. We hit the door at the same time, and he said, “Dewey, just what did we agree to?” [Laughter] Martin was very clever, and he didn’t push his view.

Burns would immediately start in on his view. He’d immediately give a prescription, and generally a prescription for ease. He used to be painful to Al Hayes, Andy Brimmer, and me because Burns would go out on the hustings and claim to be the bravest man on inflation that you could imagine. Then he’d come in the Board Room, and time and again at our FOMC meetings, he’d always want an easier prescription.

Discount Rate Increase of 1965

MR. SMALL. You mentioned how Chairman Martin said he spent 75 percent of his time on strengthening the Federal Reserve System.

MR. DAANE. Yes. I couldn’t believe that, but I think he did.

MR. SMALL. How much effort or concern did he put on the independence of the Fed?

MR. DAANE. I think he was zealous about the Fed's independence. That book on Martin by Bremner is pretty good on that point.⁷ Martin was always seeking to strengthen the System to make it work. Burns was always trying to get invited to the White House.

MR. SMALL. Were there episodes where Martin felt either that the Fed's independence was particularly at risk or that he, Martin, was under political pressure from the Administration?

MR. DAANE. There are some incidents in the book on Martin by Bremner where Martin says he walked around at night worrying about it.

I went into Martin's office—somewhere along the line of the FOMC meetings leading up to the December 1965 meeting—and I said to him that I didn't think we were getting a straight story on what the government was spending. Martin answered, "Dewey, you're right. I know that even better than you do." I said, "I just have a gut feeling that that was right." He said, "I know it because I'm in close touch with David Packard, and he knows what is going on."

MR. SKIDMORE. That's the story that Bremner tells.

MR. DAANE. Yes. David Packard was Martin's friend in the government camp. Martin said to me, "You're probably nearer right than I am." We were getting close to where we needed to tighten. I hadn't yet said "yea" or "nay" to the Chairman on how I would vote, but my sympathies were in that direction.

MR. SMALL. Bremner, in his book, indicates that you were thought of as the swing vote.

MR. DAANE. Yes, that's right. But the catch here was that it wasn't a difficult thing to look at, in the sense that we were spending a lot of money—we were running into inflation tinder. There was a paper—it was a secret memo to the President—and it was from either Heller

⁷ Robert P. Bremner (2004), *Chairman of the Fed: William McChesney Martin, Jr., and the Creation of the Modern American Financial System* (New Haven, Conn.: Yale University Press).

or Fowler, in which it says, in essence, and as I remember, “Our only possibility of getting the right vote here is Governor Daane. Where the others stand is clear, but it’s not clear where he stands.” That’s my moderateness coming out.

MR. SKIDMORE. Was political pressure applied to you before or after that vote?

MR. DAANE. This was the only time I ever had political pressure applied to me. This secret memo pointed out that I was going to be seeing Joe Fowler, the Secretary of the Treasury, in Boca Raton. We were both on the program of the investment bankers meeting. I had a long, drawn out breakfast with Fowler in which he laid out all of the reasons why they didn’t want me to vote for raising the discount rate. He was a very fine Virginia gentleman of the first order. Courteously and sincerely, he laid out the case for why we should hold off until spring and then have a coordinated program.

MR. SMALL. Were his reasons based on the economic merits, or were they also political?

MR. DAANE. I’d say both. He wanted the Administration to have a cohesive program, which they expected to have by the spring. We’d be tightening as part of that program, and they would be working on the budget side. Fowler was a very decent man all the way through that, and he thanked me at the end of it. I said, “I have not yet finalized my view. I will certainly give every consideration to what you’ve told me.” Then I left and caught a plane back to Washington.

They had set up a Board meeting depending on the plane schedule for my return. I got in and I was met by a Fed car and driver. The driver said that, first, he was taking me to the Treasury Department because a Treasury official wanted a few minutes of my time. So I stopped off at the Treasury, and I walked into his office. This official looked up at me and said, “If you

vote for the discount rate increase, the President will see to it that you never have another job, and I'll help the President." That was his greeting.

MR. SKIDMORE. How did you react?

MR. DAANE. I was stunned. I didn't say much of anything, except "I'm going off to the Board meeting." In retrospect, it has always bothered me. I never have understood how anyone could have thought that it would have done anything but solidify my view to vote for the discount rate increase.

MR. SKIDMORE. How did you make up your mind? When you were in Boca Raton, you still had not made up your mind on how to vote.

MR. DAANE. Well, in Boca Raton, I was honest with Fowler in saying that I was thinking hard about it. If I hadn't been thinking, "Yes, I'm going to go ahead and vote for it," the incident at the Treasury would have done it. That was counterproductive.

MR. SKIDMORE. You referenced earlier to going in and talking to Martin and saying you thought the Fed was not getting accurate projections on government spending.

MR. DAANE. Oh, yes. So at that point, I was already warming up to the fact that we probably needed to be thinking about tightening, and that we weren't fully apprised of what was happening on the spending side. After the vote, Eileen Shanahan, the business writer for the *New York Times*, apparently put together a piece labeled "The Swinger" in which I was labeled the swing vote. Charles "Charlie" Molony, the PR guy for the Board at the time, somehow got to Shanahan and begged her not to use the piece. I never saw the piece. I never knew whether they were using "The Swinger" in more than the vote thing. Anyway, they didn't print it. Thinking back on it, I always thought it wasn't just Charlie Molony's notion. He thought it

would denigrate the Chairman's role, but I'm not convinced. I think Bill Martin felt that, for my sake, it would be better if it was left out that I was the swing vote.

MR. SMALL. The Administration at that time—I guess, President Johnson and Defense Secretary Robert McNamara—were not straightforward on the defense expenditures.

MR. DAANE. Oh, absolutely. They were not straightforward. That night, after that Board meeting and that historic vote, President Johnson was in a tizzy. He summoned Martin to his Texas ranch. I believe that Martin forestalled the Shanahan piece because he was trying to protect me. He knew the President was going to fly off the handle. Johnson was a powerful force and was used to getting his way.

Anyway, that evening I'd been invited to a party given by Gardner Ackley, and when I came in his front door—I think Barbara was with me—I said, "Gardner, I don't know that we're welcome, but I just felt that we were not fully apprised of what was happening on the spending side."⁸ Gardner said, "You are more right than you know, Dewey." He conceded that night that they had not been sharing.

Gardner became a good friend of mine. He became the ambassador to Italy. When he was ambassador, he came back, and I had some kind of physical ailment. I was in bed at my home, and he came up, and we sat and had martinis in my bedroom!

MR. SMALL. It's a fact that the Administration did apply pressure. How do you think it affected the course of policy over the next couple of years?

MR. DAANE. At that time, you had people at the Board in the policy ranks who thought that we should not want to tighten, and they had a case.

⁸ Gardner Ackley was a member of the President's Council of Economic Advisers starting in August 1962 and became chairman in November 1964, serving in that capacity until February 1968.

MR. SMALL. Do you think they might have switched their votes if they had known the truth about the pressure brought to bear on you?

MR. DAANE. That I can't answer. Governor Sherman Maisel immediately had a press conference in which he decried that we did it. After the vote, John Kenneth Galbraith was on the TV in Boston. He said to the interlocutor, "Of course there aren't any economists at the Federal Reserve." The guy talking to him—I got this secondhand—said, "What about Dewey Daane?" And Galbraith said, "Oh, yes. I believe he went to Harvard." [Laughter] I'd known Galbraith. Galbraith was a Harvard man!

When I went on the Board, the only other economist was George Mitchell, the other Kennedy appointee. I believe he had been at the Federal Reserve Bank of Chicago.

MR. SMALL. Did you think that one of the factors leading to higher inflation was the fact that the military buildup was underplayed?

MR. DAANE. Yes. I still do.

[Lunch break]

MR. DAANE. We didn't resolve the "bills only" doctrine, which Martin won.

MR. SKIDMORE. How did that come about?

MR. DAANE. It came up when I was still with the Richmond Fed. I was in the FOMC meeting in my capacity as associate economist of the FOMC, the meeting when they kicked everybody out of the room except the principals. Alan Sproul was a forceful presenter of the view that they ought to have the full range of the market to operate in, that it was tying your hands to not do that. Martin was Martin—he was quietly on the opposite side. He didn't raise his voice. He didn't get antagonistic. At that point, they asked everybody except the principals to leave the room. When we returned to the room, they had decided on "bills only." I can't give

you the debate, because I wasn't privy to it. The details of the debate are in that Bremner book on Chairman Martin.⁹

At the Treasury: Before Becoming a Governor

MR. DAANE. Before I went to the Board, I was at the Treasury. I was on loan from the Federal Reserve of Minneapolis in 1960 and for a while later. Before 1960, I was at the Richmond Fed and was due to go to the Minneapolis Bank and be vice president and economic adviser to the president of that Bank, Frederick L. Deming [1957 to 1965].

I got a call from Charlie Walker in Washington. He was an old friend of mine who was at the Treasury. He said, "Could you come to the Treasury and help us? We're shorthanded, and we need you." I said, "I just signed up to go to Minneapolis. Deming is counting on me to come out there. I'd be derailing those plans. I don't know if I could do that or not—probably not." Charlie said, "What if we could get you a leave of absence?" So I said, "Well, if you get me a leave of absence, I'd be glad to do it." He said, "You come for nine months, and you'd be the transition person between an outgoing and—they presumed—an incoming Republican Administration. All the senior Treasury people are leaving in order to give Nixon a clear hand, and you'd be in charge of the transition. You'd be assistant secretary for debt management in the meantime." So I said, "Well, see what you can do about a leave."

As it happened, the undersecretary of the Treasury, Julian Baird, was the former head of the First National Bank of St. Paul, so I got the leave. But Deming said, "I want you to put some roots down." So I spent from May to September 1960 at the Fed of Minneapolis, meeting many of the leading Minneapolis people. Fred would take me to lunch almost every day at the Minneapolis Club, and we'd have someone like Hubert Humphrey, Walter Mondale, or the head

⁹ Bremner, *Chairman of the Fed*, pp. 99–103.

of 3M or Northwest Airlines—all prominent people. I got to know the Minneapolis people very well. Then I went to the Treasury in Washington, probably in September 1960.

On the day of the now famous Kennedy–Nixon presidential debate, the undersecretary of the Treasury, Julian Baird, said, “Dewey, are you coming down to watch Dick mop Kennedy up? Everybody is coming: the Secretary of the Treasury; Ivy Baker Priest, the Treasurer of the United States. We’ll go into the Treasury screening room and watch the debate.” Despite the fact that I was a political independent, I said, “Yes,” but I asked Julian if he was sure Nixon would win the debate. He said, “Oh, yes. Dick knows so much about so many things, and the other man isn’t even dry behind the ears.” I have a picture somewhere of me with the whole crop of Republicans that evening. They had a social gathering—everybody was as happy as could be, and then we went into the screening room. After the debate, everybody who watched the debate knew good and well who won that debate. So everybody simply said, “Good night.”

Anyway, I was still at the Treasury in my role there. Then, much to their surprise, Nixon lost the election to Kennedy. I still had the Republican briefing books, but when the Democrats came in, it turned out to be Dillon and Roosa. Of course, I had previously worked with Roosa. Even before the Kennedy Administration, whenever they set up a working group of personnel in the Federal Reserve System, Roosa was generally made chairman of the working group if they picked economists, and I was always one of the economists that they handpicked to work with him. I was, on those occasions, at the Federal Reserve Bank of Richmond. At the time, Roosa was the leading researcher at the Fed of New York.

When the Democrats took over, they said, “We’ll create a new job for you as deputy undersecretary for monetary affairs, which you can have either as a President’s appointment or a Secretary’s appointment.” I said, “I’m a political independent, so maybe I should have a

Secretary's appointment." As an aside, when I got appointed by President Kennedy from that position to the Board, Volcker came in and took that job as deputy undersecretary of the Treasury for monetary affairs. I've known Volcker for 50 years or more. He's my closest and oldest friend—at least, that's my feeling. Whether he feels exactly that way, I don't know. From my standpoint, he's my closest and oldest friend.

I first knew Volcker when he was a gangly fellow at the Fed in New York and was running the campaign for Madeline McWhinney. She was running for the presidency of the New York Fed Employee Club. Volcker managed her campaign and she won, and I was at the New York Fed that day to congratulate her and Paul. Madeline became the number one statistician in the Federal Reserve ranks. She was generally regarded as the number one statistical force in the System. She's still living. She's about my age. I don't know if she's a year younger or older than me, but her mind is still very good. From time to time, I have talked with her and always regarded her as a remarkable person.

David Jones and I were planning to do a book on Volcker. We got derailed in part, I think, because of the hurricane that hit Florida: David had moved there, and the hurricane clipped his house. We already had listed the people that we were going to talk with and, I think, made an overture to Madeline to talk with her. We were going to do an issues book more than a biography.

Chairmen Eccles, Martin, and Burns

MR. SKIDMORE. Do you recall a meeting of either the Board or the FOMC around the time that Chairman Martin first arrived and former Chairman Eccles was still there on the Board? [Laughter]

MR. DAANE. Oh, yes. I got to be pretty close to Martin. Martin would read me excerpts from his diaries.

According to that Bremner book, President Harry S. Truman asked Chairman Martin to lower the rates or reaffirm to the market that he was going to hold the rate. Martin said he told Truman, "I'm not sure I can deliver on that. I'm not sure that Eccles will be in favor of it." This was sometime after Chairman McCabe had left and Martin had taken over. President Truman said, "You mean to say that Eccles, that son of a gun, is still there? He is still around?" [Laughter] Remember, when Eccles was displaced as Chairman, the rules allowed him to remain as a Governor.

MR. SKIDMORE. Eccles was the Fed Chairman from November 15, 1934, to January 31, 1948. He stayed on the Board as a Governor all through McCabe's chairmanship, which lasted from April 1948 to March 1951, and then into the first month or two of Martin's chairmanship. Eccles finally resigned on July 14, 1951.

MR. DAANE. This story, as Martin tells it, predates my time at the Board. When Martin was in New York at the New York Stock Exchange, he exercised at some gymnasium at noon every day, and he wanted that same privilege accorded to him by the Governors. Martin had exercised at some gym in New York with a guy named "Gunboat." As Martin told it, one day he arrived at noon, and Gunboat, who ran the gym, was despondent that he had lost a fighter for a fight that night (a three-rounder), and he asked Martin, "Would you do it?" Martin agreed, and the night of the fight, Martin sat in his corner of the ring smiling at his opponent, who glared back. Anyway, the match went three rounds, and the referee held up both Martin's and his opponent's hands in a draw. Apparently, the Wall Street people had gotten wind of the fight and

had come in force, and when the referee raised the two hands, the Wall Street crowd ran up to Martin and carried him off on their shoulders.

When he came to the Fed, Martin asked for the Board's permission to adjourn meetings by noon so he could exercise (play tennis). Apparently, the Board members all agreed, including Eccles. When I was at the Board, the Board met every day, because we had so much on our plate. We were assigned the responsibility of determining who could be in a holding company and what the holding company activities could be, so it was a laundry list of acceptable activities that we were putting together.

Martin told the story that, at one of his first Board meetings with Eccles, maybe the first, noontime came just as Eccles had raised his hand to make an intervention. Martin looked up at the clock, took the gavel, and adjourned the meeting. Eccles looked at him in disbelief. Martin said, "I pointed to the clock." And Eccles said, "Well, I did agree, didn't I?"

MR. SKIDMORE. Eccles was quite a figure in his day.

MR. DAANE. Oh, absolutely.

MR. SKIDMORE. And it shows how the mighty have fallen.

MR. DAANE. But Martin still felt Eccles had enough prestige and ability to state his case to prevent him from doing what President Truman wanted Martin to do.

Bob Holland had a celebratory meeting in memory of Bill Martin. I believe there was a pamphlet made for that meeting.¹⁰

MR. SKIDMORE. Yes, we have a brochure of reminiscences that was published shortly after Martin's death.

¹⁰ Editor's note: Board of Governors of the Federal Reserve System (1999), *Memories of William McChesney Martin, Jr., Chairman of the Board of Governors of the Federal Reserve System, April 1951 through January 1970* (Washington: Board of Governors).

MR. DAANE. I took part in that. One of the reminiscences that I came up with was about playing tennis. When I was a Governor, I played tennis with Chairman Martin every day at noon. He would adjourn the meeting, and he'd look at me. I sat opposite him at meetings. He would look up at the clock and smile, take the gavel, and we could be right in midsentence of a staff presentation [laughter], he'd bang the gavel, and we'd adjourn. He and Louis Robertson played versus me and whoever were the two best staff players. One was Steve Axilrod, and the other one was Leroy Morgan. I had one or the other as my partner versus the Chairman. Martin could dress and undress faster than anybody I've ever known in my life. We'd play and we'd be back at the lunch table, have a sandwich, and then we worked until 7:00 or 8:00 at night.

Work as Board Governor

MR. SMALL. Before this, we were talking about when you came to the Board.

MR. DAANE. Yes. We became much more active in the international front. When I was still on loan to the Treasury—before I became a Board Governor—Treasury Secretary Dillon and Roosa set up an Anglo-American consultation. We were talking to the United Kingdom about what it was going to do with its currency—its plan to devalue. Roosa and Dillon did it from the Treasury, and they chose me to do it from the Board side. Ralph Young was the Board staff member. We had two counterparts over in the United Kingdom: Lucius Thompson-McCausland from the Bank of England, and the other was from the British Treasury, and his last name was Allen. Ralph Young and I would go to London and discuss what the United Kingdom would be doing and how to do it and whatnot. I don't know whether the arrangement was ever formalized. We were setting up kind of an Anglo-American approach to the currency questions. That should be in any oral history of the Board from Ralph Young's participation, not necessarily for mine.

I have a story about one of the trips that Ralph Young and I took to London. Young picked me up to take me to the airport. His wife was with him. She was a pistol. She was a very loquacious lady. For \$5, or something small like that, you could take out an insurance policy on a flight, but I didn't do it. Ralph did, and his wife said to me, "Why aren't you doing it?" I said, "Because that's a little like betting against yourself." We got on the plane to London. We left LaGuardia, and, while the plane was still climbing, the fire alarm went off on the plane. The stewardesses rushed past us and strapped themselves in. Nobody said anything. Nobody came on the loudspeaker and said a thing. All of a sudden, we're flipping back towards Idlewild (the name of JFK International Airport at that time). We're coming back, and you can see the lights. We're on a course to go crashing down. I never will forget it, because Ralph Young turned to me and said, "You see?" [Laughter] I was just fit to be tied. It just kind of put me in place. Then the captain came on and said, "We have had a fire in the starboard engine." He tried to put it out and couldn't, so they had to dump all the fuel and make an emergency landing. We flew around dumping fuel for an interminable length of time and then we landed, with the fire trucks and everything there. We got on another plane and went to London.

MR. SMALL. We talked earlier about policy on the domestic side, about the December 1965 discount rate increase.

MR. DAANE. Yes. The December 1965 episode was clearly a policy episode that I was involved in. And another thing—somewhere along the line, the FOMC got talking about using the monetary aggregates. Some of the newer members of the Board were fond of monetary aggregates. I was not, and I am not. So we looked to the monetary aggregates for guidance on the policy. At the FOMC meetings, we had guidance to what the monetary aggregates should be showing.

I can vividly recall one meeting, Alan Holmes was still the open market manager at the New York Reserve Bank, and the monetary aggregates were moving in different directions. Sherman Maisel was very much a monetary aggregate person. As we finished the meeting, Sherm said, “Alan, what are you going to do? The monetary aggregates are moving in opposite directions. What are you going to do?” With a smile, Alan said, “I’m going to treat them equally.” [Laughter] The meeting adjourned in a host of laughter, and that was it.

MR. SMALL. So when you left the Board in 1974, inflation had come up a bit.

MR. DAANE. When Martin was leaving the Board in 1970, he called the Governors together in the private library and said, “I’ve been a failure.” Of course, we all said, “No, you haven’t.” He felt he was a failure because the inflation rate had gone up either to 2 or 2.5 percent. When the inflation rate first got up that high, we had an emergency meeting of the Board.

Paul Volcker

MR. SMALL. What did you think the prospects were for inflation and monetary policy going ahead from that point? Also, you mentioned that you had a close relationship with Paul Volcker. What did you know at the time about his feelings or thoughts?

MR. DAANE. I was fortunate to see a lot of Paul. When Roosa and I were working from 7:00 in the morning to 11:00 at night in the early days of the Kennedy Administration—an exciting time— Roosa said, “I’ve been talking with Doug Dillon about it. I think you and I are too busy putting out brushfires, Dewey. We ought to have a long-range planning group taking a more forward look. Who could we get to head up that kind of a group? Do you think we could get Paul?” I said, “I don’t know. He’s working for Rockefeller.” Roosa asked, “Can you find

out whether he might be amenable to that?" I said, "All right." I called Paul, and he said, "I don't know. I couldn't do it unless I could get a leave here, but I'll talk to David about it."

So we set up this long-range planning thing, with Volcker at the head of it. There were six people involved. Two of them were from the Federal Reserve: John H. "Jack" Kareken, an economist from the Federal Reserve in Minneapolis, and Sam Chase, from the Federal Reserve Bank of Kansas City. Both were well-respected economists within the System and outside the System, too. We had Allen Meltzer and David Meiselman from the University of Chicago. We had two other fellows, John Auten and—I can't remember the name of the sixth guy who was the numbers analyst.

Paul was in charge of that unit. Then, all of a sudden, Paul got sidetracked into helping Dillon with a speech, and he never took over the group for anything else. So Roosa handed the group back to me and said, "You'll have to do it." The group was quite divided. Meiselman and Meltzer were upset that they were not in the Secretary's office when decisions were made. Now, mind you, they'd been hired to do long-range planning. Chase and Kareken were angry that they didn't have time to do what they wanted to do in the way of long-range planning because they got drawn into some of the other things. [Laughter] The other two were more interested in the numbers. So we had that little long-range planning group that didn't really do long-range planning.

But it was set up, and Volcker headed it for a while before he handed it back to me. Later, Volcker came in behind me on the deputy undersecretary job. Then he went back to Chase and later came back to Treasury as the undersecretary for monetary affairs. By that time, I was on the Fed Board and was traveling with Paul all the time. I was in his office at the Treasury probably every day.

At the Board with Chairman Burns

MR. DAANE. Then Burns came along, replacing Martin as Chairman. Burns didn't want that Treasury relationship at all. I had raised the question at a meeting, knowing full well what the answer was: "What do you think the Treasury would think of this?" We were going to lower the rates when I thought that was not the thing to do, from an international standpoint. I said, "What do you think the Treasury would think about it?" Burns called me in his office afterward and said, "I don't want you to ever mention the Treasury again in a meeting."

[Laughter]

MR. SKIDMORE. Why was that?

MR. DAANE. Burns didn't want anybody dealing with any of it. Arthur Burns felt he knew more than anybody about anything, and he knew a lot. He was a very bright fellow, but he didn't know everything about everything.

I probably innocently got on his black list. I took him over to introduce him to the Basel group. They had a cocktail party in the garden on the night before the meeting at one of the BIS people's homes. Burns was standing nearby but facing the other way when this BIS fellow said to me, "Burns is lucky to have you there, because you know so much about international and he doesn't know anything about international." I could see Burns's ears get reddish. [Laughter] He never referred to it, but I don't think he liked that thought. He had to go along with my still being the international Governor and going to the Basel meetings, but he didn't want me fooling around with the Treasury at all.

MR. SMALL. Working closely with Volcker when he was at the Treasury, did you get a sense of his views on how the Fed was conducting monetary policy?

MR. DAANE. Oh, probably. He and I are personal friends.

MR. SKIDMORE. What about the general conduct of monetary policy and the uptrend in inflation?

MR. DAANE. I had long talks with Al Hayes and Andy Brimmer about what to do, because Burns would come into every meeting and put out a prescription for easier money. It was always his thought. He always wanted to ease. Hayes, Brimmer, and I didn't think we should be easing that much or that often. Now I guess I must be into the 1970s. Along with Brimmer and Hayes, I thought we put too much money in. In my opinion, it was Burns who did it.

MR. SMALL. Was Volcker with—

MR. DAANE. As to policy, Volcker was right where I was. I have generally seen eye to eye with Paul. I probably followed his lead if I didn't feel that way anyway. Volcker has always been a tremendous force for good in his public service. I talked to him this week and told him he ought to be the president of Harvard. Harvard had asked me to nominate someone, and I told Paul he ought to do it.

MR. SKIDMORE. What was the reaction of the Board when Burns came in and had this orientation?

MR. DAANE: At his very first meeting, Burns absolutely humiliated one of the key staff members who was making a presentation. He made no bones about it. Burns told him he was stupid and this, that, and the other. It was something that caught all of us off guard. It was the sort of thing that Martin would never have done.

I don't remember who the staff person was. It was one of the respected staff people. He was cruising along, making his presentation, and Burns just cut him off at the knees.

MR. SMALL. Who were Burns's allies on the Board?

MR. DAANE. Anyone who crossed Burns was in real trouble. Give Al Hayes and Andy Brimmer their due. I often discussed this with them. I said, “You’ll never get anywhere with Arthur by voting against him. The only prayer we have here is to make the prescription not quite as easy as he wants.” So I always preferred a slightly less easy policy. All the minutes of all the meetings of when I was at the Board are still extant, so this should show through. In my case, they often would simply make a footnote saying that I had made an intervention about international, but never reported what I said about it in deference to our foreign friends. I generally had just returned from Basel and was called on early in the agenda to report.

Economic Modeling and Forecasting at the Board

MR. SMALL. What about these Chairmen and the economic staff—the modeling efforts and the staff forecasts?

MR. DAANE. Yes. Our economic staff was always terribly strong and is to this day, I believe.

MR. SMALL. Did Martin believe in economic forecasting?

MR. DAANE. We were all influenced by Dan Brill, when he was the head of research at the Board.¹¹ Martin and Fowler had gotten President Johnson around to the point that Johnson passed a tax increase. Martin’s understanding was that there was a quid pro quo, and that we needed to ease. Brill kept saying that the tax increase would slow down the economy, so we should go ahead and ease. That was a staff view, and, in retrospect, it was just plain wrong. In retrospect, it was wrong, but we all bought in on it, including Martin, I think, because he had

¹¹ Daniel H. Brill served as senior adviser to the Board, economist to the Federal Open Market Committee, and director of the Division of Research and Statistics at the Board of Governors.

some sense of noblesse oblige, and “Yes, I got the tax increase that I wanted, and now I’ll ease money a little.”

MR. SMALL. Did that hurt the forecasting effort, in that it started off with a mistake?

MR. DAANE. That was a mistake, all right, but, by and large, the Board staff has been very good in its forecasting. They’ve been excellent. How lucky can we be as a central bank to have a staff like that? I suspect it’s still that quality. You fellows are probably part of that.

MR. SKIDMORE. I’m not an economist, but there’s a lot of high-quality research on policy.

MR. DAANE. Yes. I was often worried that the high quality of the staff be maintained. I stuck with my Governor term all the way through the end of it and had plenty of opportunity to see the quality of the staff in action and its impact on policy.

In terms of my situation in the Federal Reserve System, I had 35 years less one week. I went into Burns’s office and said, “If you extend me one week, Arthur, I’d round out 35 years.” He took his pipe out of his mouth and said, “That’s interesting.” He probably had the same view of me I had of him, but I never really displayed it that clearly to him. He would call me in and say, “Can’t you do something about your friend Andrew Brimmer?” who would be going out on the hustings and not necessarily voicing Burns’s view.

MR. SMALL. One story I’ve heard about a factor contributing to the rise in inflation is that the Board staff and economists outside the Board—so, more generally than the Board staff—were presenting to the FOMC the picture that reducing inflation would be associated with large and persistent declines in output. It was just a painful balance there, and that somehow inhibited policymakers.

MR. DAANE. Yes, I think it probably did, but Volcker finessed it. He broke the back of inflation. And how did he do it? He told the Congress and the world that from this point forward, money supply was the ball to watch, money supply was “it.” I have never believed that he believed that at all, but he figured out a way to get the Congress’s attention without stressing what it would do to the economy.

MR. SMALL. You also probably never saw him in action as president of the New York Fed and Vice Chairman of the FOMC.

MR. DAANE. No, I didn’t, in terms of Fed policy. He came here to Vanderbilt University to speak to my seminar on monetary and fiscal policy when he was president of the New York Fed. So we stayed connected.

MR. SMALL. Do you have a sense of the dynamics between Chairman Burns and Volcker when Volcker was president of the New York Fed and when they were both on the FOMC as Chairman and Vice Chairman?

MR. DAANE. No, because I never was at those meetings. Paul was, and is, a white knight, as far as I’m concerned.

MR. SMALL. From other sources or conversations, do you have a sense of their dynamics in the meetings?

MR. DAANE. No. I do know of one case, when Paul was undersecretary of the Treasury and I was a Governor—there was a meeting at Camp David. Paul wanted me to go, but Burns wouldn’t take anybody. He was the only Fed person there. Everybody else carried staff—for example, Council of Economic Advisers people. Everybody, including staff, went to that meeting. But Burns went by himself, because he just thought he was enough. Volcker tried to

get Burns to take me. That was a very famous meeting. That's when Nixon's New Economic Plan got announced.

On that weekend, I had been told by Catherine Mallardi, Burns's secretary, that I should stay in touch with her—that she should know at all times where I was. When a call came from her, I was playing tennis in Virginia. While on the tennis court, I received a call that said, “You're due to be in the White House in 45 minutes.” I somehow hustled up and got to the White House. Nixon was there having a meeting with all of his cabinet to sum up what they had decided at Camp David. I sat right behind Paul, leaned over his shoulder, and said, “Where does this leave us? What am I supposed to do?” He said, “You're going with me to Europe. As soon as we get through here, we're going to make some phone calls to Europe and then we're going to go to Europe on the President's plane.”

MR. SMALL. In your speeches as a Governor, you talked a lot about inflation and the problems it caused for the long-term growth and ties to productivity.

MR. DAANE. Yes.

MR. SMALL. Did you see your role as an educator of the public to ensure the public was sufficiently aware of the problem of inflation?

MR. DAANE. When Martin was Chairman, none of us did an awful lot of public communication. Compared to today, it was nothing. I made speeches because I was a principal Governor in that international territory. My speeches mainly were in that territory, though I would've gotten off onto the inflation factor in all of them.

The best speech I probably made was one where I ran out of voice. I gave the Stonier lecture at the Stonier School of Banking. I probably still have a copy somewhere in my files. I vividly remember because I had worked so hard on my lecture.

MR. SKIDMORE. Chairman Bernanke is going to give the Stonier lecture on June 12.

MR. DAANE. The only time in my entire life that my speaking voice went out on me was when I gave that lecture at Stonier. It gave out around page 3 or 4 of a 20-page speech. The president of the Philadelphia Reserve Bank was there. He came up and offered to read the speech for me, but I declined. I just painfully lumbered along. Walter Heller had been the speaker the year before, so I'm sure with that speech I got a very low grade from the student body at the Stonier School. I ran out of juice, but the speech was one of my better efforts, and I am confident you would think so if you had the written version.

I never really thought about whether I had time to go out and educate the public. I took speaking engagements that I felt I needed to make, but there weren't very many.

MR. SKIDMORE. You said that Board members didn't do a lot of public speaking. On the other hand, it's hard to imagine today that, after a vote, a Board member would have his own news conference like Governor Maisel did. It sounds like a pretty independent-minded crew or a contentious bunch.

MR. DAANE. It wasn't a contentious group. Most all of us left the public appearances to Chairman Martin. I certainly did. Before making a speech, as a courtesy, I'd send a copy of my talk to Martin. He would invariably come back and simply say, "Keep up the good work." He did not require me to submit my talks, but I always did it as a courtesy.

MR. SMALL. In one of your speeches after you left the Board, you tell a story that Henry Wallich was sitting around with other Governors. They were taking a poll of which Governors and Chairmen had the most highly allergic reaction to inflation, and you came out pretty high on that poll.

MR. DAANE. Yes. Henry took the poll, and I came out high with Martin. I got a 10 on the anti-inflation. I was concerned about the dollar.

It was hard for me to accept the notion that we'd profit by a weaker dollar. Volcker and I spent a lot of our time defending the dollar. We were fighting off the other central banks from running at our gold supply because, at that point under the Bretton Woods agreement, the United States was still pledged to accept dollars for the gold. In one year, other countries took a bunch of gold, but Paul and I were always talking up the dollar—not down the dollar—trying to persuade the other countries that they should be quiescent with respect to running at us.

Bill Martin was my mentor and friend and someone whom I always admired. He used to tell a story about attending a conference or meeting in Switzerland in which a banner hung high, saying, "A sound currency is coined freedom." That has stuck with me all these years. Bill used to recite that phrase. I had a lot of individual conversations with him. He'd sometimes come down to my office after hours and sometimes I'd go to his office, and he'd read me excerpts from his diaries, mainly about his walks in the Rose Garden with the President.

I'm convinced that there were diaries, because he would read to me from his diaries about what he said to President Johnson, for example, and what Johnson said to him, and so forth. I always told Bill Martin that if he'd turn his diaries over to me, I'd quit whatever I was doing. And I meant it, because those diaries would be an invaluable source. Incidentally, I just learned that Cynthia Davis, Bill's wife, died. I didn't know that. She was a remarkable woman and, of course, part of the Davis (tennis cup) family.

Martin always had the view that he didn't want his diaries to see the light of day. Well, he was a great man. I'd give him an "A" and give Volcker an "A."

MR. SMALL. What about Fed Chairman Thomas B. McCabe [April 1948 to March 1951]?

MR. DAANE. I did know him. He was a pleasant person, but I don't have any feel for where McCabe stood on the issues.

MR. SMALL. I may be wrong, but the Treasury–Fed Accord was reached during his time as Chairman, and he helped continue the movement of the Fed toward independence.

MR. DAANE. I think information about his resignation is in that book by Bremner on Martin. McCabe resigned because he hadn't accomplished what he wanted to accomplish.

MR. SMALL. Who were some of the more powerful Vice Chairmen of either the Board or the FOMC?

MR. DAANE. They were not Vice Chairmen, but Win Riefler, who was on the staff, was a power to himself in the policy arena, and rightly so. He was very good and very sharp. Woody Thomas was a good, steady, intelligent fellow, but not really in the same league with Riefler.

The president of the Richmond Fed had a special relationship with Allan Sproul, president of the New York Fed. Sproul would come to Richmond and visit President Leach in his home. That's basically how I think I got into the trading room at the New York Fed in the first place. Sproul gave Leach the idea to rotate staff around at the Richmond Bank. In my case, as I told you, there were the three of us college graduates that joined the Richmond Bank at the same time. I never got out of research and started early on with the monetary policy question and the System's operations in the market.

MR. SMALL. How much did the Regulation Q interest rate ceilings affect the conduct of policy?

MR. DAANE. They were just a nuisance, and we finally got rid of them. Then Burns was running something for political reasons [laughter] that he had no business running. It was a commission on interest.¹² When he was Chairman of the Fed, he claimed he would keep them separate, but how could you keep them separate?

The Treasury–Fed Accord and Chairman Martin Building the Fed

MR. SKIDMORE. You were very senior at the Richmond Fed. After the Treasury–Fed Accord, how did that change the way you did your work?

MR. DAANE. Martin put the Reserve Bank presidents into a more active role. He abolished the Executive Council and added all the Bank presidents to the FOMC meetings and, if my memory serves me, had more frequent meetings of the FOMC. Leach really needed to know more about monetary policy. [Laughter] My job was to further educate the president of the Bank, and I like to think I helped on that front. Fortunately, my stint at Harvard helped me, because I learned a great deal from my professors there.

MR. SKIDMORE. But before that, did you get the feeling that, in the 1940s, somebody at the Reserve Bank would be thinking about monetary policy?

MR. DAANE. Yes, Hugh Leach would have. Leach had the sensitivity that he thought he needed to know more about monetary policy from the get-go. He started me off before Martin accomplished what he wanted to, with respect to bringing the Reserve Bank presidents into an active role.

MR. SKIDMORE. So giving the presidents a more active role was deliberate on Martin's part?

¹² Arthur Burns was chairman of the Committee on Interest and Dividends, which was established by President Nixon on October 15, 1971.

MR. DAANE. Absolutely.

MR. SKIDMORE. Wasn't that unusual for the head of the bureaucracy in Washington?

MR. DAANE. Yes, but Martin would tell you, in all sincerity, that "We have a 'Federal Reserve System' and I'm trying to make it into a system." So it bothered him that we had an Executive Committee that really ran the policy, and actually we had one staff person—Riefler—at the Board who was contributing a lot of the policy. Martin was sincere about that. He wanted to make the presidents count.

The presidents would show up for the FOMC meetings, and as I told you, a president of one Reserve Bank would talk about weather conditions. That's not what Martin wanted. Martin wanted his presidents to be actively engaged in thinking about monetary policy. I even think he had his eye on one of those presidents as a possible successor. I think he had his eye on Hugh D. Galusha, Jr., who was president of the Minneapolis Fed.

MR. SKIDMORE. Were the presidents cognizant of the fact that their roles were enhanced by Martin?

MR. DAANE. Yes, absolutely. Leach certainly was. He put me in full harness to help him with monetary policy. It was a learning process for me as well. We had some good, strong presidents. But, over time, the presidents changed while Martin was doing this. I can tell you this without being out of school here. The night before FOMC meetings, the presidents used to sit around playing cards and, perhaps, having a few drinks. I bet that they were a pretty rowdy group. I liked Clifford S. "Hap" Young, the president of the Fed in Chicago [1941 to 1956]. Hap Young was a friend of my father. The presidents generally dined separately from the staff. The research people from the individual Reserve Banks would often get together. I would frequently get tied up with Charlie Walker, who was assisting the president of the Fed in Dallas,

and George Mitchell, who was assisting the president of the Chicago Fed, and others. We'd have some happy times the night before a meeting.

The presidents have certainly changed in complexion, because we had some presidents who didn't know a great deal about monetary policy. Perhaps we had some Governors in somewhat the same category. When Charles N. "Charlie" Shepardson [Governor from 1955 to 1967] went up to the Senate for his hearing, he apparently got himself all tangled up on how the Fed eases or tightens. He got himself all tangled up in it! [Laughter] I hasten to add that Charlie was a very fine man and contributed a good deal.

Fed Staff

MR. SMALL. When you were with the Board, inflation was becoming more of a problem. Were there particular junior members of the Board staff who subsequently rose to policymaking rank for whom you thought that the experience of going through the early 1960s affected their policy outlook when they became policymakers or senior advisers?

MR. DAANE. You're talking about Lyle Gramley? Chuck Partee?

MR. SKIDMORE. Bob Parry. Robert Holland.

MR. DAANE. Yes, they were all there. Bob Holland should be a special mention. Bob Holland turned out to be a leading Governor. But Mitchell and I were the first ones to break out of the research ranks into the official group. After my time, the strongest of all to break into Governor status and now Vice Chairman is Donald Kohn. Some of the other staff people, they went on to be Governors—Lyle Gramley and Chuck Partee.

Governors were given the option of having an assistant. I chose not to have an assistant because I was so heavily involved in the international stuff, and I figured I'd be spending more

time trying to educate my assistant than he would be able to contribute. But a lot of the Governors did have a full-time assistant.

MR. SMALL. During the last half of the 1960s and the 1970s, was the younger staff ringing the alarms about inflation? Were they pressing the senior staff to become more analytical? What was their “Young Turks” role in shaping policy?

MR. DAANE. I think the Board staff may have looked down their noses at the Governors as just not knowing anything about anything. When I worked at the Board, they couldn’t necessarily do that with me, but I think they did it subconsciously. They were so good in their own right. Staff people were so strong that they pretty well ran a lot of it. Maybe they do today, too, for all I know. I doubt today they’d get away with it, because you have such strong people at the top.

MR. SMALL. Do you think the staff caught on early about the potential of rising inflation, or were they somewhat behind the curve?

MR. DAANE. You ask that question of Don Kohn. He’s been there at the Fed for a considerable time. He was one of the key players on the staff, editing Bluebooks and so forth.

MR. SKIDMORE. That was later.

MR. DAANE. Yes, that was later.

MR. SKIDMORE. But during the late 1960s and early 1970s, during your time as Governor.

MR. DAANE. Oh, yes. [Laughter] I remember the staff a lot.

MR. SMALL. Were they wringing their hands about inflation and ringing the alarm bells?

MR. DAANE. No. Dan Brill, for example, lead us down the primrose path on easing at the time of the 1968 tax increase. In fairness to Dan, Martin felt we owed some easing to President Johnson as recompense for the tax increase. In those days, staff was always stronger, probably, than any of the principals, in terms of the policy tools.

MR. SMALL. Did you think Dan Brill caught on to the problems of inflation a little late?

MR. DAANE. Brill was always a good man—and bright. But, yes, I think maybe he became a hawk a bit late. I don't know that. He might vigorously defend himself on that. He always was a good man and very bright.

My role as a Governor was so much involved in the international side that I was more dependent on some of the other people at that time. Ralph Young and Bob Solomon were very strong contributors. We had Charlie Coombs in New York, and I did manage to bridge the gap with the New York Fed. That whole tug of war between the New York Fed and the Board was still there in spades.

MR. SMALL. Mainly on the international side, or domestic?

MR. DAANE. Well, both. Al Hayes always thought Burns was wrong—so did I, for that matter—and didn't hesitate to vote that way in meetings, dissent from the decisions. Andy Brimmer also dissented.

I was over on the international side where I had to contend with the New York Reserve Bank people and the foreign people, and it just grieves me to come down along the tack we have been on more recently, which is that we should let the dollar decline further and encourage it to go down further. That is inimical to my training. Martin's old adage about the sound currency being coined freedom—I just hate to think we pooh-poohed the notion that we can come to any

harm out of the dollar going down, and I think academics might tell me that I'm all wrong. They suggest the dollar should go down, and it should go down enough that it would correct our imbalance. I don't think so.

MR. SMALL. You'd rather correct the imbalance through fiscal policy?

MR. DAANE. Yes. You can't do it with intervention. We had that option for a while, but I don't think we have that option anymore, either. We set up that whole swap network when I was with Roosa and Coombs on it. William Heffelfinger was at the Treasury. In some ways, Heffelfinger led the Treasury for some 40 years.

MR. SKIDMORE. When you came on to the Board, was "Operation Twist" over? What was that, and what did you think of that?

MR. DAANE. That was Treasury. Operation Twist was Roosa's notion. My first assignment when I went with Treasury was to do a white paper on advanced refunding. I cranked that out with some help from one or two of the key staff people at the Treasury. I can't tell you exactly when it would've been out, but I went to the Treasury in 1960. My white paper would've been extant in probably 1961.

The argument of the white paper was that we had the notion, and Roosa certainly had it, that we ought to be careful about the maturity structure of our federal debt. I always tell my classes that when you talk about fiscal policy, you're talking about revenues and expenditures, and you are also talking about debt management. The debt management thing came up into the fore because Roosa was very keen about this and that, in line with Kennedy's general objectives—what we should be doing is getting the Fed to buy in the long area, to get the long rate down, and boost the short rate for international considerations. That has always made sense to me.

But if you go into the literature, I'll bet you that you'll find more people saying Operation Twist was useless rather than it was a useful appendage to have. But my white paper on advanced refunding was advocating just what some people today would decry: It was saying we ought to consider the maturity structure of our debt.

I can recall one annual report of the Council of Economic Advisers tangling with Jim Tobin. Roosa had sent me to argue with Tobin. Tobin later got a Nobel Prize in economics. But anyway, Tobin came on over to the Treasury and was arguing that the Treasury should finance everything short, everything should be short, shouldn't put out any longer securities. Roosa said with a smile, "Yes, Jim, and you'd have me refunding the debt every day, sitting here refunding the debt every day." And Tobin said, "I probably would."

But in view of the importance of the maturity structure of the debt, I'd love to uncover my white paper on that subject. There's been a much more recent experiment with Operation Twist—when did it come along here, in the last two or three years?

MR. SKIDMORE. It came up not so much from a desire to affect the yield curve, but more of, if we run out of enough short-term securities to work with—

MR. DAANE. Oh, yes, when we were worried about deflation.

MR. SKIDMORE. Yes, that was when we worried about running out of federal debt. We don't worry about that anymore. But you remember, about seven or eight years ago, there were worries that the federal debt would all be paid off, and what would we use to implement monetary policy?

MR. DAANE. What do you fellows see looking ahead with where we are with our debt? And ownership of the debt is not irrelevant. How do you think the Fed's going to manage in these waters? How are we going to deal with this? We're just going to sit idly by and watch it

happen? People say that we ought to increase our saving rate. I think that's a good notion, but how do you do that? In thinking ahead, I think our country's got some real issues that they're not facing up to, and I don't see any disposition in our legislature to hammer out solutions to these things. I don't see it happening—not under this President, nor under any conceivable President that I think the Democrats will advance. I don't know who they're going to advance, but—

MR. SKIDMORE. At some point, it will become the current problem, and it will be dealt with, and it will be much more painful.

MR. DAANE. Yes, we'll have a crisis. My gut feeling is that it isn't going to be dealt with until it becomes such a problem that it overwhelms us, and then it becomes a crisis, and then we'll act. But, by then, what will we look like, in terms of the ownership of our debt being all by foreigners? I don't know. These are the kind of problems that I probably don't have to worry about. I'm too old to worry about them, but I do worry about them.

MR. SMALL. Thank you for the interview.

Supplement

The following material is from a session Mr. Small held with Mr. Daane, along with Mrs. Daane, at their residence in Nashville, Tennessee, on December 12, 2009.

Governor Daane's Duties while at the Federal Reserve Bank of Richmond

MR. DAANE. At the Federal Reserve Bank of Richmond, I had a job with the title of vice president and director of economic research. And I hated that job [laughter], because it interfered with me doing my own research. At the same time, I also held the position of vice president and adviser to the president. Having both jobs at the same time wasn't good for the staff because I had two offices, plus a third office that I haven't mentioned before in these interviews.

I have to divert a little bit. Governor Seay owned some birds—his personal possessions—so whenever he and his wife took a trip, he'd bring his bird collection into the Federal Reserve Bank of Richmond. At the back of the Bank there was an alley and a back door to the Bank that I could use to enter the Bank from the Bank's parking lot. Off of that back door, on a half level above ground, there was a room that everybody called "the bird room" because Seay would park his birds there whenever he took a trip.

I annexed the bird room when I wanted to get off alone and really study and work on something. I would not be disturbed because it didn't have a phone, but Leach ultimately insisted that I have a phone in the bird room. I'd get up there and could really work. It was wonderful to have this third office because I had two jobs, basically. I had to deal with the people on the fifth floor and had to deal with Leach on the first floor, so I had an office on each of those floors.

They also made me head of the discount operations. At that point, my right arm was Onnie Selby, who I took with me from research to the discount operations, and who I married later. In the discount operations, I also had a secretary. I remember one day in particular: When dealing with banks when they needed money, the banks had always put up government securities as collateral, and I would deal with the banks over the telephone. I never saw the physical government securities. I remember the day very vividly when they came into my office with a stack of documents like that! [MR. DAANE indicates a height of a foot or so.]

MR. SMALL. Of government securities?

MR. DAANE. No, not of government securities.

MR. SMALL. Oh, this is other collateral they brought in.

MR. DAANE. Yes. I looked at that stack of collateral [laughter], and I said, “For Goodness’s sakes, what is this?” The first time that it hit my desk, I said, “Holy moly! What am I going to do with this?” Well, we took it on as collateral—steamboats, for example. We had all kinds of funny things in this collateral we were holding, really crazy collateral. I think we owned one of the contraptions—you know, we had one of the Ferris wheel things up in Baltimore. That was the kind of collateral that they were bringing in.

I don’t know if that even shows in my record that I was in the discount department of the Fed in Richmond. I just remember this stack coming into my office on the first floor and saying, “What in the heck—this whole stack?” It was collateral, but not government securities.

I had to verify the darn stuff. I would take that stuff up to the bird room [laughter] and look at it.

MR. SMALL. Did the Reserve Bank ever end up owning that on defaults?

MR. DAANE. Oh, yes. I always wondered how they got rid of some of that stuff.

More on the Kennedy Administration and the Rise in Inflation

MR. SMALL. One could claim that Kennedy and his advisers were so concerned about growth that they were insufficiently concerned about inflation.

MR. DAANE. About inflation, that's true.

MR. SMALL. The advisers?

MR. DAANE. Yes.

MR. SMALL. Do you think it's true of Kennedy? Because it's also said of him that his father told him, "Protect the dollar, protect the dollar." Where do you think Kennedy was on inflation? As long as you give him growth, don't worry about inflation?

MR. DAANE. No, he accepted the fact that I was strongly against inflation. He didn't argue with me about inflation, but his focus was on economic growth.

MR. SMALL. Did you get a sense of how much he would tolerate an increase in inflation?

MR. DAANE. No, I don't think I did. He didn't argue. He said he knew I was a hawk on inflation but wanted to know where I stood on growth. He'd separated those two in his thinking, and he and I talked all about growth. We didn't talk any more about inflation.

MR. SMALL. What do you think about his Council of Economic Advisers, how they thought of inflation—a permanent tradeoff between inflation and unemployment, or full employment?

MR. DAANE. I may be wrong, but my sense of it—my memory—is they were not as concerned with inflation as we were at the Board and at the Treasury. I think I did mention this to you in our earlier interview: When I was at the Treasury, and the council was doing the annual *Economic Report of the President*, the council did this draft, and I was very disturbed,

because it did indicate that they were more tolerant of inflation. I mentioned this to Roosa, and he said to me, “Well, you’re right. Why don’t you go over and straighten Tobin out.”

MR. SMALL. So Roosa said to you, “Dewey, you’re right”—

MR. DAANE. “You’re right.”

MR. SMALL. In that you’re being critical.

MR. DAANE. I was worried about their stance on inflation. Roosa said, “You’re right, so I suggest you go talk to Tobin. Straighten him out.” Tobin and I, we battled. As I recall, we did several hours of editing the draft. It ended up not as I would have preferred, but it was better than what it was. So he accepted that change I suggested.

MR. SMALL. It’s often stated that Tobin and the council at that time accepted 4 percent as a “natural” or “full employment” rate of unemployment, and the monetary policy could be used to push the unemployment rate down there, and inflation wasn’t a problem until you got down there. Is that right, do you think?

MR. DAANE. I think that’s probably right. Is that what you’ve discovered?

MR. SMALL. Well, I haven’t discovered it, but people have made the claim, and it’s in, I think, the Council of Economic Advisers’ annual reports.

MR. DAANE. Yes, I think. But it was a fine line here, because where Roosa, Dillon, and I were coming from was much more emphasis on the inflation threat than the Council had put on it, but the fact that they softened their position on looking almost only at growth was the best I could get out of Tobin.

MR. SMALL. From my readings, I could draw a picture of Roosa as, perhaps very unfairly, too smart by half. Against the backdrop of Bretton Woods and fixed exchange rates, with the massive U.S. balance of payments deficit, you weren’t going to be able to defend the

dollar through exchange market interventions, swaps, and interest rate equalization taxes—actions advocated by Roosa at different points in time. The criticism is that these were all little holding patterns that would prove to be ineffective over time, and thus the Bretton Woods system was doomed to failure.

But there were people—and I've heard this attributed to Volcker—who really adhered to Bretton Woods, because they thought it was a mechanism for disciplining the monetary and fiscal policy of a country. Such people did not believe that these little interventions would do any good other than as temporary Band-Aids, but they liked the Bretton Woods system because the only way to keep exchange rates relatively fixed over time was through providing discipline on monetary and fiscal policy.

MR. DAANE. Well, Roosa was definitely in that camp.

MR. SMALL. The discipline camp?

MR. DAANE. Yes. Oh, yes.

MR. SMALL. He wasn't, "Spend however you want, and then we'll do these little interventions, and—"?

MR. DAANE. Oh, no, no. He was as strong on inflation as anybody could be—and on the dollar.

MR. SMALL. And he would back tight money and tight fiscal policy too?

MR. DAANE. Oh, yes. He was very definitely in that camp. Volcker was very close to Roosa on the same point—and me, too.

MR. SMALL. So, were there clearly two camps: The Council camp led by Tobin and the Treasury camp?

MR. DAANE. Yes. Even today, it's the same sort of thing. You've got a group that wants to spend our way to heaven, and the other group saying, "No way, we can't do that. We can't hurt the dollar." Roosa would have been exactly where Volcker would have been on this issue, and I would have been in agreement with the point you're making.

Kennedy, fortunately, skipped over the inflation point with me by saying, "I know where you stand on inflation," and took all that time we had—we had a whole hour—talking about what could you do for growth. He never came back to my first comment that the thing you can do best for growth is to keep away from inflation. I don't recall us talking in those terms. We were talking about the program that WP2 had constructed for industrial countries. I had been a regular part of WP2 alongside Gardner Ackley.

MR. SMALL. And the type of steps that—

MR. DAANE. The type of steps that it would take. I believe in WP2 we had anti-inflationary steps, but now I'm getting beyond my current memory.

MR. SMALL. What kind of steps were there? Was there job training and—

MR. DAANE. Yes, we had all kinds of steps, and we got this program through into all the industrial countries, and we overdid the result. I think we did it in five years or something.

MR. SMALL. Let me just pose it from a slightly different perspective I've heard. Someone could say that the Council and Tobin believed that full employment was 4 percent, but to get there you couldn't achieve it solely with monetary policy, you'd need to do it with some fiscal policy as well—some job training, human capital, improving flexibility of the labor market. Reaching an unemployment rate of 4 percent was the ultimate goal of both monetary and fiscal policy. That would indicate that monetary policy couldn't push unemployment that low by itself. What was the concept of full employment you understood? It required using

monetary and fiscal policy? Or, just get there as quickly as we can now, it's very achievable in the short run or long run?

MR. DAANE. I'm not sure. I just can't conjure it up. I see where you're coming from, but I'm not sure.

MR. SMALL. So Martin was more aligned with the Treasury folks? The Treasury folks were his allies?

MR. DAANE. Yes, absolutely.

MR. SMALL. And if he were to do battle, it would be more with the council folks rather than the Treasury folks.

MR. DAANE. Than the Treasury folks, but he wouldn't himself have been a good battler! [Laughter] I mean, he'd just get away from that.

MR. SMALL. But if he was in a Quadriad meeting, he would have seen the Treasury folks as on his side?

MR. DAANE. Oh, he and Dillon were very close in their views.

MR. SMALL. Do you think they brainstormed about their common approach?

MR. DAANE. I don't know. They could've, but they didn't need to, I don't think.

MR. SMALL. Did you ever have any sense of the relationship between Martin and the council, whether it was close or combative?

MR. DAANE. Well, the council came over to us. The head of the council came over to the Board regularly, on Thursdays. And I was there with Martin. I've forgotten whether or not any of the other Governors got involved, to tell you the truth. They weren't all there. There was Martin, the council, and me. This would be in Martin's dining room at the Board. We'd have lunch every Thursday.

MR. SMALL. Switching topics, when did the Treasury–Fed luncheons start?

MR. DAANE. Well, I was at the Treasury luncheons both before and after I was at the Board. They were on Mondays in the Treasury Secretary’s dining room. At first they were with Treasury Secretary Anderson, but they included the Fed Chairman after Dillon became Secretary of the Treasury.

MR. SMALL. Before you were at the Board?

MR. DAANE. I think so, but maybe my memory’s wrong. But the picture I have of those luncheons with Dillon, the Treasury Secretary, at the head of the table—Martin was on his right and I was on his left. I was opposite Martin at those Treasury luncheons. A distinctive part of that was that Dillon would start eating the minute he got a plate, and they’d go around that table so I’d be the last one to get a plate. By the time I got the plate, Dillon would be finished with his lunch. [Laughter] But on the point you’re trying to make, I just don’t remember.

I was with Roosa at everything before I got tangled with the governorship, so I was at whatever we were doing.

I hate digressing, but we had a project here at Vanderbilt University. We had a project to go back with all of the heads of the Council of Economic Advisers—that is, all except for Norris, who was dead.

MR. SMALL. Was this the book coauthored by Sam Morley?¹³

MR. DAANE. Yes. It was here at Vanderbilt that we did that, and I had a chapter in that book, but I don’t think it ever saw the light of day. Anyway, we interviewed every one of the heads of the Council of Economic Advisers. Everyone came here except Burns. We had to go to Washington for Burns. Who was the guy that ran that project?

¹³ Erwin C. Hargrove and Samuel A. Morley (1984), *The President and the Council of Economic Advisers: Interviews with CEA Chairmen* (Boulder, Colo.: Westview Press).

MR. SMALL. There are two authors, Morley and—

MR. DAANE. Yes, it was the other guy—Erwin Hargrove, not Morley. Sam Morley was my great friend. We were close friends. I have a copy of that book somewhere, too.

MR. SMALL. Do you have a copy of your chapter that didn't make it?

MR. DAANE. That's a good question, whether or not that got into the stuff they incinerated. I don't know. I don't know where that stuff is.

We had Herb Stein come down. I was always part of the group that interviewed the head of the Council, and Herb said something about that—he said, of course, the Fed never told him anything, never told us anything. The way he expressed it was that the Fed never consulted with the Council at all.

MR. SMALL. This would have been during the Nixon Administration? Herbert Stein would have been chairman of the CEA?

MR. DAANE. Yes, must have been. Anyway, back to where we're doing the management project—and Stein is saying, "We never had any knowledge of what the Fed was doing," and he made it stronger language than that. I said, "Well, but Herb, we had those luncheons every Thursday." His answer killed me and killed the audience, too—he said, "Oh, yes, we'd go to the Fed every Thursday, and they would tell us about their tennis scores," meaning that we would never tell them what the Fed was really doing or thinking.

MR. SMALL. What were the Martin–council luncheons like? Were they much more open? Did they discuss policy—Martin with the council?

MR. DAANE. Pretty much, as Herb put it, they would tell us everything they were thinking, and we would tell them our tennis scores. Dillon was never at the Thursday luncheon with the council.

MR. SMALL. You would think Martin would be a little bit more open with Dillon because they were—

MR. DAANE. Oh, Martin and Dillon—yes, they were frequently together. My understanding is they went together to Kennedy to ask him to appoint me. I could be wrong on that, too, but that's my impression, that it was originally Martin and Dillon who jointly proposed me to Kennedy. Whether that's my wishful thinking or the truth, I'm not so sure.

Governor Daane in the Bullring

MR. DAANE. Let's go on to my story about bullfighting. Congressman Wright Patman, who was head of the Banking and Currency Committee, hated the Federal Reserve. He wrote Chairman Martin a letter saying that he wanted to see Martin and all the Governors at a congressional hearing he was holding. Martin responded that he could have all of the Governors except himself and Governor Daane because we would be attending an important international monetary conference in Madrid.

During that conference they took us to Toledo, Spain, for a "fiesta of the bulls" at a famous ranch that Christopher Columbus had supposedly received from Queen Isabella. We made a stop at El Greco's home, and then we went on to the ranch. The governor of the Bank of Spain had persuaded his old personal friend Luis Miguel Dominguín, who had been the number one matador in Spain for years, to come out of retirement and put on this fiesta where they were testing young bulls to get the bravest ones, so they could go on and breed them. They were big animals with sharp horns that were not clipped.

As we came into the bleachers, there was a white-coated waiter passing out drinks, and I got a weak Scotch and plain water to take to my seat with Barbara. Later, I ordered another

scotch and water, but he brought me a scotch and soda that I did not accept. He did not return with the scotch and water that I ordered, so I had nothing more to drink that afternoon.

All afternoon over the loudspeaker they kept saying, “Isn’t there one American banker brave enough to come into the ring with one of these friendly little animals?” This conference was described as including the 50 largest banks in the world, but the American bankers were singled out. They kept throwing that at us and got more and more abrasive. A very highly respected journalist from Philadelphia (Joe Livingston) who wrote his newspaper’s piece on it had it exactly right, but nobody else quite understood that they got so abrasive. Finally they said, “We have one last friendly little animal. Isn’t there a banker here who will come into the ring?” So I turned to Barbara and said, “Somebody has to do it.”

I went down and went through the red doors and, with much trepidation, went into the bullring. Luis Miguel Dominguín came over to me and asked me if I spoke Spanish. I had headed up an IMF mission in Paraguay for a year when I was at the Richmond Federal Reserve Bank, but I wasn’t fluent, and I said, “No.” He said, “Well, keep your feet quiet,” and he handed me all the paraphernalia—the cape and so forth—and then walked away.

Then they pricked the bull and it came in madder than hell, hit the outer rim of the bull ring on the far side, shook its head, and turned around. As it came toward me, I held out the cape, and the bull charged full speed ahead for the cape. When it got right at me, right at that last second, it swerved and knocked me up into the air, and I luckily landed on my feet. I’m not an athlete. I just luckily landed on my feet.

MRS. DAANE. Dewey always lands on his feet! [Laughter]

MR. DAANE. Then the bull swerved off, and Dominguín came a little closer and shouted, “Move closer to the bull, always move closer to the bull!” The Spanish people gave me

a film of my bullfight—there was sound and color—and it shows me, oh, maybe moving a foot or two toward the bull, and I then held the cape out, and I tried to make myself even more convex. The bull charged through the cape a half dozen times, the crowd hollering, “Olé!” I finally handed the cape back to Dominguín, and I made a beeline for the wooden protector and then got out of the ring.

My family thought I must have been drunk out of my mind to do this, but I had had just that one weak Scotch and water. At the end, as I came back through the doors, here’s that same waiter, but now with a Scotch and plain water in each hand for me. [Laughter]

The next day a picture of me in the bullring with the bull charging was on the front page of every newspaper in the United States and, later, in the *Wall Street Journal* that reported the story with a sketch rather than the picture.

MRS. DAANE. For example, *Philadelphia Inquirer*, the *San Francisco Chronicle*, the *Washington Post*, *New York Times*, *Time* magazine—

MR. DAANE. And the *Richmond Times Dispatch*. I liked the Richmond one the best, because it said—with a front-page picture—“Yes, he was a Richmonder for many years, but he was never noted for his athletic prowess. He was generally regarded as a weekend tennis duffer.” [Laughter] The *Washington Post* story added, tongue-in-cheek, that I came out fighting the bull wearing the Federal Reserve colors. It was written by Hobart Rowen.

MRS. DAANE. And there was the colorful article by Richard Janssen in the *Wall Street Journal*.

MR. DAANE. That day they had the pictures in all the papers, including the *Washington Post* and the *Washington Times*. Congressman Patman convened the hearing and said he didn’t

see what was so important about fighting a bull, but he asked, “Is it true that the Federal Reserve has colors?” [Laughter] Governor Sherman Maisel piped up immediately: “Yes, green!”

I heard from the Humane Society, in a long Telex, about how I’d set back their cause. I heard from the undersecretary of the Treasury, Julian Baird, who scolded me for doing this when I had a young child.

MRS. DAANE. I can’t tell you how many people you heard from.

MR. DAANE. I heard from people I hadn’t heard from for years and years—from people who had gone to high school with me—because that picture was on every paper. We still have a lot of the papers.

At the end of the conference, the Spanish held a splendid dinner and said that usually they gave a tail or ear from the bull, but in my case they were shipping the whole bull’s head. They didn’t kill a bull. They sent me a bull’s head already mounted. They had to get permission from Franco, the head of the Spanish government, to send the bull’s head to me in the United States. After its arrival, many months later, it was repaired at the Smithsonian and then hung in my office at the Board and [is] now on my garage wall.

MR. SMALL. Thank you for this interview.