



FEDERAL RESERVE BANK *of* ST. LOUIS  
CENTRAL to AMERICA'S ECONOMY™

P.O. Box 442  
St. Louis, MO 63166  
www.stlouisfed.org

## **Interview with Joseph W. Barr**

**Conducted by Robert L. Hetzel**

**April 20, 1995**

**Robert L. Hetzel:** Okay. You were elected to the House in 1958, and you went to the House Banking Committee immediately?

**Joseph W. Barr:** That's correct.

**Robert L. Hetzel:** Do you remember to what extent if at all Congress was blaming the Fed for the '57, '58 recession? Was that at all an issue?

**Joseph W. Barr:** It might have been, but I don't remember at that time. I don't think it was too serious. You had people like Patman who were jumping on the Fed for anything they had a chance to, but I don't think it was very serious.

**Robert L. Hetzel:** Do you remember it coming up the next time around in the 1960 recession?

**Joseph W. Barr:** Excuse me?

**Robert L. Hetzel:** Do you remember the issue coming up the next time around in the 1960s?

**Joseph W. Barr:** Anytime there's a recession, they start jumping on the Fed. And I'm sure they did, but it was nothing very serious. Bill Martin didn't have any problem at all turning that off.

**Robert L. Hetzel:** What was it like being from Indiana? Ordinarily, one assumes that, at least at this time, anything west of the Mississippi River made you a populist and against high interest rates.

**Joseph W. Barr:** Oh, let me correct your geography. Indiana is east of the Mississippi.

**Robert L. Hetzel:** I know. But my question is, was there anything to that in Indiana?

**Joseph W. Barr:** Oh, no, there really wasn't. I had one advisor, that he shocked the people at the Fed and Bill Martin, I think. I took a graduate degree in economic theory, and my tutor was Governor Schricker for my PhD orals. And old Schricker was convinced that the country needed a little inflation to keep the wheels moving. He said that inflation is the grease that keeps the country moving. The Fed didn't like that at all.

**Robert L. Hetzel:** What about the prominent politicians from Indiana at that time? Charlie Halleck and later—

**Joseph W. Barr:** Yeah, Charlie was—he was the minority leader of the House, the [unintelligible 00:02:03].

**Robert L. Hetzel:** Right. Sure.

**Joseph W. Barr:** Yeah, great guy.

**Robert L. Hetzel:** What did they think—what were their attitudes in general toward the Fed? Live and let live? Or were they in the populist camp?

**Joseph W. Barr:** They were pretty—they didn't really pay much attention to it. That was not their thing. They didn't believe there was much hay to be made in monetary theory or in economics, unless you were really in a bad depression. That wasn't their business. They couldn't make a good political goal out of it.

**Robert L. Hetzel:** Did you ever have any—

**Joseph W. Barr:** And they cautioned me to stay off of it too. Go ahead.

**Robert L. Hetzel:** Halleck did?

**Joseph W. Barr:** Yeah. All my friends did. They said, "Oh, this is bad politics. Stay out of it. Unless it's jobs, just forget it."

**Robert L. Hetzel:** Hmm. Why were there people on the Banking Committee then? Was it primarily because there was housing legislation involved?

**Joseph W. Barr:** That is correct. That was very crucial legislation.

**Robert L. Hetzel:** Okay, well, we'll get back to that.

**Joseph W. Barr:** Oh, I got on there because I was interested. As I said, I had a master's degree in economic theory. And I was fascinated with the economy of the United States, the economics, and the international application [inaudible 00:03:10]. So I had one hell of a time on there. I really had a great time. I was old Sam Rayburn's gopher at that time too. When I was elected, Lyndon Johnson was very kind to me. He helped select me, and I got to know him pretty well.

And when he got elected, he told me before he left town, when he was in town two or three days, that if I got myself elected to write him a note. And I did, and I called him. And he said, "Listen." He said, "Now Joe, you call the Speaker. You write the Speaker a note." And he said, "Lay it on heavy." He said, "He is not immune to flattery." So I did just that.

And then when I came to Washington, Johnson took me over to meet the Speaker. And he said, "Now Mr. Speaker, look what we've got ourselves here." He said, "We've got ourselves an economist." He said, "We ain't never had an economist around here before." He said, "We've got one now." And he said, "I know him. He's not a bad fellow. I helped elect him."

And so Rayburn—Rayburn [unintelligible 00:04:13]. And on the basis of that recommendation, when Rayburn needed information, he would call me and he'd send me down and talk to Bill Martin or he'd send me over to the World Bank to talk to Gene Black or down to the IMF to talk to Per Jacobsson. And it was kind of fun. All I had to do was to say, "The Speaker wants me to come down and talk to you," I was right in the door. So I had a lot of fun doing that. Being a gofer wasn't so bad after all.

**Robert L. Hetzel:** Hmm. Well, there was one other economist in Congress, and that was Paul Douglas.

**Joseph W. Barr:** That is correct. He was a very independent economist.

**Robert L. Hetzel:** That's right.

**Joseph W. Barr:** He was my tutor when I was in the graduate school. No, he wasn't my tutor. He ran a seminar that I attended when I was in graduate school. When I was in the Treasury, I had to work with Douglas a lot. And when he was irritated with me, he'd say, "Joe, you are the prime example of how I failed as an educator."

[00:05:11]

**Robert L. Hetzel:** That's a riot.

**Joseph W. Barr:** He was a marvelous fellow. You're right. I should have amended that statement. I think I was—the first one in the House.

**Robert L. Hetzel:** Yes. Let me just—while we mention, let me just ask you about Paul Douglas.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Was he always supportive of the Fed? There were times when he was—

**Joseph W. Barr:** Oh, Paul was a very independent fellow. He called them the way he saw them. And he was a very strong-minded man. I remember one time I got into a big argument with him, and I put the Treasury staff people onto researching some of his literature. And I found a quote that I don't—that made my point. I went down and showed it to him. And he said, "Ah, Joe, my coauthor wrote that one."

**Robert L. Hetzel:** Oh. (Laughs.) That's funny.

**Joseph W. Barr:** He got ahead of him.

**Robert L. Hetzel:** Yeah, that's great. Then you went into the Treasury in 1960 with Kennedy.

**Joseph W. Barr:** correct. Right. I'd been defeated in that election.

**Robert L. Hetzel:** Right. It was a close election. In general, how would you characterize the influence of the Treasury versus the Council under Kennedy? Was it clear from the beginning that Treasury—that Kennedy would listen—

**Joseph W. Barr:** Not quite. They had the—oh, who the hell—what was that guy's name?

**Robert L. Hetzel:** In the Council?

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Oh, Heller.

**Joseph W. Barr:** Oh, Walter. Yes, of course. They had old Walter. He was a very ambitious man.

**Robert L. Hetzel:** Yes.

**Joseph W. Barr:** Heck, he was going to take on the Treasury. Walter had one problem. The Treasury had the operating authority, and the final analysis the President wanted something that he had to come to us. Walter had the theoretical authority. That was [unintelligible 00:07:01], but he was a very powerful man. He made something to that Council. He was the first man ever to do it.

**Robert L. Hetzel:** Did you have any contact with the other members of the Council, James Tobin and Kermit Gordon?

**Joseph W. Barr:** Sure did. Old Tobin was from Illinois. He was another Midwesterner. And Jim and I were very good friends. And Kermit Gordon was a dear, dear friend. He moved over and ran the—went down to Brookings, you know. And Kermit was a good friend. His wife bought a dog from my wife. They had one of our Labradors. They were good family friends. They were close friends.

**Robert L. Hetzel:** That's funny. Tobin's special interest was debt management. He was—wanted to lengthen the mat—

**Joseph W. Barr:** He was absolutely right too.

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** But you couldn't get that by Patman or any of these other guys. They said, "Ah, hell. Why do we want to build big money to lengthen the debt?" Jim Tobin agreed with—the other big advocate of lengthening the debt was Mr. Robert Anderson, who was Secretary of the Treasury under Eisenhower. And he and Jim—there weren't many people who were really interested in lengthening the debt in those days, but Jim and Bob Anderson were. I was too. I thought it was terrible.

**Robert L. Hetzel:** The interest rate ceiling on long-term debt wasn't binding at that point, was it?

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Issue long-term debt. What did Bob Roosa think? He was the author of the Operation Twist whereby the Fed was going to rearrange its maturity of its portfolio and issue more short-term debt and less—more long-term debt and less short-term debt. Did you have contact with him?

**Joseph W. Barr:** Oh, yeah. Bob's a very close friend. He and I were in the final competition for a Rhodes Scholarship back in nineteen-hundred and—what year was that? That must have been nineteen-hundred and... '30, '39—'39. And he won. And I won another scholarship and was offered a university—I was going to [unintelligible 00:09:06] School of Economics.

And war broke out, and neither of us got to go. So we both went to Harvard instead. And Bob was up there. I didn't know him well at Harvard. I knew him fairly well when I was in the Congress. Bob was quite a politician. He liked to hang around with politicians, so he came down a lot. And we came into the Treasury—he's a very good friend. He recently died, you know.

**Robert L. Hetzel:** Yes, I know, about a year and a half ago.

**Joseph W. Barr:** He died of Alzheimer's. Too bad. He had a marvelous wife. His wife was an expert on the Russian Chamber of Commerce, of all things.

**Robert L. Hetzel:** Hmm.

**Joseph W. Barr:** He had a daughter, a beautiful daughter.

**Robert L. Hetzel:** Right. She's still alive. She has all his papers too.

**Joseph W. Barr:** Yes. Bob was a very interesting fellow. And when the mood was on him, he could write well. Like all of us, he did some damn fool things. And I'll never forget the Interest Equalization Tax. That was the craziest thing I ever had anything to do with.

**Robert L. Hetzel:** So that was his idea?

[00:10:05]

**Joseph W. Barr:** Yeah, it was his idea. But we were—you know, we—in those days we were on the gold standard. People forget it. And we were frantic. That gold standard really had us right by the neck. First thing a lot of us—oh, I didn't do this, of course, but every now and then even I did that—you'd call [one 00:10:22] at about 4:00 in the morning and see what happened to gold [safety 00:10:24]. That was really crucial.

**Robert L. Hetzel:** Yeah. Yeah, we'll get to that later, especially in 1968. So Roosa had the idea of Operation Twist.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Keep short-term rates up to help the balance of payments and get long-term rates down to help investment. I've had people tell me different things about that. I've had some people tell me that he didn't take it that seriously. It was mostly a way of placating Tobin at the Council and giving the Fed some flexibility to raise short-term rates. And I've had other people tell me he took it very seriously and really believed that the Treasury could move—

**Joseph W. Barr:** Listen, I'm only talking on this, but it was my impression he took it very seriously indeed.

**Robert L. Hetzel:** Yeah. Well, that would go along with—

**Joseph W. Barr:** Well, he'd played it pretty close to his chest. I couldn't be really sure. He was a good actor, so that was my impression.

**Robert L. Hetzel:** Hm-hmm. Well, that goes along with his views that the New York—the New York Fed was very interventionist as far as...

**Joseph W. Barr:** Yeah. That's true. Bob was an interventionist as well, he didn't believe in standing on the sidelines. He wanted to get out there and do something.

**Robert L. Hetzel:** He was a student of John Williams?

**Joseph W. Barr:** Yeah, up in Armory (phonetic 00:11:41). We both were.

**Robert L. Hetzel:** This was before my time. But if somebody asked you, “Well, what’s the difference between the kind of standard Keynesian at the time, like Alvin Hansen, and somebody like John Williams?” what would you have told them?

**Joseph W. Barr:** I wouldn’t have said a hell of a lot. I’d take both of them. We were all a bunch of Keynesians at the time.

**Robert L. Hetzel:** Right.

**Joseph W. Barr:** There wasn’t much difference, I don’t think. Had a bigger green eye shade, John did. (Laughing.)

**Robert L. Hetzel:** Did you take a course from Williams?

**Joseph W. Barr:** Yeah, from both of them.

**Robert L. Hetzel:** What was the course? Do you remember?

**Joseph W. Barr:** No, I don’t. My God, that’s years ago. But I remember that. Hansen, yes, I do remember him. His was something on history, economic history of some kind.

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** Yeah. And then he was an adviser when we were down in the Treasury. He used to come down and tell us how to run the Treasury with a group of professional economists who came in. So I saw a lot of old Alvin. Didn’t see much of John. I don’t think he came back after Harvard.

**Robert L. Hetzel:** Well, he was an adviser for the New York Fed.

**Joseph W. Barr:** Yes.

**Robert L. Hetzel:** Well, that’s interesting that one would have chosen Alvin Hansen. He didn’t think much of money and financial markets. Everything for him was on the real side, the fiscal, the deficit. I would have thought he would be doing more advising for the Council than the Treasury.

**Joseph W. Barr:** Would you repeat that?

**Robert L. Hetzel:** I would have thought he would have been more a Council person than a Treasury person.

**Joseph W. Barr:** Well, maybe he was. All I know, he was down there telling us how to run the Treasury.

**Robert L. Hetzel:** Hmm. The economists were brought in with the idea of countering the—

**Joseph W. Barr:** Economists were brought in, really, to—Doug Dillon and Bob, Stan Surrey, Joe Fowler, and I—all of us loved economics, the academic give and take. And so we had a council of economists that came down about every month—once a month or every other month or so. It was a shifting kind of a panel, and they came down and talked to us about everything.

**Robert L. Hetzel:** No, I was talking about the economists that—you brought in a number of very good economists at the time—Dewey Daane, Peter Sternlight.

**Joseph W. Barr:** Dewey was there on the staff.

**Robert L. Hetzel:** Hm-hmm. But they were good economists?

**Joseph W. Barr:** Yeah, sure.

**Robert L. Hetzel:** But that was new from the Anderson Treasury.

**Joseph W. Barr:** Yeah, it was. That's true. We brought in Dewey Daane. We brought in—well, Roosa brought in Paul Volcker. We had some very good economists. And Stan Surrey, who was the assistant secretary in charge of taxation, was fascinated by the interaction of economic theory and tax theory. So he used them a lot too.

**Robert L. Hetzel:** Let's get back to some of the international problems and some of the mechanisms that Roosa came up for dealing with balance of payments problems. Do you remember anything about the initiation of the swap lines?

**Joseph W. Barr:** Sure do.

**Robert L. Hetzel:** And the use of the Exchange Stabilization Fund to intervene in the Foreign Exchange Market?

**Joseph W. Barr:** Yes, indeed.

[00:14:58]

**Robert L. Hetzel:** That would have started fairly early in '61 [inaudible 00:15:04] the dollar was—

**Joseph W. Barr:** [Unintelligible 00:15:06] the minute we—they were starting the run on the dollar, you know. We had one hell of a time right from the first—

**Robert L. Hetzel:** Yeah. It's hard to believe, but the lira was strong relative to the dollar.

**Joseph W. Barr:** And the French franc was quite strong too. Our biggest buddy in those days were the Italians.

**Robert L. Hetzel:** Hmm. How do you say that, your biggest buddies?

**Joseph W. Barr:** Oh, the biggest buddies we had on the international side were the Italians.

**Robert L. Hetzel:** Well, how was that?

**Joseph W. Barr:** What was that Central Banker's name?

**Robert L. Hetzel:** Guido Carli?

**Joseph W. Barr:** Guido Carli. Old Guido had this marvelous painting up on his wall of Saint Michael getting shot through with arrows he said that's how a Central Bankers should look.

**Robert L. Hetzel:** Yeah, Saint Sebastian.

**Joseph W. Barr:** Saint Sebastian, you're exactly right.

**Robert L. Hetzel:** The Treasury wanted the Fed's help in intervening and wanted the Fed to undo swap lines with other Central Banks. And at the time, that was quite controversial within the Federal Reserve System.

**Joseph W. Barr:** Sure.

**Robert L. Hetzel:** But the Treasury had an Exchange Stabilization Fund. But it used a good deal of its authorization—

**Joseph W. Barr:** [Unintelligible 00:16:16]. We didn't have nearly that much money. I think it was \$10-15 billion.

**Robert L. Hetzel:** And quite a bit of it had been used to lend money to Argentina and, I think, Brazil.

**Joseph W. Barr:** Sure. Yeah. I'm not sure it had been used, but it just wasn't big enough. What we needed were swap—we had a swap line, I think, of \$10 billion with the United Kingdom and maybe \$5 billion or \$6 billion with France. We had big swap lines out there. We couldn't meet it through the Exchange Stabilization Fund.

**Robert L. Hetzel:** Why didn't the Treasury go to Congress? I'm curious about that. There's a discussion of this in the FOMC minutes. And when Martin wants the FOMC to warehouse funds for the Treasury, he also wants them to engage in, you know, what we'd call today sterilized foreign exchange intervention. You know, and at first the Committee may

even go to Congress and see if Congress would enlarge the swap—the authorization for the Exchange Stabilization Fund.

**Joseph W. Barr:** Yeah, they weren't about to—you know how that thing came about? That was a result of the devaluation of the dollar back in Roosevelt's day. So how the hell were they going to authorize more? It was nothing but an accounting change when they took the dollar from—what was it, \$7 an ounce to \$35 an ounce?

**Robert L. Hetzel:** Right.

**Joseph W. Barr:** There was that huge, big accounting surplus left. Then the Congress said we could use that in defense of the dollar. That was what it was. But I don't think it ever was worth \$25-30 billion

**Robert L. Hetzel:** Hm-hmm. So there was never any—I mean, it was a question of Congressional prerogative.

**Joseph W. Barr:** No. They couldn't have done anything to increase it.

**Robert L. Hetzel:** Well, they—

**Joseph W. Barr:** What they could have done was step—unless they wanted to devalue the dollar again. As I said, the whole thing was nothing but an accounting gimmick.

**Robert L. Hetzel:** Right, but Congress could raise the limit on the extent of the assets that the Treasury could hold in the fund. It could fund it in the way it funded the IMF or other agencies.

**Joseph W. Barr:** It all would have gotten kind of complex. I don't think it was ever—that was really pretty—I don't think the Congress could have done it either. It would have taken an act of Congress, but it would have been very difficult. And the Congress didn't like the Exchange Stabilization Fund anyway, because we had absolute authority over it. We didn't have to go up and get an appropriation.

**Robert L. Hetzel:** And so Patman would have been—in particular, he would have been critical?

**Joseph W. Barr:** Oh, not only Patman, a lot of them up there.

**Robert L. Hetzel:** Who—

**Joseph W. Barr:** Anderson, Wilbur Mills, a lot of those fellows, they didn't like the idea of the Treasury sitting down there with a blank check.

**Robert L. Hetzel:** Hm-hmm. At that time—

**Joseph W. Barr:** They still don't. You can see them raising hell about poor old Bob Rubin in Mexico.

**Robert L. Hetzel:** Oh, yes, it's still an issue, of course. At that time, Willis Robertson would have been—was he at that point Chairman of the Senate Banking Committee?

**Joseph W. Barr:** Yes, he was. I was never sure how much—but Willis was a dear friend of mine. We used to go bird hunting an awful lot. Willis loved to go bird hunting, and so did I. And he was a marvelous shot. I was never as good as he was. He's a good friend, but I don't think he was interested in the slightest in that kind of stuff.

**Robert L. Hetzel:** Hm-hmm. Beyond Willis Robertson, who were the key figures that you remember from the Senate Banking Committee, the early ones? Douglas was on it. Do you remember—

**Joseph W. Barr:** Douglas was on the Finance Committee.

**Robert L. Hetzel:** Okay.

**Joseph W. Barr:** He was not on the Banking and Currency Committee. Then there were [unintelligible 00:19:49]. He was on the Finance Committee. And who else was on that Banking [Committee 00:19:53]? They didn't do much, you know.

**Robert L. Hetzel:** Okay, well—

[00:19:56]

**Joseph W. Barr:** It really wasn't very important. I say that as an ex-member. Fact is, all the Banking and Currency Committees, they didn't do much. Housing was about the only thing they did.

**Robert L. Hetzel:** Hm-hmm. On the key issues of the day before the tax cut comes up, in particular, what to do about the international situation, the problem with the dollar, the Treasury was the dominant influence?

**Joseph W. Barr:** Sure was. That's where we'd be at the Council and all the rest of it. And that area, we—Doug Dillon, he was a good friend of Jack Kennedy. He and Jack were very good friends. And Doug and Bob ran the international area single-handed. They did that. They didn't check much with anybody.

**Robert L. Hetzel:** How did Kennedy happen to appoint [skip 00:20:47] to Treasury?

**Joseph W. Barr:** Yeah. I don't know who all the regulars are. Kennedy thought Doug's daughter was hot stuff. And she was too, I'll tell you. (Laughs.) Heck, they used to

go to parties all the time when Doug was over in State when he was Under Secretary of State, and—

**Robert L. Hetzel:** So there was a social connection?

**Joseph W. Barr:** Oh, yeah, a very strong social connection.

**Robert L. Hetzel:** And Dillon's daughter was attractive?

**Joseph W. Barr:** You [unintelligible 00:21:13] forget about that. Yeah, hell of an attractive gal. She eventually became Mrs. Luxembourg.

**Robert L. Hetzel:** Mrs. Luxembourg?

**Joseph W. Barr:** Yeah, married the Duke of Luxembourg, I think.

**Robert L. Hetzel:** Hmm. Okay. Kennedy's father was also very conservative?

**Joseph W. Barr:** Extremely.

**Robert L. Hetzel:** Very much a—

**Joseph W. Barr:** Boy, he got on me one time.

**Robert L. Hetzel:** He was not a big fan of Roosevelt and devaluation of the dollar...

**Joseph W. Barr:** Ah, he hated all that stuff. One time he jumped all over me. We, you know there was a technical part in the Federal Reserve Act that we had to keep so much gold behind the corridor, behind the paper money.

**Robert L. Hetzel:** Oh, it was more than technical. It really [unintelligible 00:21:56] bind [inaudible 00:21:56] in '68.

**Joseph W. Barr:** Oh, yeah, it was binding. I shouldn't say technical. But it was a binding one.

**Robert L. Hetzel:** Sure.

**Joseph W. Barr:** We kept running closer and closer to it. I mean, I went over to talk to Kennedy one time. I said, "We better get rid of this damn thing." Next thing I know, I get a stinging letter, note from a K—starts, said, "Don't ever come up with these wild ideas, pie-in-the-sky monetary ideas again." And I'm sure it was old Joe Kennedy who wrote that note.

**Robert L. Hetzel:** That's funny.

**Joseph W. Barr:** Well, we didn't do it that year. We had to do it the next year. Ran out of cover.

**Robert L. Hetzel:** What was Chairman Bill Martin's relationship with Kennedy? Why did Kennedy reappoint Martin? Why not somebody of the—

**Joseph W. Barr:** I'm sure his father wanted him to. And he was also certain that Bill was a very stabilizing factor with the Street, with Wall Street and the financial community and the rest of the world. And he was. Bill was a towering figure. There's no question about it. Is the poor bastard still alive?

**Robert L. Hetzel:** Is who?

**Joseph W. Barr:** Is Bill still alive?

**Robert L. Hetzel:** Well, he is, but he's dying.

**Joseph W. Barr:** Well, he's been dying for 15 years. Poor guy.

**Robert L. Hetzel:** Well, he's—it's been a long time since he's been able to talk to people. But my understanding is that his physical condition—

**Joseph W. Barr:** He was one of the most wonderful men I ever knew. You know, that guy, he could come to a conclusion—you never knew how he got there. But he came to a conclusion, and he was right so often I couldn't believe it. He was an amazing fellow. I was very fond of him.

**Robert L. Hetzel:** Yeah. Well, anything you can remember about him, of course, I'd love to have on tape. It's—

**Joseph W. Barr:** He asked me to be a governor of the Fed one time, and I said, "Hey, I'd love to do that." I was Assistant Secretary for Congressional Affairs at that time. So I went and asked Doug. He said, "Oh, I think that's fine." So they set me all up and wrote it up, it went over to Kennedy. But George Mitchell, who was a big buddy of Dick Daley's in Chicago, he decided he wanted the job, and he got it. There's nobody going to beat out George. And he's right. I'm glad. I would have made a terrible governor, I would have. I'd have been bored stiff.

**Robert L. Hetzel:** Well, you had a more interesting job, I think.

**Joseph W. Barr:** Yeah. I like the action more.

**Robert L. Hetzel:** Being governor, there's a lot of public relations stuff.

**Joseph W. Barr:** Yeah, there was a lot of that.

**Robert L. Hetzel:** Talking to banking groups and the whole business. So Roosa came up with the idea of the Interest Equalization Tax. What about the voluntary direct investment program?

**Joseph W. Barr:** Oh, that drove the business guys crazy. Yeah, we did. That's what we had. We figured that money was pouring out of the country because we were investing—as the Germans said, we were buying up their country with their money. And they were right. And the French said the same thing.

**Robert L. Hetzel:** So that was Roosa's idea too? And the voluntary direct credit restraint program that the Fed inflicted on banks, that was the Treasury's idea too?

**Joseph W. Barr:** Absolutely. That was Doug and Bob.

[00:25:00]

**Robert L. Hetzel:** Hm-hmm. Let me ask you about the Treasury's attitude.

**Joseph W. Barr:** They were singularly unsuccessful as you thought, right?

**Robert L. Hetzel:** Oh, sure.

**Joseph W. Barr:** As I said, we're all entitled to one big goof of your lifetime, and I think Bob's was the Interest Equalization Tax. I cringe every time anybody mentions that. It created the whole damn Euro Market, you know.

**Robert L. Hetzel:** That's right. People simply started lending and borrowing abroad, rather than in the United States.

**Joseph W. Barr:** [They'd 00:25:34] take directions. They were the guys you'd [thought had 00:25:35] dreamed it up. They had [to hold] those dollars [in that] [unintelligible 00:25:39] Bank of London. So they decided they were going to get into the banking business, and they did back in the early '60s.

**Robert L. Hetzel:** Right. Yeah, from the gold sales.

**Joseph W. Barr:** Yep.

**Robert L. Hetzel:** Let's move on to the—oh, okay, one more question on the Treasury's attitudes. The classical way of dealing with the balance of payments problem, gold outflows, is to raise the discount rate. Would the Treasury—was the Treasury willing to go some distance that way?

**Joseph W. Barr:** Oh, but not very far.

**Robert L. Hetzel:** Excuse me?

**Joseph W. Barr:** Not very far.

**Robert L. Hetzel:** And was that because of their own natural inclinations? Was—

**Joseph W. Barr:** Their own natural inclinations, and they were convinced it was going to throw the country into some kind of recession.

**Robert L. Hetzel:** So in that sense, they were a lot like the Heller's Council. I mean, Heller's Council absolutely—

**Joseph W. Barr:** Exactly.

**Robert L. Hetzel:** —you know, thought that the only good interest rate was a low interest rate and all the action should come from—

**Joseph W. Barr:** Not to get off the subject, but poor old Bob—didn't old Bob Rubin have one hell of a time writing—ha, I know that the Fed wants them to raise interest rates. No, it wasn't the Fed. It was Camdessus, wasn't it? The head of the IMF came out with a big blast that the Fed ought to raise interest rates.

**Robert L. Hetzel:** Well...

**Joseph W. Barr:** I think old Bob Rubin is playing those Japanese right where he wants them. Stupid assholes, they got themselves in this mess.

**Robert L. Hetzel:** So Dillon himself, when it came to raising interest rates, was—

**Joseph W. Barr:** Very concise, very cautious.

**Robert L. Hetzel:** Hm-hmm. And that's because of the experience in 1960, '59, when Martin raised interest rates because of the gold outflow?

**Joseph W. Barr:** I think so.

**Robert L. Hetzel:** Hm-hmm. So there wasn't a lot of—over that issue, there wasn't a lot of opposition between the Council?

**Joseph W. Barr:** There really wasn't.

**Robert L. Hetzel:** Hm-hmm. Although, at that point, there was still some willingness to raise interest rates.

**Joseph W. Barr:** Doug was no—

**Robert L. Hetzel:** It was different.

**Joseph W. Barr:** Well, neither he nor Roosa, and they didn't have their feet dug in sand on this the way Walter did.

**Robert L. Hetzel:** Yeah. Of course, things changed then with Johnson and... Tell me a little bit about the Treasury's attitude toward the Council's plans for a tax cut. The

Council had the idea that the economy was operating way below its capacity, and it wanted a big deficit to move the economy up. Nothing happened for a long time. And that was because of Kennedy's caution?

**Joseph W. Barr:** Kennedy's caution and Dillon's caution.

**Robert L. Hetzel:** The Berlin Wall and the gold outflows and, you know, the whole international situation.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** In the summer of '62, apparently, the Treasury became willing to talk about a tax cut. The economy appeared to be slowing down.

**Joseph W. Barr:** Right. And, you know, those rates, one of the big things that influenced that, we were working with a 90% top rate—90%.

**Robert L. Hetzel:** Right. So Dillon viewed it as a vehicle for [unintelligible 00:29:00].

**Joseph W. Barr:** Well, it was just process. He just viewed it as some way to rationalize the tax structure, and he was right. And also, he wanted to plug a few loopholes. He wanted to do something about expense accounts. Kennedy kept saying, "There are no more three-martini lunches." I never knew anybody that had a three-martini lunch, but that was Kennedy's deal anyway. And then Doug had some other things he wanted to do, but I expect the Council as well on the big ones.

**Robert L. Hetzel:** Hm-hmm. We've talked about Dillon and Roosa. Did you have much contact with Paul Volcker at that time?

**Joseph W. Barr:** Oh, sure.

**Robert L. Hetzel:** Do you remember anything you can tell me at this point about—

**Joseph W. Barr:** Paul was there in those days when Dillon was there was not in a position of great authority. He was an economist. He was sitting up on the next floor, on the fourth floor, grinding out the economic data. And we saw him a lot then, but not much in the policy formation. He came into the policy formation much later when Fowler came in and I came in. That's when the Paul really started to go. But in the Kennedy days, no.

[00:30:07]

**Robert L. Hetzel:** Did he do debt management at that time? Or was it—

**Joseph W. Barr:** No, Roosa did it.

**Robert L. Hetzel:** Hm-hmm. When Johnson became President, why did he make the tax cut as top priority? Why did he go with that as his major—

**Joseph W. Barr:** I think he thought it was good politics, and it probably was. And, you know, there was good reason for that again. We'd moved it from 90 to 70. But 70 was still a terrible rate. And there was pretty good evidence to show that the—I think Stan Surrey, who was one of the brightest men in the Treasury—I think he was convinced the tax system was a burden on our economy.

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** We ought to straighten it up a little bit. And so there was not all that much objection to it. I remember old Harry Byrd when the—I was over there with Johnson one day. And Johnson called Harry, and Harry said, "Well, look, I'll move that tax bill of yours now, Mr. President." But he said, "You've got to come in with a budget under \$100 billion."

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** Can you imagine that? Under \$100 billion.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** Heck, but it wasn't much more than that. It was about \$115 billion as they thought were positive. But he got—Johnson got a hold of McNamara, and they whacked off \$15 billion. And we—and Harry was right. He moved the tax bill.

**Robert L. Hetzel:** Yeah, I think that caused some heartache for the Heller Council. They wanted the—at least the Galbraith wing wanted the—they wanted a deficit, but they'd rather have it through expenditure increases than a tax cut. And they had to swallow—

**Joseph W. Barr:** Exactly.

**Robert L. Hetzel:** They had to swallow—

**Joseph W. Barr:** They put their—they didn't have the votes. (Laughs.)

**Robert L. Hetzel:** Yeah. So the tax cut passed. Was there a feeling that after the tax cut passed that that was not a good time for the Fed to raise interest rates? As it turned out, 1964 was a pretty strong year for money growth. Was Martin constrained? I know at the time—

**Joseph W. Barr:** Yeah, and by that time, I was over at the FDIC. Didn't see as much of Bill. I have the feeling he was constrained, yes.

**Robert L. Hetzel:** Hm-hmm. I just don't—

**Joseph W. Barr:** I was over there for a year, and I didn't see Bill too much.

**Robert L. Hetzel:** The statements that were coming out of Congress—well, Patman, of course, you know, said that, “If the Fed now raises interest rates, it will be thwarting the will of Congress to stimulate the economy.”

**Joseph W. Barr:** (Laughs.) What a guy that old man was.

**Robert L. Hetzel:** Did—well, we'll get back to Patman in a minute. Do you have any—actually, I—you know, of course, I was around at this point, but I wasn't—I was just a student. The 1964 elections were really important for changing the character of Congress so that social legislation could get through, programs like Medicare and Medicaid.

**Joseph W. Barr:** Absolutely.

**Robert L. Hetzel:** And that was because the Southern Democrats lost the stranglehold they had on committees.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Can you tell me anything about that?

**Joseph W. Barr:** Exactly. Oh, old Johnson just came in there—wow, boy, he knew how to run things now. He grabbed that Congress and shook it up. He knew that—when I was in the Congress, I had always opposed Medicare and Medicaid.

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** So I told him when he appointed me as—when I went over as Under Secretary of the Treasury, I said, “I'll oppose this stuff.” He said, “I know it, and I don't give a goddamn.”

**Robert L. Hetzel:** Well, he was very fiscally conservative too when he was a senator in the '50s.

**Joseph W. Barr:** That's true.

**Robert L. Hetzel:** But he just had the sense that—I mean, he knew right away that—

**Joseph W. Barr:** That was his call, and he was going to pass it.

**Robert L. Hetzel:** That Congress had changed, so he—

**Joseph W. Barr:** Oh, he wanted it personally too, because old Lyndon was a real radical. He really wanted to do things for the poor people of this country, no question.

**Robert L. Hetzel:** You mean, he saw himself as a protégé of Franklin Roosevelt and the New Deal? That was his ideal?

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Hm-hmm. And what were the key changes in Congress that made it possible to get through Great Society legislation?

**Joseph W. Barr:** I'm not sure there were that many key changes. There were some, but not a lot. What old Lyndon did, just went up there and grabbed everybody and twisted their arms, you know, and shoved it through. There weren't that many changes. And there weren't changes in Ways and Means or Banking and Currency or—all the places. Yeah, we won maybe 15, 20 seats, picked up 20 to 30 seats in the 1964 election. But that was all. I don't think they were the big, crucial seats. He just rolled over them.

[00:35:00]

**Robert L. Hetzel:** Hmm. Okay. I was curious. I read your oral history from the Johnson Library. And there's a sentence in there where you say that Johnson offered you the job as Congressional Liaison for the White House. But you said you couldn't work that closely with Johnson, and then—

**Joseph W. Barr:** Yeah, the night the Marines bombed those Pleiku Barracks, the Vietnamese took that Pleiku Barracks, Johnson went mad. I thought, "Boy, I'm not going to work this close with this madman." I told my wife to go home and start packing; we were going home. And then he put Fowler in as secretary, and I rushed over to see Fowler. And I said, "You've got to save me from this madman." I said, "I don't want to go over there and be legislative liaison." And so I went over to the Treasury with Joe.

**Robert L. Hetzel:** So you saw Johnson lose his temper and thought that you didn't want to be that close?

**Joseph W. Barr:** That's right. I was very fond of Lyndon. Lyndon was one of the greatest men, one of my best friends. He was either a saint or a sinner or maybe anything. That was Lyndon. He was damned good to me. And I have always been very deeply fond of him. We fought like mad, but he was very—quite a man.

**Robert L. Hetzel:** Yeah, you mentioned that—again, without following up, there was a very funny line in one of your oral histories where you have Johnson telling you that he was tired as hell of having you always saying no to him and that he was going to get him a Peace Corps type to have around.

**Joseph W. Barr:** He said he was going to send me to the Peace Corps. (Laughs.) That's true.

**Robert L. Hetzel:** What kinds of things did you have to argue with him about?

**Joseph W. Barr:** Oh, he decided he was going to micromanage the Treasury. He was going to approve all the debt issues and everything else. And I had to get his signature on a lot of little old tiny debt issues. And I never could find him, and one time I had to dig him out of that barber shop. That's when he got so mad that he was going to send me to the Peace Corps. But it was just micromanagement stuff.

**Robert L. Hetzel:** Why did he care about things, you know—

**Joseph W. Barr:** He had a dear very good friend up in New York. André Meyer, you know, the big—

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** The big investment banker. He told him that the only way to stop this flood of agency issues into the market was for real limits, and that's what he decided to do, and that's where we got in a lot of fights.

**Robert L. Hetzel:** Okay. Ha, ha. How did you become close to Henry Fowler? Was that just working with him?

**Joseph W. Barr:** Yeah, just working with him.

**Robert L. Hetzel:** Hm-hmm. And, obviously, you know, Fowler became Treasury Secretary. It was a different sort of Treasury under Fowler. Fowler had been a lawyer. He'd come from humble origins. I guess he came from West Virginia.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Very different than Dillon.

**Joseph W. Barr:** Roanoke, Virginia.

**Robert L. Hetzel:** How was the Treasury run differently under Fowler than under Dillon?

**Joseph W. Barr:** It wasn't that much. Fowler was a great—he was kind of an academic himself, and we had Paul Volcker in there, you know, debt management. And we had Fred Deming who was a Fed maven who was running—he was the debt—Under Secretary for International Affairs.

**Robert L. Hetzel:** Right.

**Joseph W. Barr:** And we had Stan Surrey, so we just—the atmosphere didn't change that much, Bob. It would kind of run on the same mold. I didn't notice that much of a change.

**Robert L. Hetzel:** Hmm. And key decisions within the Treasury were generally made by consensus with you and Fowler and Deming—

**Joseph W. Barr:** Yeah. That's right.

**Robert L. Hetzel:** Surrey and Volcker.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** I don't get the feeling that there was much disagreement over key issues.

**Joseph W. Barr:** There wasn't. No, there wasn't. We were all pretty much in agreement.

**Robert L. Hetzel:** What about the Ackley Council? Did you work—

**Joseph W. Barr:** Gardner? Yeah, a really great fellow.

**Robert L. Hetzel:** Did you work easily with him?

**Joseph W. Barr:** Yeah. Yeah, very dear friend.

**Robert L. Hetzel:** He had a—

**Joseph W. Barr:** We all did. Gardner was not nearly as tough as Walter.

**Robert L. Hetzel:** Not nearly as what?

**Joseph W. Barr:** As tough. As persistent or as determined to get his way as Walter Heller. Gardner was a marvelous fellow.

**Robert L. Hetzel:** Hmm. I had the feeling that when it came to things that he really [skip 00:39:40] in policy—tax cut, tax increases, whatever—or, you know, particularly when it came to the Fed—that Ackley was pretty persistent in trying to get Johnson to—

**Joseph W. Barr:** Oh, yeah, he could be. But he's never—and he didn't hold a candle to Walter. Walter was tough.

**Robert L. Hetzel:** Hmm. Oh, that's an interesting... [In general 00:40:01], did the Treasury and Council see eye to eye on economic matters? Were there times when—

[00:40:09]

**Joseph W. Barr:** Oh, I don't think we had many disagreements. No, I don't think so.

**Robert L. Hetzel:** Early '66, the Council wanted a tax increase and Fowler wasn't ready to sign on yet.

**Joseph W. Barr:** They got ready pretty soon. We were ready.

**Robert L. Hetzel:** Hm-hmm. Let me ask you [skip 00:40:30] now. That began the time when the Defense Department didn't want to make an estimate of what its defense expenditures were going to be. It just wanted to ask for supplemental appropriations.

**Joseph W. Barr:** That's right.

**Robert L. Hetzel:** And that must have made your life at the Treasury very complicated.

**Joseph W. Barr:** Sure as hell did.

**Robert L. Hetzel:** And also your relations with Congress.

**Joseph W. Barr:** The relationships with McNamara and the Defense Department. Oh, look, they'd mind. Fowler was very fond of Bob. I'm very fond of Bob McNamara. Poor bastard is just going through hell right now. But God Almighty, the things—the mistakes they made. And Fowler didn't agree—Fowler and I really disagreed on that Vietnam War.

**Robert L. Hetzel:** Well, Fowler was a hawk.

**Joseph W. Barr:** Oh, boy, was he. He still is. And I never was. I think the difference was I had a very tough barrage at—I had a very tough World War II. I did a lot of fighting and killing. I lost 15 men one time.

**Robert L. Hetzel:** Hmm.

**Joseph W. Barr:** World War II, and I've never forgotten that feeling. Makes me a little bit more cautious.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** Oh, at any rate... But I hated that war. And, well...

**Robert L. Hetzel:** Do you think one reason McNamara wasn't willing to make unbiased estimates of defense expenditures for a whole fiscal year, that he felt that if the country had to vote for the war, that would engender a debate that would—

**Joseph W. Barr:** The big society vote, that's what he'd do, but he was extremely reluctant to do that.

**Robert L. Hetzel:** Say that again. I didn't quite hear it. What—

**Joseph W. Barr:** If he had come out with solid estimates on the cost of Vietnam, Congress would have voted down Lyndon's big Great Society program.

**Robert L. Hetzel:** Yeah. Yeah. So that really ruled out your ability to get a tax increase from Congress too, wasn't it? I mean, if you'd wanted a tax increase in '65 and '66, you would have had to say, "Well, we need this amount of money to spend for the war." But if you aren't giving estimates of what it's going to cost to spend on the war, you can't say, well, we need a tax increase to pay for expenditures you aren't willing to, you know, be explicit about.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** Why didn't Johnson early on wrap himself in the flag and go for a tax increase and the whole—

**Joseph W. Barr:** As I say, he was bound and determined he was going to get his Great Society program authorized and funded. And he did. And then he kind of calmed down a little bit.

**Robert L. Hetzel:** Hm-hmm. Well, and he had a—he must have felt too that the Congress he had working with up through fall of '66 was probably about the best he was ever going to get.

**Joseph W. Barr:** I think that's true. He was right too.

**Robert L. Hetzel:** And he didn't want to—yeah, Democrats didn't do too well in the fall of '66. And so that could have been a problem for a lot of them to have to vote for a tax increase.

**Joseph W. Barr:** How are we coming? I'm an old man, and I'm getting a little weary.

**Robert L. Hetzel:** Well, we're moving along. We have a couple more years to go. Would you like to postpone this and do it—you know, finish another time?

**Joseph W. Barr:** How about Monday morning?

[00:44:01]

[END TAPE 70, SIDE A]

[START TAPE 70, SIDE B]

[00:44:03]

**Joseph W. Barr:** —I left office, every damned economist in the country said that we put in the Great Society program and did nothing to pay for it. We raised taxes and froze spending, and we—when I left office, I turned in a balance—a little surplus of the domestic account and the surplus of international accounts.

**Robert L. Hetzel:** Yeah, absolutely. 1969—

**Joseph W. Barr:** '69.

**Robert L. Hetzel:** 1969 was the last year of a balanced budget, so...

**Joseph W. Barr:** Exactly. He did that by raising taxes.

**Robert L. Hetzel:** The budget deficits that were scaring people at the time were like \$30 billion.

**Joseph W. Barr:** Yep, that's exactly right.

**Robert L. Hetzel:** So people lose a sense of perspective. And I'm sorry I'm a pain in the... But this is important to get some of your feelings.

**Joseph W. Barr:** Well, no, go ahead.

**Robert L. Hetzel:** Okay, so—

**Joseph W. Barr:** [Unintelligible 00:44:54].

**Robert L. Hetzel:** We're back to the fall of '65. The Council of Economic Advisers had had the idea that, for all through the 1960s, there'd been an output gap that full employment output was higher than actual output. And the Council had always been arguing for a fiscal policy for tax cuts to try to eliminate that output gap.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** And through most of '65 that was still the feeling of the Council. There was still an output gap, but it wasn't time to try to put in place restrictive fiscal or monetary policies. But that began to change at the very end of 1965. And in your tape you've got an interesting comment. I thought you might be willing to elaborate on it.

You say—or the questioner says, “The Federal Reserve raised the discount rate without consultation from the administration economic advisers.” And you say, “Not much consultation, and we had a big fight at that time. That was one of the bitterest arguments that we had within the administration.”

**Joseph W. Barr:** Ah, when Bill Martin raised the rates?

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** When we weren't looking. So this time we just went through the rails.

**Robert L. Hetzel:** But I had the feeling that, from your discussion here, that you were sympathetic with the Fed, that you may have taken—that you may have—

**Joseph W. Barr:** I wasn't at the time. In retrospect I think the Fed was right. At the time I was very angry. I thought the Fed put the blocks to [unintelligible 00:46:43].

**Robert L. Hetzel:** So there was no—you said, "We had a big fight with Martin."

**Joseph W. Barr:** That's correct.

**Robert L. Hetzel:** Okay. That wasn't clear from the—from—

**Joseph W. Barr:** The President called us down to his ranch too, you know.

**Robert L. Hetzel:** Did Johnson come close to asking for Martin's resignation? Was he—

**Joseph W. Barr:** No.

**Robert L. Hetzel:** No?

**Joseph W. Barr:** No.

**Robert L. Hetzel:** But he was pretty angry? I've read the—

**Joseph W. Barr:** He was pissed as hell. We all were. What happened, we did—had no idea it was coming.

**Robert L. Hetzel:** Well, Martin had been telling Johnson for a long time that he was going to raise the discount rate. And Johnson kept saying, "No, no, no, not yet. I'm going to have my gallbladder out. You wouldn't do it, you know, while I'm going to have my gallbladder out, would you?" And, I mean, Martin thought that Johnson was willing to countenance an increase, because he, Johnson, wasn't willing to go ahead and ask for a tax increase. But that was more of a misunderstanding, apparently.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** But they made it up at the ranch. From then on, there's no—

**Joseph W. Barr:** Yeah, there was no real—

**Robert L. Hetzel:** There's no open—

**Joseph W. Barr:** Things happen.

**Robert L. Hetzel:** The Board was concerned that the wage and price—

**Joseph W. Barr:** Well, what happened here was that Bill had the correct information and we had some information. Bob McNamara was lying to us. And he would tell us these—what he did was send up—instead of sending up a big appropriation, he sent up all these goddamn supplementals. And you had to sort through all the supplementals to find out what the hell he was doing. And Bill didn't figure it out. Bill's Senator Russell told him what was going on.

**Robert L. Hetzel:** Right. He just talked to the head of the House and Senate Armed Forces Committees.

**Joseph W. Barr:** That's right. Yeah. Dick Russell told him all of what was happening. And, well, based on that—Fowler and I should have been screaming for it too, but we didn't have that information. That goddamn Vietnam War stuff, it was hell.

[00:49:02]

**Robert L. Hetzel:** And the OMB, Charlie Schultze, he didn't—

**Joseph W. Barr:** Charlie wasn't much better. You're right. We...remember that one year we started off our conferences early in the morning. And somebody said, "Charlie, how are we going to get the [unintelligible 00:49:14] when you're going to give us that bullshit again?" (Laughs.)

**Robert L. Hetzel:** That would have been fall 1966?

**Joseph W. Barr:** It could well have been. I don't know. Oh, it was early—it was in January. It was January of '66, I think. '66 or '67, one or the other. But they had no hesitation about lying to us.

**Robert L. Hetzel:** In 1965 did you get involved [skip 00:49:38] bankers to keep the prime rate down?

**Joseph W. Barr:** Not really.

**Robert L. Hetzel:** Hm-hmm. There's a memo here from Fowler to the President. It says, "We should invite any banker making inquiries about raising the prime rate to come in and talk with Barr, Volcker, or Martin."

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** Okay. But Johnson got involved in that somewhat.

**Joseph W. Barr:** What? Yeah.

**Robert L. Hetzel:** Okay. So the—

**Joseph W. Barr:** They hadn't learned yet that you can't control markets. Bob Rubin has learned it well, hadn't he?

**Robert L. Hetzel:** Yeah, he's a little more philosophical about it.

**Joseph W. Barr:** I'll tell you, he's taken all those Japanese right into the cleaners this time.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** He mouse-trapped them. Couldn't happen to nicer people.

**Robert L. Hetzel:** Yeah, I agree with you on that. But I think [skip 00:50:28] the Fed did then go ahead and raise rates in the summer of 1966. Martin was in the hospital, but I assume he was in agreement, and—

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** You sent a memorandum to Marvin Watson at the time basically defending them. You said, "Marvin, we are in a tough position. The President's three appointees on the Federal Reserve Board, Maisel, Robertson, and Brimmer, plus the other liberal Democrat, Mitchell, hold a majority on the Board. These four men insist that we have to have a hard money policy in this country at this time.

"These are not reactionary Republicans. They are liberal Democrats with long records. I do not know any reasonable men who disagree with them. They feel they are doing what is right for the country and taking enormous heat. I think the best and most honorable course is to do what we have done in this last episode, and that is to remain silent when Mr. Patman takes out after them. We do not need to protect the Fed at this moment. But on the other hand, I do not think we should try to crucify them." So you were tacitly willing to—

**Joseph W. Barr:** At that time we'd accepted it. We were getting ready to start pushing for a tax bill by that time. We could see what was happening. I went to Vietnam and looked around out there, and I came back and drilled the President. I said, "You can see that bullshit that they've given us is not true just by watching them pour concrete." Ah, he said, "Well, did you talk to McNamara?" And I talked to Bob, and he said, "Well, it's all going to be down here." He said, "You were right and maybe we've been wrong, but it's all going to be over by 1967."

**Robert L. Hetzel:** Yeah, he really—

**Joseph W. Barr:** He really thought that.

**Robert L. Hetzel:** He really did believe that by June 1967 that—

**Joseph W. Barr:** And when it was not, he quit. Boy, he was a tragic guy. But I don't believe he [unintelligible 00:52:17] a damn bit.

**Robert L. Hetzel:** No. None of that came out in the book, apparently. He still waffles about why he resigned. Anyway—

**Joseph W. Barr:** Not even sure he resigned. He thinks he might have been fired.

**Robert L. Hetzel:** Well, yeah. Well, anyways, the—

**Joseph W. Barr:** Why do you suppose the Republicans were after Andy Brimmer? They're not going to confirm him as head of this control board here in the district. I can't imagine. Can you?

**Robert L. Hetzel:** He's very liberal Democratic. I talked to him about a month ago, and—

**Joseph W. Barr:** Yeah, that's true.

**Robert L. Hetzel:** He's very intelligent.

**Joseph W. Barr:** Oh, yeah. Andy is intelligent.

**Robert L. Hetzel:** He's political and he's definitely, you know, liberal Democratic, so I don't quite understand. I don't quite understand.

**Joseph W. Barr:** Anybody that would be dumb enough to take the job ought to get a medal anyway.

**Robert L. Hetzel:** Oh, well, it's not one that I would... Let me ask you about the extension of Regulation Q in this period. You know, it was extended to the thrifts. Were you involved in negotiating with Congress to lower Reg Q rates that banks could pay on savings deposits and—

**Joseph W. Barr:** Yes, I was. It didn't strike much of a chord.

**Robert L. Hetzel:** Congress was under enormous pressure from the housing lobby at that time. I mean, the housing lobby was really, really, really strong.

**Joseph W. Barr:** That's true. They always have been.

**Robert L. Hetzel:** And on one side you had Wright Patman, who wanted to pass a single legislative ceiling on all bank deposits, you know, just, you know, by law, four-and-a-half percent. Does that ring a bell?

[00:54:09]

**Joseph W. Barr:** Not really, not a lot. I found that stuff kind of boring. Taxes were much more interesting than regulation, I thought.

**Robert L. Hetzel:** Hm-hmm. Do you remember negotiating with the Banking Committees on Reg Q?

**Joseph W. Barr:** The thing I remember is when all the S&Ls started getting into [policy 00:54:28]. And I remember some of the California S&Ls got in real problems. But I didn't—we were kind of—I got to the place where I said, "Well, to hell with it. I'm going to put some tax [unintelligible 00:54:39] accounts in these S&Ls instead of in banks, rather than see them go down the tube." That's what I remember. I can't remember the negotiation.

**Robert L. Hetzel:** Hm-hmm. Do you remember where the quarter—where the differential between thrifts and banks came in? Do you remember that being discussed at the time?

**Joseph W. Barr:** No, don't remember it.

**Robert L. Hetzel:** Okay. Oh, Wright Patman, this was his hour of glory. At least he had signed on a fair number of Congressmen to pass legislation for interest rate ceilings on the Fed. How significant a force was he at that time? Was the Fed's independence ever—

**Joseph W. Barr:** Oh, sure. Patman screamed and yelled a lot, but he didn't really—he didn't—you know, I think if push came to shove, he would have backed down. Bill knew it.

**Robert L. Hetzel:** And that was because he was really more interested in—

**Joseph W. Barr:** In the publicity.

**Robert L. Hetzel:** And kind of basically doing things for the S&Ls in his own—

**Joseph W. Barr:** That's correct.

**Robert L. Hetzel:** —area, rather than—

**Joseph W. Barr:** He didn't want to make monetary policy.

**Robert L. Hetzel:** Okay. I talked to some people who worked on his staff at that time, and that's what they told me, exactly that. But he certainly didn't—

**Joseph W. Barr:** He wasn't dumb enough to get into that [unintelligible 00:56:08]. That's hard business.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** It's much simpler to stand back and be a screaming populist.

**Robert L. Hetzel:** Well, what about the role of the Senate Banking Committee? Up until the fall when he was defeated, Willis Robertson was Chairman of the Senate Banking Committee, and [Patman 00:56:25] became—

**Joseph W. Barr:** [Skip 00:56:29] Willis, I wonder.

**Robert L. Hetzel:** Excuse me?

**Joseph W. Barr:** Who beat Willis Robertson? I remember him. Well...

**Robert L. Hetzel:** I'll—yeah, that's embarrassing. I'm from Virginia.

**Joseph W. Barr:** Ah, me too. I can't think of it.

**Robert L. Hetzel:** I'll come up with it in a minute. But they never—they also basically—even though they were quiet, they tacitly supported the Fed? There was no chance that they would have joined with Patman attacking the Fed?

**Joseph W. Barr:** No. You've got to remember there really is not that much interest. It's extremely difficult to campaign on monetary policy. Extremely. And nobody understands it and nobody gives a damn.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** Pay high interest rates, yeah. They can understand that. But the connection with the Fed and all the esoteric ramifications, that is not good campaign material.

**Robert L. Hetzel:** Yeah. Okay. You've got a statement in your tape. You say, "The lesson taken away from the credit crunch was that restrictive monetary policy works through killing off the housing industry. Without fiscal policy, you're forced to rely completely on monetary policy by the Federal Reserve Board, and that has some very disturbing consequences. Whenever you tighten monetary policy, it kills homebuilding right off the bat."

**Joseph W. Barr:** It does. I stand by that.

**Robert L. Hetzel:** Hm-hmm. That summer the Fed got involved in trying to jawbone banks to ration loans without raising rates.

**Joseph W. Barr:** Isn't that crazy? Ha, ha. God, how you look back and see the crazy things you did.

**Robert L. Hetzel:** They sent a letter to the member banks.

**Joseph W. Barr:** I know.

**Robert L. Hetzel:** Were you involved in those discussions at all with the Fed?

**Joseph W. Barr:** I'm sure. I'm sure I was. And it was one of the more foolish things I've been involved in.

**Robert L. Hetzel:** But at that time, there was a consensus that developed within the Fed and Johnson's advisers that there should be a tax increase as opposed to an increase in interest rates. You alluded to that earlier.

**Joseph W. Barr:** Starting] about '67.

**Robert L. Hetzel:** Hm-hmm. The only issue was getting Johnson to sign on to it, which—

**Joseph W. Barr:** Biggest issue was getting Johnson to agree to a spending limit. He didn't want to agree to a spending limit. He didn't want to raise taxes, but even less did he want to let somebody put a spending clamp on him.

[00:59:11]

**Robert L. Hetzel:** So in the fall of 1966, that was the first time where Johnson's advisers kind of as a group all got together and tried to push him in going—to go for a—

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** But it kind of—he gave a speech and recommended getting rid of the investment tax credit. There were some changes in depreciation. There were fairly minor changes at that point.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** But the Fed then did go ahead and begin to lower interest rates. Was the assumption that—or at least the hope—that Johnson would ask for a tax increase in the State of the Union Address in—

**Joseph W. Barr:** Well, I think the problem, they felt, that the economy was falling down a little more than they had anticipated. That was the rationale, I hear.

**Robert L. Hetzel:** Mmm-hmmm. But then Johnson did ask for a tax increase in January of '67, but didn't send a proposal to Congress.

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** So, but at that point then, Martin's pretty aggressive about lowering interest rates. So, I mean, the assumption, he must have been going on the understanding that as soon as the economy did strengthen, the administration would send a tax bill to Congress?

**Joseph W. Barr:** You know, Fowler was handling that, and that was pretty tight negotiation. I'm not sure just what did transpire. Could you excuse me? I'm going to the bathroom a minute.

**Robert L. Hetzel:** Oh, sure. [Break in tape.] I'm here. Well, let me ask you about fall 1967 and the depreciation of the—or the devaluation of the pound. The economy had grown strongly for six months or so, and the tax negotiations had gone nowhere at that point. And yet Martin still wasn't willing to raise rates. Part of the reason, apparently, was that there was a fear that he didn't want to set off—he didn't want to precipitate a devaluation of the pound.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** What was the worst-case scenario? Was it felt that if the speculators successfully attempt—

**Joseph W. Barr:** You've got to remember we were back—we were on the gold standard then.

**Robert L. Hetzel:** Right.

**Joseph W. Barr:** And it was a very, very compelling standard too. We were convinced that—I think we took it too seriously. We thought it was like a real tragedy if the British devalued, it would knock us down. And that was the real concern.

**Robert L. Hetzel:** There was a feeling that if the speculators knocked the pound off, they would then go on to the gold pool.

**Joseph W. Barr:** That's correct.

**Robert L. Hetzel:** You'd have to close the gold pool, and if they closed the gold pool, then the dollar might. So there was a real feeling even in the fall of '67 that there might be a forced devaluation of the dollar?

**Joseph W. Barr:** That's correct. That's what helped us pass the tax bill. Oh, it was the only thing that passed the tax bill. Congress understood the gold standard.

**Robert L. Hetzel:** Yeah. Okay, let's talk about the tax bill. Johnson sent the tax surcharge proposal to Congress in August 1967 and got a chilly reception from Wilbur Mills. The key issue was always spending cuts?

**Joseph W. Barr:** That's correct.

**Robert L. Hetzel:** And, I mean, a lot of the liberal Democrats weren't willing to sign on to a tax increase. First of all, they didn't care that much about inflation. But they were worried about the cities. They didn't want to do anything to raise unemployment. They

weren't exactly enthusiastic about voting taxes to pay for the war. So Mills had to sign on a lot of conservative Democrats and some Republicans. And, you mean, he had a problem? He had to show some tax cuts? Is that a good reading of the situation?

**Joseph W. Barr:** Oh, spending cuts is what he had to show.

**Robert L. Hetzel:** I mean spending cuts. That's what I meant. But Johnson wasn't willing to compromise on that issue until—

**Joseph W. Barr:** He [unintelligible 01:03:32] that like a poison. One of the last things he said to me, we were having dinner at the White House and just before he left and went back to Texas. He said, "What ever happened to that spending limitation bill?" He said, "I didn't even notice the damn thing."

**Robert L. Hetzel:** He was mad about the cuts, but he also was mad about the way they were going to be done, that—

**Joseph W. Barr:** Congress was going to tell him what to do.

[01:03:59]

**Robert L. Hetzel:** Congress was going to appropriate more money than it was willing to, but it was going to pass a lower spending limitation bill. So Johnson had to take the political heat for the [unintelligible 01:04:11].

**Joseph W. Barr:** Hell, he never—he hated that. (Laughs.)

**Robert L. Hetzel:** And he thought Congress ought to be doing that. So he and Mills really fell out during this period, fall '67, first part of—

**Joseph W. Barr:** Yeah. Their friendship was not improved, let's put it that way.

**Robert L. Hetzel:** Okay. So then the gold pool, the dollar—I really liked—I really loved your descriptions of this period, in spring 19— [skip 01:04:43] —terrified, scared to death. You made it sound pretty convincing that you were really—

**Joseph W. Barr:** We were really terrified of the gold standard.

**Robert L. Hetzel:** Really?

**Joseph W. Barr:** Believe me. We were convinced that the first guy that took us off the gold standard was going to be ridden out of town on a rail.

**Robert L. Hetzel:** Yeah.

**Joseph W. Barr:** The guy from Texas—John Connally did it, and he ran for President.

**Robert L. Hetzel:** Yeah. Well, Nixon had the genius to turn it around into an attack on the Japanese and defending American jobs. But it wasn't viewed that time.

**Joseph W. Barr:** Oh, we were just overblowing it, and it was—George Shultz was right. He said, "You need some benign neglect." And we couldn't—we had convinced ourselves that it was going to wreck us.

**Robert L. Hetzel:** But even though, given all the—

**Joseph W. Barr:** Another one of the misconceptions of the Vietnam War.

**Robert L. Hetzel:** But even given all the pressure you were—you know, you felt that you were under, there was never any serious consideration to the orthodox medicine of raising interest rates. I mean—

**Joseph W. Barr:** No.

**Robert L. Hetzel:** And that's because Johnson wasn't willing to—

**Joseph W. Barr:** The economy wasn't that good either. So raising taxes we'd slow things down. But what we did, we made—after we got taxes raised and things slowed down a little bit, the Fed did step in and cut interest rates.

**Robert L. Hetzel:** Hm-hmm. That was in summer—

**Joseph W. Barr:** [Unintelligible 01:06:15.]

**Robert L. Hetzel:** Well, the tax bill was passed, signed June 28, 1968.

**Joseph W. Barr:** Yeah. Shortly after that, the Fed cut rates or lowered them. I don't know if they cut rates or not, but they—

**Robert L. Hetzel:** Yeah, they actually did lower rates.

**Joseph W. Barr:** And that started off a little inflationary boom.

**Robert L. Hetzel:** Was there a concern about the timing of the tax increase, the fact that it came a whole year late and came before the elections and that it—

**Joseph W. Barr:** There possibly was, but there wasn't anything we could do about it. I don't know how the hell we ever got that thing done anyway.

**Robert L. Hetzel:** Well, you just—

**Joseph W. Barr:** This and that stuff. We all worked day and night on that thing.

**Robert L. Hetzel:** You just suggested one reason. You could go to Congress and you could tell them, “If you don’t pass this, the international...”

**Joseph W. Barr:** Gold standard’s going to collapse on us.

**Robert L. Hetzel:** And people had seen what happened to Britain.

**Joseph W. Barr:** Exactly.

**Robert L. Hetzel:** And that was something that the Congressmen—

**Joseph W. Barr:** Congress could understand.

**Robert L. Hetzel:** —could take home and say, “Well, you know, I don’t want to do it, but we can’t let the world trading system collapse.”

**Joseph W. Barr:** Yeah, exactly.

**Robert L. Hetzel:** But then there was a fear of overkill, that the tax surcharge would dampen economic activity too much so that the—anyways, the administration pushed on the Fed to lower interest rates. The regional banks were reluctant to go along with that, and the Council for—pushed a bill to take the regional bank presidents off the Federal Reserve Board. Were you involved in that at all?

**Joseph W. Barr:** Huh, that’s a favorite old ploy of theirs though. Some of the best people on the Open Market Committee were those regional bank presidents.

**Robert L. Hetzel:** Hm-hmm. Anyhow, at least the Council was taking it very seriously. The Council wanted to get the bank presidents off. But you weren’t involved in that at all?

**Joseph W. Barr:** No. I didn’t believe in that bullshit.

**Robert L. Hetzel:** Yeah. Good. (Laughs.) Oh, yeah, I had one more question about the international situation. In March when the gold pool was closed, there was—Martin and Fowler worked on an international coordination among Central Banks whereby we would raise our interest rates moderately and they would keep theirs unchanged so that you would have a differential between countries that would encourage capital flows into the U.S., but the economies of the major industrial powers would continue strongly. Does that ring a bell, those negotiations?

[01:08:55]

**Joseph W. Barr:** Yeah. Yes, they did that. Fowler was deeply engaged at that time in working out an amendment to the International Monetary Fund called the Special Drawing Rights. And he spent most of—he was always gone. He was gone about two-thirds of the time while I was Under Secretary. He was always traveling around the world selling the

Special Drawing Rights back then. I was left to the tender mercies of Lyndon Johnson.  
(Laughs.)

**Robert L. Hetzel:** So you're the one that bore the brunt of his ill humor when he was in a bad mood?

**Joseph W. Barr:** (Laughs.) Good question [unintelligible 01:09:31].

**Robert L. Hetzel:** You mentioned that Martin was involved in the Congressional headcount on the vote to repeal the gold cover. And you've got a great description of that. He had—

**Joseph W. Barr:** Where are you quoting from? I don't remember all that stuff.

**Robert L. Hetzel:** Well, I've got—there's two sources. You did two tapes for the LBJ Library.

**Joseph W. Barr:** Oh, yeah. Okay. All right.

**Robert L. Hetzel:** This is from that tape. But there's also memoranda that you wrote that are at the LBJ Library that I have, you know, which I read to you the memorandum to Marvin Watson, and there are some others.

**Joseph W. Barr:** That's some library, that LBJ.

**Robert L. Hetzel:** Yeah, so it's those two things.

**Joseph W. Barr:** Okay.

**Robert L. Hetzel:** How much lobbying did he do with Fowler to get the tax bill through? And I know he—

**Joseph W. Barr:** Oh, I don't think they did much. I don't think that would have been appropriate for him. I think that was an inappropriate—Bill was—had a very strong sense of propriety in him. I don't think he got involved in it.

**Robert L. Hetzel:** Hm-hmm. Then you stayed on and obviously became Secretary of the Treasury the end of '68. You developed a good working relationship with David Kennedy.

**Joseph W. Barr:** Dave was an old buddy of mine. We were old pals back from the Chicago days. I'm a Midwesterner, you know, and I've known Dave most of my life, and he's a great fellow.

**Robert L. Hetzel:** So you knew him while he was at Continental?

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** How did that happen?

**Joseph W. Barr:** Oh, I'm not sure. I think—I don't know whether it was in college or whether it was business or what. I've known Dave practically forever. He's a marvelous man.

**Robert L. Hetzel:** What can you tell me about him? Was he more like Dillon than [skip 01:11:37] did things and the way he thought about policy and ran the Treasury?

**Joseph W. Barr:** I don't know. I never thought of that comparison. He's a very pragmatic kind of a fellow. And I was very fond of Dave. I don't think he was a particularly effective Secretary of the Treasury, but I was extremely fond of him.

**Robert L. Hetzel:** Hm-hmm. I have been to the Nixon Library. There are not a lot of memoranda from him. It's a very different—from the LBJ Library, there are memoranda all the time from the Treasury to Johnson. The Treasury's clearly very much involved in Quadriad meetings, you know, the triad meetings, economic policy. There is not—until Shultz becomes Secretary of the Treasury, there's not as much in the way of memoranda and things from Kennedy. They're just missing, or he didn't—he wasn't as strong a player?

**Joseph W. Barr:** I doubt that—I don't think he and Nixon were very close buddies.

**Robert L. Hetzel:** Hm-hmm.

**Joseph W. Barr:** I don't think they were very close buddies. That was my impression. I don't know. He left that job, you know, and became a roving ambassador, which was kind of a fancy name for nothing.

**Robert L. Hetzel:** And he just wasn't—Nixon didn't feel like he was of that much use to him, so—

**Joseph W. Barr:** I guess. I don't know. I really can't answer that question. But you could see that he was not carrying a big, heavy club. Nixon was wild about John Connally. He thought John Connally was the greatest thing since sliced bread.

**Robert L. Hetzel:** Yeah, along with wage and price controls, the import surcharge, and all those things.

**Joseph W. Barr:** Yeah. (Laughing.)

**Robert L. Hetzel:** Yeah, they were just wonderful. Was Kennedy helpful in persuading Nixon to accept the tax surcharge?

**Joseph W. Barr:** Yes, extremely. He wanted it. He knew we needed it. And he was very helpful in getting it done.

**Robert L. Hetzel:** And, I mean—

**Joseph W. Barr:** Johnson though I think who finally called Nixon up and said, “You’d better do this.” And I think he persuaded him. He and Nixon were old buddies. People didn’t know that, but they were close friends.

**Robert L. Hetzel:** From when Johnson was Senate Majority [skip 01:13:51]. Hmm. Oh, that’s—I’m—

**Joseph W. Barr:** Well, they had been in the Congress together about 30 years, you know.

[01:14:02]

**Robert L. Hetzel:** Did you ever go to any of the Quadriad meetings? Did you ever have that kind of contact with Martin, Bill Martin?

**Joseph W. Barr:** No. I’m not even sure what the Quadriad was.

**Robert L. Hetzel:** Oh, that was where the Treasury Secretary, the head of the Council of Economic Advisers, and the head of the Bureau of the Budget would meet with Bill Martin and also the President. And they would meet, oh, anywhere from seven to ten, eleven times a year. And they’d basically—Martin would give the administration advice on fiscal policy, and then the administration would give Martin advice on monetary policy. And they would try to bargain and trade and—

**Joseph W. Barr:** I guess I did know about that. But, no, I was not involved.

**Robert L. Hetzel:** Martin would come over to the Treasury on Monday and—

**Joseph W. Barr:** On Mondays for lunch.

**Robert L. Hetzel:** And then you and Fowler at times would talk to him afterward?

**Joseph W. Barr:** Yeah.

**Robert L. Hetzel:** So you’d just exchange information? Can you tell me anything about those meetings and—

**Joseph W. Barr:** Sat around and shot the bull and—

**Robert L. Hetzel:** And after December ’65, there was basic agreement between the Treasury and the Fed that the burden of restrictive policy should be shifted from monetary to fiscal policy.

**Joseph W. Barr:** Right.

**Robert L. Hetzel:** And you don't remember—I mean, basically, your recollection is that the discussions were pretty—you were pretty much of one mind in the way you looked at things?

**Joseph W. Barr:** Yep.

**Robert L. Hetzel:** Hm-hmm. Can I ask you just quickly, you didn't leave the—after you—

**Joseph W. Barr:** Hold a minute. Goddamn it! Dog out there chasing the horse. But go ahead.

**Robert L. Hetzel:** Okay. (Laughs.) After what you said about academics, I'm a little bit gun-shy.

**Joseph W. Barr:** (Laughs.)

**Robert L. Hetzel:** I thought maybe I was overstaying my welcome here on you. I'd pushed you over some kind of limit.

**Joseph W. Barr:** No.

**Robert L. Hetzel:** Oh, okay. Well, let me know, because I'm just about done.

**Joseph W. Barr:** Just about done. Oh, Bob, I'll tell you, about one more question and that's it.

**Robert L. Hetzel:** Yeah. You were a member of the Advisory Council? A Federal Advisory Council for two years at the Richmond Fed.

**Joseph W. Barr:** That's right.

**Robert L. Hetzel:** So you had some contact with Arthur Burns at that time?

**Joseph W. Barr:** Very much. Arthur was a dear old buddy of mine.

**Robert L. Hetzel:** So how did you happen—how had you known Arthur Burns?

**Joseph W. Barr:** I knew him when he was—he and I were on a Buckley show one time, Bill Buckley's show, when I was in the Treasury and he was still an academic. And then we just kind of developed a very close relationship. My wife and his wife were very good friends. Great guy.

**Robert L. Hetzel:** Hm-hmm. How would you characterize his relationship with the Nixon Administration?

**Joseph W. Barr:** He was a very powerful man in it. Arthur was one hell of a politician, I'll tell you.

**Robert L. Hetzel:** Hm-hmm. And he continued to exercise influence in—

**Joseph W. Barr:** Not as much, no. But he had plenty.

**Robert L. Hetzel:** Why do you think he advocated wage and price control?

**Joseph W. Barr:** I didn't remember that he did.

**Robert L. Hetzel:** Well, he was the earliest, long before the Nixon Administration.

**Joseph W. Barr:** They got a bug up their ass that inflation was going to kill us back there in those days. I guess that was what got them.

**Robert L. Hetzel:** Hm-hmm. And then after, you became CEO at Franklin National?

**Joseph W. Barr:** I went across the street and became Chairman of American Security.

**Robert L. Hetzel:** Right.

**Joseph W. Barr:** And then I stayed there about five years and I got in a fight with the directors and retired to the farm. And then Dave Kennedy called me and asked me to come up and try to bail out Franklin.

**Robert L. Hetzel:** So that was after Franklin got in trouble that you went to—

**Joseph W. Barr:** That's right. And Bill Simon asked me to go up and see if I could give him a hand. And so I went up. And the Fed wasn't going to loan them any more money. The Bank of New York Federal Reserve, Bank of New York wasn't going to loan them any more money, until they had somebody in there they knew, and I guess I fit the bill. That thing worked out pretty well too. We got—you know, we paid everybody off, paid off the Fed, the FDIC, I think all the bondholders, and the shareholders might even get a few pennies out of that thing sooner or later.

**Robert L. Hetzel:** Hmm. Wow. Okay.

[01:19:10]

**[END OF RECORDING]**