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Interview of Phillip D. Cagan

Conducted by Robert L. Hetzel

September 18, 1998

Robert L. Hetzel: You knew Burns from Columbia? You were a colleague of his?

Phillip D. Cagan: Yeah, my knowledge of Burns covered the long period with a lot of gaps. I mean, my first job after my degree at Chicago was at the National Bureau. And I was—Friedman fixed me up, thought I was a National Bureau type of person. And I was going to be Burns' assistant there. And—but before I got there, he had already left for Washington. So I became Geoff Moore's assistant.

When he was—he's really in and out of Washington during that whole period, but then there was a period when I went to Columbia when—let's see. I went to Columbia—I've got to remember these dates, now. I went to Columbia—let's see. I was two years at National Bureau, went back to Chicago for three years. Let's see, when I left Brown, I went to Columbia. That was in—oh, God, I'm forgetting dates now. That was in—I guess the '60s. It must have been in the '60s. Anyway, that that time Burns was still at Columbia, but he was sort of—let's see. Yeah, this was—I remember just before Nixon was elected the first time, Burns got involved in the thing. And he was—and get couldn't do anything in the department, even though he was supposed to be a full-time member. So he was there briefly. So I didn't really see too much of him then. He went back to Washington.

And so then I would—while he was in Washington all those years, I mean, a couple of times I would have a—when I was on the council for example, and things like that. I remember when I—it was the date of the council under McCracken. Let's see, that was in '68, '69. Burns, I guess, hadn't quite gone to Washington yet, because I remember he was still at the National Bureau and I went in to ask him about going to the council. And you know, get his opinion and talk to him then. And then when I was in Washington, then he was practically there, I guess, at the same time. He became counsellor to the president.

Robert L. Hetzel: Right.

Phillip D. Cagan: But—and I had one or two run-ins with him there, just because we were in the same building or something, but really not much. Then I saw him at Friedman's—

we had a big special for Friedman. That was 19—when was that at Virginia. God, I forget the date. I was his 60th birthday, I think. I ran into Burns there. And then—and then after he left Washington, and I was at the American Enterprise Institute, he was there then at that time, too. So we overlapped a little bit at that. I saw him—had several run-ins with him at that time.

So, and then I remember the—so the last time really was the American Enterprise Institute had a big special dinner in Burns' honour, which that was the last time I saw him, I think. So it was sort of on and off throughout that period.

Robert L. Hetzel: Does my memory serve me, didn't I hear you once tell a story about how Burns took care of Mitchell when he was dying and...

Phillip D. Cagan: No, I didn't know—that wasn't from me. It might have been from Mil Friedman. I don't know. It wasn't me, no, because I don't have any recollection of that at all. But that goes way back before my time, as a matter of fact. Because Mitchell was [unintelligible - 00:03:58] long dead before I came to the National Bureau.

Robert L. Hetzel: I guess he died in the early '50s. So you didn't have much idea of kind of Burns' economics before you went to council in '69, in terms of conversations with him?

Phillip D. Cagan: Well, no. I guess not. Some time along the way, but that must have come later, I had a feeling he didn't have a real good feel for monetary theory. But of course, he was an excellent business cycle person and I heard stories that he was an excellent teacher at Columbia. And particularly during that period when there was a lot of talk about Keynesian theory, apparently he gave a course going into a lot of it, and I guess highly critical about the Keynesian approach. But I didn't have any direct knowledge of any of that. No.

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Robert L. Hetzel: How did you get your job at the council? It wasn't through Burns then in '69?

Phillip D. Cagan: No. I suppose that McCracken might have—he probably talked to Milton Friedman, I guess, and Friedman—I guess I really don't know. McCracken called me and asked me if I was interested and I said yes and we had a dinner, I remember, in which he interviewed and got to know me a little bit better. And then he offered me the position. I was just a senior staff member there. So I would have been charged with monetary stuff. So when I first went there, it was McCracken and then Hank Houthakker was the macro person. So I sort of worked with him. And then, let's see, Stein, when did Stein come? I sort of forget that, because I remember I first worked with Houthakker, but then during most of it I worked with Herb Stein.

Robert L. Hetzel: Stein was there from the very beginning. It's just that he became chairman after McCracken.

Phillip D. Cagan: Yeah, no, no. By the time he became chairman, I had left. I was only there for a year-and-a-half. I'm just—I'm trying to remember how he fitted in with Houthakker. Because I remember...

Robert L. Hetzel: Well, the original council was McCracken as chairman, Stein and Houthakker as...

Phillip D. Cagan: Oh, all right. Okay. Yes, that's right. Now I get it. Yeah, Houthakker was the international person, I guess, and Stein was more domestic. Yes. So I did work with Stein from the beginning.

Robert L. Hetzel: And when Houthakker left, he was replaced by Solomon and Solomon was replaced by Marina, from...

Phillip D. Cagan: Yeah, yeah. Well, that came after I left. Yeah.

Robert L. Hetzel: So basically, how did you spend your days? Did you have time to do research into money?

Phillip D. Cagan: What I mostly did was to try to—no. What I mostly did was direct money supply and what the Fed was doing and take some predictions of what was going to happen. And then there was some—a little bit of research. I remember they wanted to do a—we had—they, you know, inflation was bad. So there was a lot of talk about how inflation was going and I remember there was—we wanted to do a study of how the liquidity of firms, or something. I forget the detail. That was started while I was there and then they published that, I think, in the—it was an appendix or something in one of the subsequent reports of the council. But I had left by then.

Now, I remember I was—actually, I think at that time I was using a little bit of the Andersen-Jordan-St. Louis approach. You know, running GMP on money supply and trying to figure out what was likely to happen. I don't have the feeling that I played a very essential role at that time. There was a lot of mail to answer. One of the interesting things I remember was, when anybody sent a letter to the council, and if it—was about monetary policy, and that was sent to me, I drafted the letter and McCracken would look it over and sent it out. But we didn't do it right away.

Whereas, if a letter was sent to the White House, and it involved monetary or economic matters, it was sent over to us and it had a little red tag on it, which meant that we had to get it back to them within 24 hours. I remember I handled several of those, people complaining about high interest rates at that time. So I tried to tell them that it was unfortunate, but this had to be the way it was if we were going to get the inflation rate down and things like that.

So I answered letters and we had a preliminary computer set-up like I used to go up to the emergency—had some offices up there, had a computer up in a corner, which was attached to some computer so I could run little regression programs off of that. I remember doing that a lot. We had an old Wang calculator in my office and so I did a lot of stuff, but frankly, I don't think it amounted to very much. It wasn't really sophisticated stuff. And then, basic research no. It was mostly keeping up on things.

Robert L. Hetzel: I'm especially interested in your understanding of how McCracken and Stein viewed monetary policy. I have, of course, talked to both of them. Stein called himself—I'm sorry. McCracken called himself Friedmanesque. But studying kind of McCracken and talking to him, my feeling overwhelmingly was that he was basically mainstream economist, had a knowledge of Friedman and St. Louis, but he really operated mostly as a business economist.

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Phillip D. Cagan: Well, I think that's right. Yeah. He was sympathetic to monetarism, but he was a very moderate, wide-ranging person, very concerned about not being too ideological about anything. So, I mean, he knew I was a monetarist. That didn't seem to bother him at all, and I don't—and Stein also was very much like McCracken, very broad. In fact, the money supply was important, but they weren't—they didn't feel as Friedman did that the policy should rigidly follow a certain rate of growth of the money supply. I don't think they thought that that was necessary or wanted to push for that.

In any case, the Fed—they saw that the Fed ran the boat there and therefore all they could do is sort of keep an eye on what was going on and offer their opinions. But I don't think there was any sense of putting pressure—at least I'm not aware of it—putting pressure on the Fed to do anything.

I remember one incident. I used to—as soon as I got—I was so naive about things. As soon as I got there, I started getting calls from newspaper people. I remember one fellow by the name of Wilson. I think he worked for Business Week; I'm not sure. He was very clever. He'd start out by asking me general questions, you know, why this, why that. And I sort of, you know, pretending—taking the role of being an economic teacher to him. And then he kept in touch with me that way.

Then somewhere along the way, there was some—the news played-up some kind of brouhaha between the council and the Fed, which is where Burns was at the time. I really had no knowledge of that, because whatever went on there was between McCracken, Stein and the Fed itself. Well, they used to meet with them, I guess, once a week to talk things over. And I guess there was—sorry, I forget the details, but there was some disagreement about policy and it got into the news.

So this fellow, Wilson, calls me and then naturally I start talking more about anything I knew. So I thought, as far as I could tell, that there was no big deal going on. I used the word, I thought it was overblown that there was this big controversy between the council and the Fed. And whether there was or not, I don't really know.

But anyway, so he wrote an article in which he puts overblown in quotes, indicating that he got it from someone. And I don't know whether McCracken thought that it was me or not. But anyway, I got a copy of this article sent to me through the interoffice mail and a statement, not personally, but indirectly from McCracken that he didn't want the staff to talk to the press. So the next time Wilson called me, I told the secretary to tell him that Mr. McCracken didn't want us to talk to the press. So that was the end of it.

And so whether there was so—I remember that one episode. I don't remember any other episodes where there was talk of a severe controversy between the council and the Fed. There may well have been some disagreement at that time, because inflation was raging and so I remember the Fed wasn't doing very much about it, which I think was more or less Burns' attitude, that he was very much concerned about doing anything that would be disruptive to the economy.

Robert L. Hetzel: In 1969, money stopped—M1s stopped growing about April and didn't grow for about six months.

Phillip D. Cagan: Yeah, that I remember very well. Yeah. That was when I first came to the council. And so I wrote about that, and in my book, Persistent Inflation. At the time, it looked as though beginning early in the year the money stock wasn't growing at all. And so we kept expecting, well, this is going to cause a recession. And McCracken was prepared for that. He was talking about the valley, he called it, in which there would be a little disruption, but then things would be fine on the other side. And so he and Stein, as far as I know, accepted the idea that this restrictive monetary policy to bring inflation down would produce a mild recession. They hoped it would be very mild. They were planning on it being very mild and this would bring inflation down and then things would be fine thereafter.

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So we—it looked as though the money stock wasn't growing at all, and so we kept waiting for the economy to slow down, which it didn't right away. And I remember this fellow, Pierre Renfray [phonetic], at the time saying the high interest rates people were complaining about, due to the fact that money supposedly wasn't growing and a lot of people saying this isn't going to do any good. The high interest rates are just going to disrupt business. It isn't going to do anything about inflation. And I thought that was all crazy, but I was a little concerned about the fact that nothing much was happening. But finally, the economy did turn down at the end of the year.

When I looked at this later by the revised money stock, it turned out that the money stock really hadn't slowed down until—it was after April that it slowed down, not at the beginning of the year. And so the time that it took for this slow down to hit the economy was about on target. But at the time we were sort of worried about this and concerned. And I didn't know what—how to explain this. I just knew that this couldn't go on indefinitely. But it was a little disconcerting at the time.

So the economy went into recession in 1970 then, and it was a mild recession. So things weren't too bad. The problem was that the prices didn't slow down, they kept going. And this was very disconcerting and this seemed like something new that we weren't prepared for.

Robert L. Hetzel: Yeah, it really caused consternation in the economics profession.

Phillip D. Cagan: Yeah. Well, when I looked at this later, I realized my interpretation was that from one recession to the next, it was a little bit harder to get the inflationary momentum out of the economy and it was just taking longer and that it didn't start immediately as soon as the recession came, but it would come with a lag after that, which in fact, it did. The trouble is, is that they revved-up the economy right away, too much, and while we did get some decline in the inflation rate, it took-off again shortly after that.

The problem was is that they didn't—as I viewed it later, that when you come out of a recession you give the economy a little bit of extra money to get it going, but you watch it very carefully; you don't let that go too far. And that's exactly what Burns did; he let it go too far. And then I think that reflects the fact that he thought monetarism was crazy, that the world was much too complicated and I think of all of the things that he looked at, I think the money supply was at the bottom of his list.

Robert L. Hetzel: Yeah, he emphasized confidence.

Phillip D. Cagan: Yeah, he was very concerned about that. But he always talked about expectations getting built-in and so on, but once they got built-in as they were, I don't know what his philosophy was in getting them down again.

Robert L. Hetzel: Well, wage controls.

Phillip D. Cagan: I missed that.

Robert L. Hetzel: What?

Phillip D. Cagan: I missed some of the words from this thing. I didn't hear what you just said.

Robert L. Hetzel: Oh, wage controls was his way of dealing with expectations.

Phillip D. Cagan: Oh, wage controls. Yeah, that's right. Burns—right. You're quite right. I'd forgot about that for the moment. He felt that—yeah, that's another indication. He thought that you couldn't bring the economy down with a bad monetary policy, because of these expectations built into wages and everything else. So it would just go on as ever and you'd just push the economy down into the gutter and but therefore you had to act directly on these expectations. Yeah, that was his view. Yeah.

Robert L. Hetzel: In October of 1969, by then M1 had not grown for a considerable time.

Phillip D. Cagan: Since April, according to the latest figures. Yeah.

Robert L. Hetzel: Yeah.

Phillip D. Cagan: And it didn't grow, as I remember, until the end of the year.

Robert L. Hetzel: Yeah. At that point, George Shultz wrote a memo to Nixon complaining about the lack of money growth, and in response, both Burns and McCracken signed a memo telling Nixon that there was not going to be a recession, that Shultz was being alarmist. I think that...

Phillip D. Cagan: In October?

Robert L. Hetzel: Yes.

Phillip D. Cagan: Well, that surprises me a little, because I certainly figured that we were on the road to a recession and I don't remember discussing it specifically with Stein, but I'm sure we had a lot of talk together. I can't believe that he didn't believe this either. And as a matter of fact, McCracken, I don't remember when, but I remember he gave this speech about this—using this term, the valley, that I mentioned. But there was going to be a slow-down into a valley and then we were going to come up on the other side.

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And I remember that specifically because when we was going to give this speech, he was out of town and the White House—and Nixon was going to do some talk, and the White House wanted to know what McCracken was going to say. So they called me to the phone to give a synopsis to the speech writer at the White House about this speech that McCracken was going to give, and I had read it and I did give that synopsis. So where this—this response to this memo, sort of surprises me a little bit, unless—I don't know what it meant.

Robert L. Hetzel: Well, I mean, again, I'm just primarily working off the memos that were sent.

Phillip D. Cagan: Yeah. Well, you have probably a lot more insight than I did, because I was definitely on the outside of all of that loop.

Robert L. Hetzel: At this point, the idea was that the unemployment rate would have to rise moderately above 4%.

Phillip D. Cagan: Right, right. I remember. Yeah, the whole breadth of it was going to stay below five, if I remember correctly. That's what McCracken was counting on.

Robert L. Hetzel: But there—I don't think in McCracken's mind that qualified as a recession. I think that in his mind it qualified as a slow-down in growth. And until they actually saw a reduction in inflation, he was afraid that the administration would back-off too soon.

Phillip D. Cagan: I see. And maybe he was getting out of it semantically by pretending that this was not a recession, but just a slow-down?

Robert L. Hetzel: Well, I don't think he thought—I think he thought that they could move it...

Phillip D. Cagan: Well, I thought there was going to be—I thought it was a recession. I mean, there was going to be actually decline in output, which would make it a recession rather than a slow-down. But I don't remember having any specific discussions with him about anything like that.

Robert L. Hetzel: In November, he first becomes concerned, at least in the memos, about money growth, suggesting that Nixon talked to the Fed. But then he says, we would move money growth up to the 2% to 4% range. So at that point, it's not—that's not a very vigorous response. It's only in December when actually the incoming data are pretty convincing that the economy is slowing down, that he then becomes more concerned. Although, it's really not until late spring that both the Fed and the council really think there's going to be a sustained—a real recession, rather than just a slow-down.

Phillip D. Cagan: Well, that could well be. Yeah. Because it was hard to read the data and the data came in late. And I'm sure there was really—there was an awful lot of complaint in the economy about the monetary policy was too tight. I forget the—what did interest rates look like? They must—I don't remember in detail. But they must have been going up.

Robert L. Hetzel: Well, in '69 they were—I suppose the prime rate was 9%.

Phillip D. Cagan: Right, right. Yeah.

Robert L. Hetzel: In the United States it was historically high.

Phillip D. Cagan: And there was an awful lot of complaint. And I'm sure Nixon was very sensitive. I mean, these people—it wasn't like later in the Reagan administration. I mean, at this time there was a considerable concern about unemployment. It was a very, very hot issue.

Robert L. Hetzel: Yeah.

Phillip D. Cagan: And they were scared to death about it.

Robert L. Hetzel: But I think the feeling was that they could move the unemployment rate up in a controlled way to just moderately above 4%, keep it there and work the inflation rate down gradually. And they over-estimated.

Phillip D. Cagan: Yeah, right. But the word was gradualism at that time. I remember we were all using that. We were going to do it gradually and therefore it wouldn't hurt too much. Subsequently, I thought that that was a big mistake, because gradualism basically doesn't work, I think. But at that time, that was the idea.

Robert L. Hetzel: But I think there was a feeling that they could maintain that degree of control over the unemployment rate and then move the inflation rate down in a measured, controlled way. But they, in fact, didn't—weren't able to exercise the degree of control they thought over...

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Phillip D. Cagan: Well, the problem was I think the policy—when the inflation rate didn't appear to be responding to this slow-down in the '70s, people went—maybe even panicked. I don't know. But it threw them off the trajectory. I mean, they didn't know what to do then and they—then there was this talk about the controls and things like that. And I'm sure Nixon was all concerned about it and therefore they felt well, that they couldn't hold the tight monetary policy any longer. And of course, what they should have done was have a moderate recovery in monetary growth, but not over-do it, sort of keep the economy—pressure on the economy, which of course, would mean that the unemployment might be higher than people thought it would be for a period of time. But they didn't do that. They let the thing get away from them.

Robert L. Hetzel: Yeah. Okay. Anything else I should ask you about your experience at the council? Or anything else come to mind? I read your letter and I appreciate that, and that was very interesting.

Phillip D. Cagan: Yeah. Well, I told you some—I don't know if I told you some personal things. I might add this, which is very personal.

Robert L. Hetzel: Okay.

Phillip D. Cagan: When I talked to Burns about going to the council, and he was—been reminiscing about his knowledge of McCracken, and he said something that I always remember. He said, well, he was with McCracken in a meeting once, a long meeting, which things were discussed, and he noticed that McCracken changed his views slightly towards the end of the meeting, than somewhat they were at the beginning, indicating to Burns, who was very sensitive to this sort of thing, because he was a very tough character and he wouldn't change his mind about anything. That McCracken obviously was a mild type of person who would be influenced by pressures and so on.

And I hadn't ever thought of people in that way, but it indicated to me that—how Burns viewed McCracken, which I think was probably right. McCracken was probably the type of person who would moderate his views in a long discussion after he heard what other people had to say, but Burns wouldn't. Burns knew exactly what is opinion was and he was going to fight for it right to the end. And he was like that. He loved Washington and he loved the infighting in Washington.

Another little thing I remember, which is also personal, later on when Burns was at the Fed, they had some big conference then, which I was invited and they had a big luncheon. And they—people were—there must have been about 50 people. There were a lot of different tables for the luncheon and everybody was assigned a seat at all of these tables. And when I got there, it turned out that I was assigned a seat right next to Burns. And we had Milton Friedman at this table and Burns—they were friends, but their objection had become public because Milton had written that Newsweek article in which he criticised Burns' Fed policy.

And that—so I sort of had a feeling that Burns put me there because he knew I was not a threatening kind of person; and I wouldn't cause any problems for him. And during that dinner, during that luncheon, Burns told us how pleased he was because there had been something going on in Congress as to clip the independence of the Fed. And Burns fought this tooth and nail, and finally won in the committee, considering this legislation. I think it was 14 to 12 or something, he had won. And he was sort of almost gloating over this victory, very pleased.

And it made me realize how he loved this Washington infighting, and how political he was as a person, really, that he viewed his position there. I mean, he was the head of the Fed and he was there to protect the Fed. And this involved a lot of infighting with Congress in which Burns would go over and lobby people and pressure them and talk to them and so on. And he apparently did a great deal of this in order to win in this particular committee meeting. And I remember his commenting about it, it had just happened, and how pleased he was that they had won, according to him.

Robert L. Hetzel: Yeah, that's of course exactly right. McCracken was not a dominating sort of personality or figure. I mean, just a very genial, pleasant sort of person.

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Phillip D. Cagan: Yeah, definitely. I remember McCracken saying once while I was there that just some people can't see the facts right in front of their face, in other words, implying that they are so ideological that they can't see enough to realize that their position is not appropriate or that things are just not happening the right way. So you're right, he was not ideological, very much concerned about paying attention to what's happening and not having a rigid preconception of things. But being able to change his mind to see what was really required under the circumstances. But he was that type of person.

He did have some principles, of course. You may remember that when—he was opposed to wage and price control and Nixon did it apparently because he felt he had to. But anyway, just after Nixon imposed wage and price control, the Citibank newsletter came out with a—something that McCracken had written. I don't know whether—I don't think it was a speech. I don't know. It was something he'd written. Anyway, it was a page-and-a-half argument against the use of wage and price controls. And this came out after, just after—it was in the mail. It couldn't bet stopped—just after Nixon approved wage and price controls. And so McCracken, I guess, thought—I don't know—well, he was—I don't know that he was forced out. I think he just felt that under the circumstances, he should resign. And he did, shortly after that.

Robert L. Hetzel: Well, actually, I think that was a response to Gallber's [phonetic] attack on Nixon. And it—what it showed was that at that point...

Phillip D. Cagan: Did you see the piece that McCracken wrote in that article?

Robert L. Hetzel: What I've seen is the piece that Stein wrote at the end of July—and that has to be similar to what McCracken wrote. And I'm assuming it's—they were both done in response to criticisms by John Kennedy.

Phillip D. Cagan: Yeah, that probably was true. Yeah.

Robert L. Hetzel: And they differentiated themselves by saying, well, Gallber wanted permanent controls and they wanted just temporary controls to get through the period. But McCracken had come around to the position that controls were acceptable as a temporary measure.

Phillip D. Cagan: I wasn't aware of that. Yeah.

Robert L. Hetzel: This in a memo to Nixon. And he also pushed very hard for the establishment of a special court to try abuses of economic crimes. That is, there would be a special prosecutor who would bring cases against large corporations and labor unions for outsized price and pay increases, abusing their economic power. So as you say, he was affected by this stagflation and people responded different to it, but most people thought it was wage push price increasing.

Phillip D. Cagan: Yeah, but why did he resign then?

Robert L. Hetzel: Well, let me just—so in this respect, McCracken and Burns were really very close in how they saw this situation.

Phillip D. Cagan: That could be, yeah.

Robert L. Hetzel: How they interpreted the stagflation. They both saw it as an abuse of the monopoly power of labor unions. And since they couldn't confront the labor unions directly with labor law reform, they thought that some form of incomes policy was the best way. Well, McCracken said he resigned because he first of all had to make a choice if he wanted to go back to the University of Michigan. He didn't have any more leave, and he had to make a choice of either going…

Phillip D. Cagan: Oh, you mean, so he would have resigned anyway, no matter what happened? Well, yeah, I remember there was something about that at the time.

Robert L. Hetzel: What most people have told me is that he really didn't like the—sort of the bare knuckles part of campaigning, that part of the job, where you get out and give speeches and he didn't want to become heavily involved in the re-election of Nixon in '72.

Phillip D. Cagan: Yeah, yeah, that's right. Yeah, I remember now that Stein made a comment about how much he was being asked by the White House to go out and make speeches, which he didn't like, but he did it. He was willing to do it.

Robert L. Hetzel: Well, I'm sure Stein didn't like it, but Stein was very good at it.

Phillip D. Cagan: Yeah, he was. Yeah.

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Robert L. Hetzel: Stein had a prima donna personality and he liked attention. He liked the kind of thrust in parry in public appearances. So I think that—I really think that was the major reason and I don't think Nixon objected because at that point the council had become pretty much irrelevant. At that point, by the summer of '71, kind of the issue was whether George Shultz or John Connally was going to be the primary formulator of economic policy.

Phillip D. Cagan: Yeah, yeah.

Robert L. Hetzel: When the council couldn't deliver on its gradualist program, they became kind of more and more irrelevant. But Stein had a very different personality. Stein seemed to be much more entrepreneurial. So Stein was the one who organized the pressure on the Fed. So he seemed to have had a much more aggressive personality than McCracken. And when the decision was made to go to controls, Stein was the one who had the kind of broad knowledge and the ability to actually help put it into practice. So Stein ended up being very much a part of the '72 program, although Stein had kind of long-run kind of principles and ultimately, I mean, it's ironic, he had a lot to do with pressure in the Fed, he had a lot to do with the actual—Shultz and Burns kind of set the broad guidelines for the wage price controls, but Stein's the one who saw that the program got implemented along with Treasury people. But then, kind of ultimately Stein was very much of a free market person and he and George Shultz were the ones who eventually got the thing unwound.

Phillip D. Cagan: That sounds right to me. Yeah, I think you have that right. Yeah. The best I know them, yeah.

Robert L. Hetzel: Well, I just was very interested on your observations on these individuals and it's pretty much the kinds of things I would have thought. I mean, definitely Burns just loved the mantel of power. And he felt that he deserved it.

Phillip D. Cagan: Yeah. I don't know if I'd use the word power, but I think he loved the—well, he liked winning and he like to fight. Yeah. He enjoyed the process of using the power, I guess, more than just the power that he could call it. He was a very opposing person. I mean, it was—I can see how he could rule the FOMC by just his personality. He was a forceful person and to disagree with him would take a very strong person. I think it wouldn't be easy, because he was smart and effective in his arguments and you would sort of feel the pressure of him. And I think he probably ruled that committee pretty—got pretty well what he wanted. And so whatever they did, I think should be attributed to Burns.

Robert L. Hetzel: Yeah, but there's a darker side to that in that some of the chairmen have—I mean, Martin and Volcker and Greenspan have—they all dominated the committee, too, but in different ways. Burns had to have his way, all the time, and he was not above using sarcasm and condescension, belittling people.

Phillip D. Cagan: Well, that I'd never seen. But I can believe it.

Robert L. Hetzel: So, I mean, Burns could not tolerate any dissent. I mean, of course, he would let the FOMC talk and talk and talk, but he knew what he wanted when he went into a meeting and got it when he came out.

Phillip D. Cagan: Yeah. That's exactly right. I'm sure that's true. Yes.

Robert L. Hetzel: You mentioned you worked with Geoffrey Moore. Should I call him? He was in the Nixon administration, too, wasn't he in the Bureau of Labor Statistics?

Phillip D. Cagan: Yeah, he was head of the Bureau of Labor Statistics. Yeah, I don't know if he was involved much in any of the things that you're talking about, but he certainly knew Burns very well. And I know that when in Nixon's second term, when they sent around this letter asking everybody to send in a letter of resignation, when they accepted Geoff's resignation; he was very put-out. And I know Burns went to bat for him and tried to get it reversed.

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But Alderman [phonetic] and them were adamant and Geoff wasn't taken back. Of course, what they didn't like was that Geoff—I forget, in some public testimony about the unemployment rate, I don't know what it was, whether he said we were in a recession or something like that. And the administration didn't like it and held that against him. I guess they said, well, this guy speaks his mind; he's not a loyal team player and they—said he was finished.

And Burns went to bat for him and so they were very close. Yes. And Geoff has lost his sight. And I don't—I haven't seen him for some time and I don't know what—how healthy he is now. But as far as I know, he's still alive. But he's blind—practically he's blind.

Robert L. Hetzel: But as far as you know, he's capable of talking?

Phillip D. Cagan: Oh, yeah. His mind is fine, yeah. Yeah, give him a call. That might be a good idea. If you want to touch base with everybody who knows a little bit about all of this, he's another possibility. Yeah.

Robert L. Hetzel: Yeah, well, Nixon was always down in the Labor Department. He thought it was a Jewish conspiracy to undercut him.

Phillip D. Cagan: Well, that could well be. But that was—but he had—but that wouldn't be true of Geoff Moore. I mean, Moore had nothing to do with the rest of the Labor Department. He saw that he was a technical person in charge of statistics at the BLS. And he did some good things there. He fixed-up some of the data and he was very good with statistics, and in a very practical way. Concerned about biases and things like that and that's what we worked on. And then when he testified he just—he knew a lot about business cycles and so he just told them what the truth was. It didn't occur to him that he had to be a—have any particular point of view because of the administration's problems, I think. He probably didn't even think that way.

Robert L. Hetzel: The BLS people would—when an unemployment figure would come out, they would say, well, it dropped, but we've got problems with the seasonal and the data at this time of year and it may not be a permanent thing. And Nixon always thought—took that as though they were trying to undercut any sort of good news about the economy and thought that they were trying—that this was a sort of conscious effort to—I think the guy was sort of paranoid about this.

Phillip D. Cagan: Yeah, I guess that was Nixon's big problem. He was very smart and he was very good about a lot of things, you know, domestic policy as well as foreign policy. But I guess he had this paranoid streak, which I guess is not uncommon in Washington, I guess. Because problem is they play hardball in Washington, as we see even now, and when you're in that atmosphere, you—it may not be paranoia. Maybe it's you're quite right, people are out to get you. But he obviously over-did it, Nixon. So—but that's a story in and of itself, I guess.

Robert L. Hetzel: Okay, well…

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