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Interview of Darryl Francis

Conducted by Robert L. Hetzel

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Darryl Francis: Well, in the Fed, I went to the Fed to the research department as an agricultural economist.

Robert Hetzel: And when was that?

Darryl Francis: 1944.

Robert Hetzel: So I suppose you came out of the Army at that time?

Darryl Francis: No, I missed the Army by a hair's breadth.

Robert Hetzel: Oh, good. So you were in the research department all that time?

Darryl Francis: No. I was in research from '44 to '49, and then I left the Fed and went into a commercial bank in Memphis, Tennessee, for a few years in the year it was Boatmen's in St. Louis, and then came back to the Fed to run the Memphis branch.

Robert Hetzel: And how long did you run the Memphis branch?

Darryl Francis: Six years—'54 until '60.

Robert Hetzel: And then...

Darryl Francis: Then I made first vice president from '60 to '66.

Robert Hetzel: Did you attend FOMC meetings over that time at all?

Darryl Francis: I attended a few when I was first vice president when the president couldn't go, yes.

Robert Hetzel: So when you started in 1966, you had quite a bit to learn in terms of monetary economics?

Darryl Francis: Well, of course.

Robert Hetzel: So Homer Jones was...

Darryl Francis: Homer Jones was the head of our research department at that time.

Robert Hetzel: And what kind of lessons did he give? You know, he's quite a legend in anything...

Darryl Francis: Well, Homer, you know, was strictly an aggregate man. And so I guess he's the guy that got me into that as strongly as I was.

Robert Hetzel: He'd been at the FDIC with Clark Warburton?

Darryl Francis: I think he was, yes.

Robert Hetzel: Did he ever say anything about where his monetarist inclinations came from?

Darryl Francis: I guess they came back when he was in school. And then he taught for a while, you know. As a matter of fact, all those years that the Fed of St. Louis was said to be the research arm of the University of Chicago, actually Milton Friedman was a student of Homer Jones.

Robert Hetzel: That's right.

Darryl Francis: Homer Jones was never a student of Friedman.

Robert Hetzel: That's right.

Darryl Francis: Yeah.

Robert Hetzel: So you started going to FOMC meetings in 1966?

Darryl Francis: On a regular basis? Yes.

Robert Hetzel: Do you have any recollections about the way Martin ran FOMC meetings?

Darryl Francis: Oh, yes. You know, I served under Martin and Burns.

Robert Hetzel: Yes, I know.

Darryl Francis: And Bill Martin was quite a fellow. And I remember when he conducted an FOMC meeting, he listened to what everybody else had to say before he put himself on the line. And my memory is that after he'd heard everybody else, he would draw from that what he thought was a consensus of those who had spoken. And then if he didn't agree with it, he would tell us so.

Robert Hetzel: So you don't feel like he came into the meetings having his mind made up basically and that...

Darryl Francis: Well, he may have, but he didn't try to influence the committee before they started. Burns, on the other hand, wanted the committee to damn well know where he stood before he listened to anybody else.

Robert Hetzel: So Burns would speak first?

Darryl Francis: He let you know where in the hell he stood, yes.

Robert Hetzel: Do you feel like Martin always got the results he thought were right? Or were there other strong members of the FOMC who could challenge Martin?

Darryl Francis: I would say that any chairman is going to line up pretty much with what he wants. And I'd have to think that Bill did too. But by God, he'd listen to other views and shape his consensus and then let you know where he fit into it.

Robert Hetzel: Do you remember, were there other particularly strong articulate members of the FOMC—Hayes, Robertson?

Darryl Francis: Well, of course, the New York man was always—Hayes—was a strong member, and, of course, he was vice chairman.

Robert Hetzel: Hm-hmm.

Darryl Francis: And well, I guess there—I think Karl Bopp always spoke out very well in the early days.

Robert Hetzel: Yeah, he'd been a member for a long time, I believe.

Darryl Francis: Yeah. Matter of fact, I studied money and banking under Karl Bopp.

Robert Hetzel: Oh, that's amazing, that's wonderful. Where was that?

Darryl Francis: At the University of Missouri.

Robert Hetzel: [00:04:57] He was not only knowledgeable about monetary policy, but wasn't he a fairly acute observer of the political scene?

Darryl Francis: I think so.

Robert Hetzel: Well, I'm hopeful. Sometime I hope to get to Philadelphia, and apparently he has some papers and I'm eager to go through those. I think they'll be very...

Darryl Francis: It would be worth your time.

Robert Hetzel: Oh, sure. When you studied with Bopp, did he—I mean, Missouri had Elmer Wood and other people who were interested in...

Darryl Francis: You know, I was in the school of agriculture, but I went over and took money and banking. And I remember at the time Elmer Wood—it was thought to be sort of a snap course. I got over there and this young guy with dark black hair came out and it wasn't Elmer Wood. And that guy, we had about 400 people in that class as I remember, and Karl Bopp would hit that floor and feed it to us. He was one hell of an instructor. I always thought he probably was the best teacher I ever had.

Robert Hetzel: Did he talk much about money, do you remember? Did you learn anything from...

Darryl Francis: Well, I'm sure he did. He talked about everything. He talked, and he talked fast.

Robert Hetzel: So you don't still have your class notes from that?

Darryl Francis: No, no. It was hard for an old farm boy to keep up with him.

Robert Hetzel: So you started on the FOMC in early 1966?

Darryl Francis: Right.

Robert Hetzel: Well, that was an interesting time to start. Do you remember much discussion of the December 1965 increase in the discount rate?

Darryl Francis: In 1965?

Robert Hetzel: Yeah, it caused quite a stir.

Darryl Francis: Yeah. When LBJ invited Bill down to the ranch and gave him hell?

Robert Hetzel: Yes.

Darryl Francis: Yeah, I remember that very well.

Robert Hetzel: But the Board of Governors was split on that. So that must have been primarily Martin's—Do you remember what Martin was upset about, what he was concerned about?

Darryl Francis: No, I wouldn't remember. I just remember it wasn't a popular decision with the President.

Robert Hetzel: Yeah. So Homer Jones must have been telling you at that time that—do you remember monetary policy was restrictive? I remember money growth wasn't growing in 1966. And Friedman predicted a recession, and other people said there would be none. Do you remember that?

Darryl Francis: Hm-hmm [affirmative]. Well, actually in 1966 we became a little concerned about too much monetary growth, as I remember. We held some meetings with bankers in the district to talk about the dangers that we saw.

Robert Hetzel: Well, I guess it was later in the year toward August of '66 that...

Darryl Francis: Yeah, yeah, it was later in the year.

Robert Hetzel: ...interest rates started going up sharply and money became restrictive.

Darryl Francis: Yeah.

Robert Hetzel: So you're right. In early '66, the money was too easy, definitely. Then the economy slacked off, but that was a key period in that even though inflation came down some, it didn't come down close to zero. It stayed around three percent, and yet the Fed got easy. Do you remember anything of the time of the kind of pressures the FOMC was under and that Bill Martin would have been under from Congress? Do you remember any of the situation at that time?

Darryl Francis: Well, I remember that Bill was under a little pressure, alright. Of course, Chairman of the Board of Governors got a tough job, Bob.

Robert Hetzel: Yeah, sure.

Darryl Francis: Because it's awfully hard for a presidential appointee to be completely and wholly independent from government.

Robert Hetzel: Yeah. I had the feeling going back and looking at this period that even Martin, he was definitely independent. He cared very much about inflation. But he felt like there were limits to how far he could push monetary policy with Congress.

Darryl Francis: I'm sure that's the truth.

Robert Hetzel: Do you remember anything of his attitudes? He was not an economist. Do you think that because of the experience with the depression he thought that the Fed had to—that the inflation of the twenties and the speculation in the twenties had caused the Depression and, therefore, the Fed had to be very concerned with inflation? Do you remember anything of his attitudes?

Darryl Francis: Well, you know, you just said it. Bill was not an economist. And I remember when he'd talk to the committee, he would talk in interesting terms. Like he always measured against a babbling brook and how you had to keep it under control.

Robert Hetzel: Yeah. When I came here in '75, the Fed even had a movie and it started out with a river. And it said monetary policy is like a river. And it had these people opening and closing these sluice gates. And later on, I thought that must have come from Martin.

Darryl Francis: [00:10:14] Bill used to talk about the stream, you know. I remember that so well.

Robert Hetzel: And somebody else said he had a metaphor about a rubber band. You could pull it only so far and then it would...

Darryl Francis: Right.

Robert Hetzel: He didn't like economists. Is that true? That's a story. I didn't know...

Darryl Francis: Well, I was not aware that he didn't particularly like economists, I really wasn't.

Robert Hetzel: Do you remember how he got along with some of the economists on the board? I suppose Andrew Brimmer, Dewey Daane, Mills and Mitchell, I guess they were all economists. Did he get along with them like he got along with the others?

Darryl Francis: I have no reason to think that he didn't.

Robert Hetzel: He never lost his temper?

Darryl Francis: Not to my knowledge.

Robert Hetzel: Then do you remember '68? Let's see, it would have been June 1968 when the FOMC lowered the funds rate after the tax cut was passed. That turned out to be a mistake. Do you remember anything of that with St. Louis protesting?

Darryl Francis: In '68? I guess my memory is not as clean as it ought to be, Bob. I've been out of that a long time.

Robert Hetzel: Oh, sure. Oh, yeah.

Darryl Francis: Eighteen years now.

Robert Hetzel: Well, if there's any—you know, just whatever stories you remember, incidents or things that you remember. Maybe I can jog your memory. But if there's things you remember, too, be sure to tell me.

Darryl Francis: Let's see. When did Bill retire from the Board?

Robert Hetzel: Well, I think his last meeting was January 1970, and then Burns came in in February of that year.

Darryl Francis: Yeah.

Robert Hetzel: So monetary policy turned easy in '67, and then it became very easy in '68. But there was a tax cut—I'm sorry, a tax surcharge.

Darryl Francis: Yeah.

Robert Hetzel: The Johnson surcharge. And when that surcharge was passed, the Fed lowered the funds rate, thinking that fiscal policy was going to be restrictive, and that turned out to be a big mistake. Inflation continued up, the economy grew strongly, and then in '69 policy became restrictive again. So Martin went out with a restrictive monetary policy.

Darryl Francis: Yeah.

Robert Hetzel: Okay. Should we go on to Burns? Do you remember anything else from...

Darryl Francis: You've got a much better...

Robert Hetzel: Well, I've reviewed this so I have a little bit of an advantage. This is my job now. Do you have any other recollections from that period? Or should we go on to Burns?

Darryl Francis: Well, those are pretty much my recollections of that period. And as I said, I had great admiration for Bill Martin because he listened to other people before he put himself on the line. And a time or two I remember when Bill actually told the committee that his position might not have been exactly all he wanted, but he was under extreme pressure.

Robert Hetzel: Do you remember, when he said that, was it toward...

Darryl Francis: I don't remember when. But I do remember him saying that one time in the committee.

Robert Hetzel: That could have been '67, '68?

Darryl Francis: It could have been anywhere along there, yeah.

Robert Hetzel: Yeah. So I suppose he was talking about Heller and the Council of Economic Advisors and...

Darryl Francis: Well, I suppose that was the root of it, yeah.

Robert Hetzel: Do you remember Burns's first meeting, what kind of impression he made? That would have been early 1970.

Darryl Francis: Well, you know, Burns was an arrogant, autocratic sort of guy.

Robert Hetzel: Yes, everyone agrees on that.

Darryl Francis: Yeah.

Robert Hetzel: No one disputes that.

Darryl Francis: And that showed very soon.

Robert Hetzel: So when he came into a meeting, he made it clear exactly what...

Darryl Francis: My memory is we always knew where Burns stood before we started speaking.

Robert Hetzel: But he would go around the table clockwise, counter-clockwise, and people would speak in turn?

Darryl Francis: One time he would go clockwise and the next counter. I happened to be at the spot of the table where one meeting I would lead off and one meeting I would wind up.

Robert Hetzel: This is something I just have to ask. St. Louis was extremely independent. Well, you know the story.

Darryl Francis: We got that reputation, yes.

Robert Hetzel: How in the world did...

Darryl Francis: We were referred to in the press as a maverick of the Federal Reserve System.

Robert Hetzel: Sure. How in the world did you personally get along with Burns?

Darryl Francis: I didn't.

Robert Hetzel: Everyone said he had the personality where he had to dominate, he had to get his way.

Darryl Francis: [00:15:33] Let me tell you a story. I don't remember what year it was. The first time I was painted to appear before a congressional committee.

Robert Hetzel: Yeah, that would have been '74?

Darryl Francis: It would have been in that period of time. And I've forgotten whether that first one was the House or Senate banking committee, but...

Robert Hetzel: If it was Reuss, it would have been the—Or Patman would have been the House.

Darryl Francis: Yeah. I appeared before Patman, and Patman liked me because he thought I agreed with his position, which I didn't necessarily do. And I appeared before Reuss's committee several times. But the first time I got the call to come and appear for the committee, of course I agreed to do it. And then the next FOMC meeting, after the meeting I went into Burns's office and told him that I was going to appear. And he said then, looked me in the eye for a minute or two, and said, "Darryl, I wouldn't have believed anybody in the Federal Reserve System would have agreed to appear before a congressional committee without talking to me first." And I said, "Arthur, I am an American citizen, and I have the feeling that when my government calls on me for something, I have a responsibility to respond, and I am going to appear." I remember it so well.

Robert Hetzel: Well, he didn't believe in the federal part of the Federal Reserve System.

Darryl Francis: Huh?

Robert Hetzel: He didn't believe in the federal part of the Federal Reserve System.

Darryl Francis: I guess not.

Robert Hetzel: Did he want to see your testimony before you—did he want to see your written testimony?

Darryl Francis: At that time, not that case, but later on that happened, you know.

Robert Hetzel: So Joe Coyne would have been his press secretary then.

Darryl Francis: I guess so. But the head of research who later became a governor, what the hell was his name?

Robert Hetzel: Oh, yeah, Partee.

Darryl Francis: Yeah, Partee. We had one time when Patman invited all the presidents in to meet with his committee. And the word came out that we had to submit what we were going to say before we went. I objected to it, but I did submit. And I remember so well that Partee called me. He called me out of a board meeting and said that there were some things about my statement they didn't like and they wanted to change. And I said, "Well, look, I mailed you in exactly what I intend to say, and I'd like for you to let me know exactly what you want me to say." So I told him I was in a board meeting and I couldn't talk all day. I said, "You put on the wire what you're telling me," and he did, much to his regret.

Robert Hetzel: Why do you say much to his regret?

Darryl Francis: Well, the committee found out that the presidents were being pressured by the Board on what their testimony might be. And I acknowledged that I had had the instruction and that I ignored them.

Robert Hetzel: So Burns, what he didn't like basically was the St. Louis argument that the high rates of money growth had caused the burst of inflation in '73 and '74.

Darryl Francis: I would think that was probably true.

Robert Hetzel: Do you remember anything about Burns's economics and how he looked at the world? He thought basically that inflation was cost pushed, that the labor unions caused inflation?

Darryl Francis: Well, I guess I can't remember all the specifics.

Robert Hetzel: Hm-hmm. And initially he was on the outs with the Nixon administration because he advocated an incomes policy. Do you remember him ever discussing the incomes policy?

Darryl Francis: Oh, of course, yes.

Robert Hetzel: [00:20:13] Do you remember when he became head of the committee on interest and dividends, did St. Louis have to get involved in communicating with banks and corporations about their dividends and interest payments?

Darryl Francis: Well, if it came down as a directive to us, I suppose we did.

Robert Hetzel: Hm-hmm. But you don't remember that?

Darryl Francis: I don't remember, no.

Robert Hetzel: Do you remember Burns asking the directors to contact their congressmen to oppose the Patman GAO audit bill?

Darryl Francis: I guess slightly, yes.

Robert Hetzel: So you were president through 1975?

Darryl Francis: I left at the end of February of '76.

Robert Hetzel: Do you remember what Burns said about the rise in oil prices and the restrictive monetary policy in '74?

Darryl Francis: No, I don't.

Robert Hetzel: Do you remember any other—The time you described to me when you were in Burns's office, was that the only time that the two of you talked personally?

Darryl Francis: No. You know, on one occasion I may—I think it had to have been probably in '75, maybe '74, when I was appearing before a committee and I talked to him and he wanted to know what I was going to say. And I told him at least roughly what I expected to say. And I appeared and I told the committee exactly what I said I was going to. And on a Sunday he called me at home. I remember I was in the basement piddling around with something. He called me on the phone and chewed my butt and told me that I had not done what I told him I was going to do, and I hung up on the sonofabitch.

Robert Hetzel: So was that before the Patman committee, the house banking committee? Do you remember '75, when that was?

Darryl Francis: Well, no, I don't think it was that particular committee meeting. It was one before that. Because he had seen me. He had my statement, as he did all the presidents' statements, on that one. But this was another incident, and I remember he was chewing me—I just hung up and let the old bastard keep talking.

Robert Hetzel: Yeah. Apparently he not only had to have his way, but the meetings would go on and on and on until he finally got what he wanted.

Darryl Francis: Yeah. Well, you know, with Arthur Burns there was only one view—his.

Robert Hetzel: Yeah, so it must have seemed like an enormous change from Martin.

Darryl Francis: It was.

Robert Hetzel: When did Homer Jones retire?

Darryl Francis: Oh, God, you know, I don't remember the actual.

Robert Hetzel: Was Balbach the director of research after Homer Jones?

Darryl Francis: No, Andy Andersen.

Robert Hetzel: Leonall Andersen.

Darryl Francis: For a little while. And that didn't work out too well. And then Jerry Jordan came on, and we brought Balbach in as a visiting scholar for a year and then we hired him on. And then he served out the rest of my time and longer. I think he's only been gone, what, a year or two now.

Robert Hetzel: Burns didn't like Leonall Andersen did he either—Andy Andersen?

Darryl Francis: I don't really know.

Robert Hetzel: Andersen left St. Louis after you did or before?

Darryl Francis: Before. He went I believe to the University of Florida for a time.

Robert Hetzel: Right.

Darryl Francis: And then he went back to his school. St. Olaf in Minnesota, wasn't it?

Robert Hetzel: Yeah.

Darryl Francis: And he died fairly early.

Robert Hetzel: Yeah. So he simply wanted to get back to academia? Burns didn't have anything to do with his departure?

Darryl Francis: Oh, no. Burns didn't have a damn thing to do with it. I did.

Robert Hetzel: Hm-hmm. So did Burns get involved in your replacement with Larry Roos or was that totally up to the directors?

Darryl Francis: No, no. The directors did submit that name.

Robert Hetzel: [00:25:10] And how did his name come up?

Darryl Francis: Well, there were a couple of men on the board who brought his name up and they submitted him in to the board, of course. And the board had him up there before he was named to talk to him, and I guess were satisfied he would go with what they wanted.

Robert Hetzel: They were surprised about that.

Darryl Francis: Huh?

Robert Hetzel: I said they were surprised about that then. Because he was an independent president, too.

Darryl Francis: You know, I never really knew how much though.

Robert Hetzel: Well, I think he was quite—I think he continued the St. Louis tradition very much.

Darryl Francis: Well, I think he did. But, you know, he really—I don't think that he ever had an opinion of his own.

Robert Hetzel: Well, no, he didn't because he was a politician basically. Right?

Darryl Francis: Yeah.

Robert Hetzel: He was not an economist. So I think people realized that. On the other hand, he was articulate.

Darryl Francis: Yes, he was.

Robert Hetzel: He could take the statements that Balbach had written for him and he could exposit—you know, he could argue with people. He'd been a politician.

Darryl Francis: Yeah, I would think so. I didn't really know Roos well, who he was, of course. He'd been in politics around St. Louis County. But in terms of me having an intimate relationship with him, I never did.

Robert Hetzel: Yeah. Did you feel like you were always well supported by your directors? Were they always a good group for you?

Darryl Francis: Oh, yeah.

Robert Hetzel: So that must have been one of the good parts of being president.

Darryl Francis: Oh, it was. The boards that were there when I was there, I never felt anything but complete support with that board of directors.

Robert Hetzel: Well, unless you have any more memories, let me just ask you. I mean, you must have been very proud to be president of the St. Louis Fed because you had a national reputation for scholarship and independent thinking. It must have been something that...

Darryl Francis: They were great years, Bob. I enjoyed every bit of it, and I did have great pride in what we were doing. But I believed so strongly in what we were trying to do down there.

Robert Hetzel: So you must have had a good relationship with your research department. Did you go down before FOMC meetings and talk to the economists? Or did you talk with Jordan and Balbach and...

Darryl Francis: We always had briefing sessions in which I would go down to research and we'd sit around the table with every man in the department.

Robert Hetzel: Yeah, that's good.

Darryl Francis: And everybody had a bit of the action.

Robert Hetzel: Yeah, that's great.

Darryl Francis: Oh, it was great. I had a great research department, and they did very well by me, I felt.

Robert Hetzel: Okay. Well, anything else? I think this has been lots of fun. I've enjoyed talking to you.

Darryl Francis: Well, I wish my memory were a little sharper for you, but it just isn't anymore.

Robert Hetzel: Well, I think someday I'll go to the St. Louis Bank and look at the papers and the things that are in your archives. I'd like to talk to Ted Balbach sometime too.

Darryl Francis: Yeah, Ted's in Seattle now.

Robert Hetzel: Oh, really?

Darryl Francis: Yeah.

Robert Hetzel: What is he doing there?

Darryl Francis: He may be teaching. They retired out there.

Robert Hetzel: So his wife was working in St. Louis too, right? So she retired too?

Darryl Francis: Yeah, she retired and then they went to Seattle. They may be teaching. I haven't talked to Ted. I do have his telephone number if you want to get in touch with him.

Robert Hetzel: Yeah, if you've got that, I would like to give him a call.

Darryl Francis: It's—wait a minute.

Robert Hetzel: Yeah, sure.

Darryl Francis: All I've got here is—I think I've got it wrong. I've got a St. Louis area code here, but it's a Seattle code, whatever it is. The number I've got is [phone number redacted]

Robert Hetzel: Well, I'll try calling that with a...

Darryl Francis: I think it's probably...

Robert Hetzel: I can try that with a Seattle area code.

Darryl Francis: I think it's 872. No, I'm guessing. I've got some cross outs here. The number is [phone number redacted], whatever that Seattle number is.

Robert Hetzel: I can figure that out.

Darryl Francis: You can figure that out.

Robert Hetzel: Okay. Well, it's been great fun talking to you. I really enjoyed this.

Darryl Francis: Appreciate talking with you.

Robert Hetzel: Well, thanks a lot.

Darryl Francis: I wish I were a little sharper in my memory.

Robert Hetzel: Well, I'm at the Richmond Fed. If you have any more things that come up, give me a call.

Darryl Francis: Is Bob Black around—Huh?

Robert Hetzel: Well, if there's anything else that you think of later on, I'll be here at the Richmond Fed, just give me a call.

Darryl Francis: What's your number out there?

Robert Hetzel: [phone number redacted], and you've got my name.

Darryl Francis: Yeah.

Robert Hetzel: Okay.

Darryl Francis: Let me ask you.

Robert Hetzel: Sure.

Darryl Francis: I was asking about Bob Black.

Robert Hetzel: Oh, yes.

(END OF RECORDING)