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Interview of Robert Holland

Conducted by Robert L. Hetzel

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Robert Holland: …that the board did under a research operation that Ralph Young conducted and involved a number of us around the system. Dewey Daane, who was a the financial economist, and FOMC advisor at Richmond was one of the ones involved in that.

Robert L. Hetzel: And Howard Hackley, I guess.

Robert Holland: Howard Hackley, and others too. I worked on that, and while I was a financial economist in the Research Department. It was sort of a -- you know, one of those system committees.

Robert L. Hetzel: Right, yeah, I remember seeing the books.

Robert Holland: Well anyway, the outcome of that got me somewhat surprisingly. First moved into the discount window at the Fed of Chicago, and after a year or two I ended up being the Vice President in charge of that window. And then the interest in the Board in that area, and its relation to FOMC. And by that time I was also -- I wasn't going to the FOMC from Washington. But the President there made me Secretary of the President's Conference when he was Chairman of the President's Conference. That got me down to Washington in that role, and a claim with another dimension of the system. And then I came down to the Board to go back into research. As I recall, I came in as Assistant Director of Research, as I said to you, with an emphasis on FOMC activities and discount window matters, and so forth. In general we had a loose organization. At that time, Jack Noyes was head of the division, and there were several of us who worked very closely together in that field. Al Cook, Dan Brill, and me. I was the junior one there, but I'd had some background that made me useful. And before long, I was sitting on the back bench at the FOMC things, engaging in the pre-FOMC discussion. And being asked by one governor or another to help them work out their thinking, and sometimes some of them would even develop little short statements they'd use to go into the FOMC meeting. And so I got involved in that way, too.

Robert L. Hetzel: So what was your impression, in the 1950s, of consensus-building within the FOMC? After Sproul resigned, and apart from Hayes and a couple governors -- wasn't initially, for most of the last part of the '50s, Martin the dominant figure in the FOMC, or is that a misperception?

Robert Holland: Well, see I wasn't sitting at the table at that time. So I'm not a firsthand source on that one.

Robert L. Hetzel: Well how did your president -- did your president feel like -- do you have any recollections about he felt about the role of the regional presidents?

Robert Holland: Yes, yes. He thought, you know, Chicago was a second city. He tended to think the New York Federal Reserve Bank in general and Alan Sproul in particular had a little too much influence. Well, Sproul was a powerful intellectual force. I did go a few times, when our Vice President in charge of that, who at that time was George Mitchell. First John Langham and then George Mitchell. Once, on a rare occasion or two, I think when for some reason they couldn't go or something, I went, and I had a chance or two to watch Sproul perform, and it was impressive. Also I saw him perform in the President's conference. He was an impressive intellectual force.

Robert L. Hetzel: He was mainly a money market man, right? He thought -- old line, tone and feel, you watch the money markets area D, and …

Robert Holland: Yeah, there's a lot of the -- well, that was the preponderant New York feeling at that time, I think. Yeah, yeah, right. He just -- he was a powerful thinker. He and Bill Martin got along well together, but Martin was very good at getting along with everyone. I don't mean that in the way it might sound. Martin had a gift for relating to other people well, you know. Whether it was the head of some foreign central bank of the Secretary of the President, Secretary of the Treasury, or some second-level staff guy, or the President of the United States. He really had a gift for relating to other people.

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Robert L. Hetzel: People always speak of him with a sense of admiration. I've never met anybody who didn't think he was just a wonderful human being.

Robert Holland: Yeah, he was genial, he was thoughtful. He wasn't -- he didn't unload a powerful intellectual argument on you. He had a marked feel for what that was important to him, and that was an important part of -- and his experience in the market, the stock market, stood him in good stead as he tried to think his way through things that were happening in the securities market more broadly, and indeed in the market for governments where we were operating. But his approach was to seek consensus in a friendly kind of way, and to sometimes, you know, consensus is in the eye of the beholder. Sometimes -- well it seems to me like something you like about this. And you know, nobody would feel strongly enough about the fact that maybe they didn't capture their exact nuance to rare up and object very often on that kind of thing. And the managers had a fair amount of discretion in interpreting those kinds of things. And they had a powerful president in Sproul, to -- I don't want to say protect him, but his standing in the system was such that the managers were, you know, never worried about their position or getting fired or something, if they were being criticized and so forth. They weren't criticized very often. There wasn't a lot of vocal criticism back and forth, as I recall, in that era. Not that there weren't some feelings of differences, but it just -- Martin didn't generate an atmosphere for discussion, where people felt like a lot of knockdown, drag out arguments. He just had a fine way of producing a congenial, constructive movement toward what he would define as consensus. He always spoke last, for example. And when I got to the place where I part of my job was to doodle out for him, as chairman, what I thought the consensus was developing around the table, half the time he didn't need it. He had a feel for how things were going, and would be a sensible expression, and what would carry the day, and he made good use of it. And he always did it in a courteous fashion, you know, so nobody felt put down. I remember a time or two when a Reserve Bank President might be pushing a particular point of view, particular as the monetarist approach to monetary policy began to have an advocate or two, or a devotee or two.

Robert L. Hetzel: So are you talking about early '60s, Bryant at Atlanta? Or are you talking about later '60s, Francis at St. Louis?

Robert Holland: Well, for both of them. As long as Martin was in the chair for those kind of things and so forth, and he was through the whole era in the '60s. He always treated Bryant and Francis with respect. Darryl was a little pushier in his style of analysis and expression. Bryant was a little more courtly, but Martin treated -- at least, from my chair it seemed to like he was treating him courteously. Perhaps some of the monetarist economists who were advising Francis didn't think he got treated courteously, but because his ideas weren't often accepted. But I never recall -- I always felt Martin dealt with Darryl's presentations and Darryl's position when he ended up being on a minority and staying on the minority in the final vote, and that kind of thing. And so I always felt Martin dealt with him courteously.

Robert L. Hetzel: Sure. And I actually have talked with Darryl Francis, and that's -- he feels the same way, I think. The frictions came with the next Chairman. I was interested in what you said about Sproul and Martin getting along. Without any basis whatsoever, I had always assumed that with two such strong personalities, and with such a strong difference of option about Bills Only that Sproul resigned because of that. But that's -- I've just made that up? That doesn't sound right to you?

[00:09:54]

Robert Holland: I don't know how to trace through Sproul's resignation decision. I remember also there was some health discussions at that time, or speculations about health problems and so forth, and that kind of thing. But no, differ though they did, on that -- and Sproul was a strong, analytically-oriented, persuasive advocate of Bills Only. Differ though they did all the way through that, I think they kept a good personal relationship. Or as I say, Martin was absolutely gifted in his way to have that kind of relationship, even with people with whom he disagreed. The most outstanding example of that that sticks in my mind was one that came along in the mid-'60s, as the Vietnam War was getting going. Johnson was relatively new as President, with a strong desire in both, in effect, guns and butter. That is, he wanted to carry forward that Vietnam War creditably. And he wanted that war on poverty to go. And he was pushing them both. And particularly -- but the war already, you know, was not all that popular. And as he made the decisions to expand the involvement of U.S. resources in there -- that is, he made the decisions for internal buildup in the military power of the United States, to gear it to deal with more, if need be, in Vietnam, and of course it turned out to be needed by his standards and so forth. That decision, when it was made, was very closely held, that decision for a major escalation in the military buildup. And it could be closely held for a while, because a lot of it involved, you know, getting factories ready to do more orders and that kind of thing and so forth. Very closely-held. And the Federal Reserve was not told about it.

Robert L. Hetzel: Well, Martin had the St. Louis connection, so he learned perhaps from McDonnell in St. Louis about the defense buildup?

Robert Holland: I think McDonnell was under strict orders from the Pentagon, keep your lips shut. To my knowledge, if Martin learned form that source, it was late and slow. And I -- you know, for example, he had become good friends with Bob McNamara. And McNamara, of course, was part of that buildup decision with the Pentagon. McNamara was under orders, as everybody else was in the Pentagon, not to say anything. And I remember Martin telling a little later, there was [inaudible 00:13:17] some staff, that McNamara didn't give him a clue. I remember -- see, we were sitting there in the fall of that -- in the spring -- as the buildup went on, there was nothing in front. But we could, you know, reading the economic evidence, and the districts, and the GNP, and the other kind of -- you could see a strengthening economic thrust percolating through the economy. And those of us in the economic research end couldn't understand it. Couldn't understand it. Where's it coming from?

Robert L. Hetzel: Of course you had two things, you need to had the tax cut in early '64, and you'd also had fairly high money growth, starting in '64.

[00:14:00]

Robert Holland: Yeah, well, we knew about those two. This was more push than we could explain by either of those two. Now, we weren't into the -- our econometric modeling wasn't nearly as far along then as it was later. But still, in all, what we were sensing, what we felt was more sign of economic demand in the system than those two things would explain. And I remember two different efforts to do it. I remember Martin went over to sit down and talk to McNamara about this kind of thrust, and if McNamara had any judgement he could share with him on this kind of thing. And McNamara couldn't, didn't tell him. Thought he couldn't tell him. I remember at that stage of the game, there was a pretty congenial, collegiate sort of relationship between the members of -- the senior economists at the Board and the members of the Council of Economic Advisors. Kennedy had brought in Ackley and Okun and I think Duesenberry was the third of that three at that -- all of whom, some of whom had been advisors to us before, because under Dan Brill and George Mitchell, we created an academic advisory board at that time, about standing professors. And I remember one meeting that Dan Brill and Bob Solomon and I did. We were going to label it troika at that time I think, that went over and met with Art Okun, and he had some other people with him -- one or two other persons with him. George Perry, as I recall, saying, talking about, "Where's this thrust coming from? We just can't put our finger on it, and yet it seems like it's there." And they didn't know, and Art swore afterwards that he didn't know it was happening. He didn't know what was happening. He could see the numbers too. He could see the signs of that demand, but he did not know where it was coming from. All during that kind of interlude. Well, finally, the -- and Johnson of course didn't want to [inaudible 00:16:16]. Finally we felt like we saw enough efforts, so we tightened money and raised the discount rate. And I don't know, at that stage -- I have not much knowledge about how much the Chairman of the Federal Reserve would communicate with a President of the United States about what was going to happen. But it was clear to us that there had been -- over several months, Johnson had communicated to Martin that he thought easy money was the right thing to accompany the advancement on the war on poverty, and he didn't want anything, any accidents to tighten money. He'd lose count -- he just, he passed that message several different ways. And of course, you know, most Presidents feel that way most of the time. So we made that decision, and Johnson was down in Texas at the time. He was at the ranch. And I believe he called and ordered Martin down, to talk to him about this.

Robert L. Hetzel: Right, yes. That's correct.

Robert Holland: Well, I'm not sure that Martin wasn't shrewd enough in his interpersonal sensing to say to somebody at the White House, and if the President were like, I would be glad to come down, or something like that. But anyway -- because Martin was very adroit at that kind of thing. And I don't mean Machiavellian, I just mean very good at those relations. So he went down. I remember the three of us, briefly, the various aspects of the economy, the financial markets, and the international thing. Solomon, Brill, and I, before he went down. And he went down, met with the President, he came back, and he called the three of us in the office. We were dying to hear what had happened, both on what to do with the institution, and because you couldn't help being a little curious about it.

Robert L. Hetzel: Yeah, right. You're working there.

Robert Holland: I remember him telling us that he got down there, and the President took him for a ride around the parts of the ranch, and a big convertible he had with the top down, that was apparently a reasonably thrilling ride. Not because of what the President had said, though he talked along the way, but the way he drove. But they came back, and they were walking along the banks of that little Pedernales river out in front of the ranch house. And Johnson had been asking him and working him over pretty good about what happened, and Martin had tried to explained to him why, you know. And he told us, he said finally, you know, he said, "I looked out in the middle of that river. There was a big boulder sitting out in the middle of it, causing ripples and ripples around in the water and that kind of thing as it ran by and so forth," I guess pretty disturbing sort of -- water disturbance -- disturbance of the water flow there. And he said, "Mr. President, the," he said, "I finally told him, 'This low discount rate and low prime rate that we've got in our financial system, given the status, the way economic developments and financial developments are going, that low rate -- that's unusually, that's lower than the market calls for in order to function,'" he said, "That low rate was a little bit like that boulder out there in the middle of the stream. It just sat there blocking things and causing ripples and troubles and disturbances around. We needed to move that up, to get it out of the road, and let things flow."

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Robert L. Hetzel: That's interesting, because I know he liked that metaphor of a stream as a flow of credit. And when I came to work for the bank here --

Robert Holland: Well, let me finish the story.

Robert L. Hetzel: I'm sorry. Oh, no, no, no. I don't want to interrupt…

Robert Holland: Just two more things. And the three of us looked at each other a little bit, and funny, I've forgotten which one of us said, "You know, Mr. President, that's very interesting. But you know, technically, that is not quite an accurate analogy to the way the credit flows and rates would behave there." And he looked up to me with a quiet smile, and he said, "But it worked."

Robert L. Hetzel: Well that's amazing. So well, then they had an amiable news conference after that, so I guess it was the…

Hol. Yes. No, no. And it did work, then, as it took [inaudible 00:12:20].

Robert L. Hetzel: Martin's charm worked..

Robert Holland: And they had an amiable conference. Johnson was a smart enough politician to know he needed to put an amiable patina over what had happened down there, and Martin understood full well why the President wanted to do that, and why it was needed, and Martin handled himself so that he didn't say anything that was a lie, but he let the President put that cast on it, and so forth, and back he came.

Robert L. Hetzel: Then, well…

Robert Holland: Now, that's the most outstanding example I know of how Martin could relate to and smooth over the kind of situations where other people might get in all-sides bargains. In fact, that was part of the talent that got him named Chairman of the Board, because it was when he, as Assistant Secretary of the Treasury, was asked to work on the whole argument about the peg, that he managed to work through that whole negation process, and nobody was mad at him. President sure started out mad on that subject, you know. So it was -- he really had a gift at that. Now, your turn.

Robert L. Hetzel: Well let me ask you about the Board at that time, and the FOMC. The Board was pretty much split against kind of traditional members -- Al Hayes and Canby Balderston, and Shepardson.

Robert Holland: Well, what period in time are you talking about, here?

Robert L. Hetzel: '65.

Robert Holland: Yeah, okay.

Robert L. Hetzel: Who, you know, would have kind of easily gone along with anything to keep inflation down. But on the other side, by that time, you had Mitchell and Robertson, and Maisel. They were, you know, much more attuned to the economy and keeping the economy growing. How did Martin negotiate between those two groups? Did he take a position and then kind of decide between them? Or did he tend to try to find a consensus and kind of come down in between those groups?

Robert Holland: Well, so far as I know, he never negotiated with -- or that just wasn't his style. He may have chatted with Robbie while they were walking across the tennis court and back, or that kind of thing and so forth. But you didn't see a parade of Governors being called into the Chairman's office to talk about monetary policy. That wasn't Martin's style. He knew he had a division developing there, and so forth. And he did, so far as I could see, he did most of that working out of that what you might call a middle ground, right at the Board table, the FOMC table.

Robert L. Hetzel: He wouldn't have polled the members beforehand, to make sure he had the vote in hand? He wouldn't have talked to Dewey Daane…

Robert Holland: That just wasn't his way of operating at all.

Robert L. Hetzel: Seems amazing.

[00:24:50]

Robert Holland: On the international front, and you know, we were having to worry about the balance of payments, and the interest rate occasionally in those years. He and Hayes and Daane, when Daane joined that -- when oh no. No, no, I've got the wrong -- he and Hayes and I guess it was Balderston at that time, who was in on that discussion once in a while. We'd talk about these international hassles, and of course the treasury was right in there pitching and indeed Treasury Secretaries are known to repeatedly remind the Federal Reserve that the Treasury has say-so on foreign exchange policy, not the Fed. But Martin had very comfortable working relationships with the Treasury, that was no problem for him. So discussions about foreign exchange policy matters, or about the importance of what was going on in the international financial markets to Federal Reserve monetary policy decisions. Those I expect went on. The Treasury, I'm sure, pushed those kind of -- I mean, we had those kind of discussions. You know, there is that standard -- what used to be, in all those years, it was a standard Wednesday meeting between the Undersecretary of the Treasury on Monetary Affairs and the Chairman, along with a couple of the staff people. Well, several staff people, I assume. So that, there was plenty channel for there to be visiting beforehand and working out things on that kind of front. But on the domestic monetary policy front, I don't know of any -- certainly not any regular polling beforehand, I don't know of any people being called in to talk about it. I'm not saying it never happened. It didn't happen often enough for me to know about it. I do know that in those years, when I was Secretary of the FOMC -- well, yeah. That's what, the mid-'60s to '73. The Chairman, first Martin and then Burns -- I mean, part of my job was to have a sense of where things were going, and where, how -- not only what was going on in the economy -- I didn't, that was mostly Brill's job, but I did pay attention to what was going on in the financial markets. And I know that I talked to each of those Chairmen about how things were evolving, and they'd sometimes say to me, "How do you think the consensus could work out at this next meeting?" or, "Do you have any sense of changes in view?" or, "Do you think it's a time to try to pursue a change in view?" And part of my role, I was available to be talked to by every member of the FOMC, and I'd oftentimes get called by maybe one of the President's economic advisors -- I mean, one of the Federal Reserve Bank President's economic advisors to talk about something that happened or something like that. And governors, one after another -- not one after another, I don't mean that -- but I would often get called into a governor's office and say, "What's going on?" and, "What do you think" And do you, you know, part of my role was sort of to interpret what I heard, and what I was learning, and what I heard, to the chairman. And I never -- you know, now that was a tricky function, but I think the truth of the matter is I was trusted by people on both sides of that, and I never carried a story from one to another. I'd tell the Chairman what I thought might be a consensus, but I wouldn't't tell him what any particular Governor said about anything, and that kind of thing, and so forth, and that kind of thing. And they wouldn't ask me what I -- well, they might ask me what I thought the Chairman was doing, but I wouldn't really tell them. But I think that role was -- I tried my darndest never to break those lines of communication and confidentiality. And so far as I know, I was accepted that way.

Robert L. Hetzel: Well, I think that's the way it works now, with Don Kohn. I think it's a similar sort of -- takes a lot, you know, takes a special, patient personality to do that, which is good…

[00:29:56]

Robert Holland: Well, and people have to trust you, that they won't abuse what they say to you. You won't give them any bum steer, anything like that. I think the fact I spent some years in a Federal Reserve Bank before I came to the Board helped make the Reserve Bank Presidents accept me in that role. And I know it affected how I dealt with things in Washington. And I found myself -- I mean, more than once I found myself defending, you know, the workings of a decentralized system, and making sure that our processes were honoring that whole thing, and making the most of it. I think I was the first one to come up with the idea of the beige book, as a way of adding impetus to the -- impetus and a paper trail to the input form the Reserve Bank in the districts on economic behavior.

Robert L. Hetzel: I think you worked with Richmond on that project, that's something…

Robert Holland: Yeah. I had a friendly ear down there to start with, yeah.

Robert L. Hetzel: That Bob Black has mentioned, that our bank is proud of.

Robert Holland: Yeah, well he has every right to be. And now I think it's turned out to be a great economic and political advantage for this system, the Federal Reserve. Well, those kind of things -- I think that's as much as I know about any sort of touching base or polling in advance. I don't know of anything more than that that took place. I do know that when Maisel and Mitchell were on the minority, and maybe one or two others were on the minority, they'd occasionally get together before a meeting and talk about how they thought it might go and so forth. But I don't know that the Chairman ever organized that, or organized it with the majority, or with anything in between.

Robert L. Hetzel: Do you think the changing composition of the governors over time influenced the character of policy, and where the consensus came out so that -- I mean, I think it's pretty inescapable that monetary policy was more expansionary in '67 and '68 than it was in '62, '63. Do you think that was changing composition of the Board was a factor, and to do some extent, Martin moved with the center of gravity of the Board?

Robert Holland: I guess I'd say a little bit, yeah. The circumstances were changing too. Our international position was changing, and we were coming -- we were all, during these years, we were learning, progressively and gradually, the increasing significance of the international interaction in economies and financial markets and so forth. And that certainly put a little different color on things as we went along. Our analyses were becoming more disciplined as they became to be based more and more on econometric processing and so forth. The staff had more room to contribute, and of course with economists on the Board, the economists on the Board were interested in that kind of thing, and drew it more and more into the picture.

Robert L. Hetzel: You're suggesting that the international situation exercised some influence on the domestic side?

Robert Holland: I think so, gradually. It sort of gradually unfolded.

Robert L. Hetzel: In what sense was that a consideration, in terms of how you know, I don't know, pre-reserves or money market conditions…

Robert Holland: Well, I don't remember that explicit -- in those explicit kind of terms. What I remember more is the amount of concern associated with interest rate movement, the sense that some of them might have some international capital flow potential. I'm just beginning to get -- you can go back and read those minutes, at the time. It's partly we talked about it. Partly, it was just also a sense that wasn't there early, and that gradually began to emerge around the table as we -- and Martin had it early. He had a real feel for sort of these international relationships.

[00:35:02]

Robert L. Hetzel: Of course, in '61, the FOMC began to be concerned about the balance of payments, and for people like Hayes, that was an important consideration. Do you remember…

Robert Holland: Yeah. I don't mean to exclude that. I mean to say, I thought it got gradually increasing weight. We began to understand that the balance of payments was a way deficient was -- we came only very gradually and partially to understand that the balance payments deficit was in effect, one of the way excessive demand vented itself, instead of in price increases. But that you had to watch both of those in order to understand if you had excessive demand developing in the system. That kind of thing. That idea wasn't there in the '50s, as I recall. I wasn't that close to it in the '50s. But I don't remember it there. And starting really in '61, I remember the balance of payments discussion starting to emerge. And then, they just got a little more attentive and a little more attentive, and then of course we got into the '70s with all its problems, and then we began to think about it still more seriously. It was a gradual awareness, I'd say, that grew.

Robert L. Hetzel: Right, and I thought you were referring to some specific instance where the FOMC was constrained by the initial…

Robert Holland: No, no, no. There may have been some. That is, there may have been times when that was the margin that tipped it for Hayes or for Martin. Both of who -- and Martin, well -- Hayes would probably point to the balance of payments. Martin would be weighing the whole context of what developed, and he had a way of sort of speaking about the general situation, without giving the particular points that were bothering and remaining, and things that need to be changed. But I know the evolving international situation was increasingly important, in his mind.

Robert L. Hetzel: As long as we're on the subject, do you have any recollection in '61 of the debate that the FOMC went through on whether to take power in sterilized foreign exchange intervention?

Robert Holland: No, that was before I was -- well, I was -- we were doing some analysis out at the Fed of Chicago, but that was really between when I was there, and just coming down to the Board, and that was outside my range of responsibility, so I don't have much awareness of it.

Robert L. Hetzel: Okay, and I know that the Treasury was reluctant to go to Congress to get more authorization for the exchange stabilization, and they then turned to the Fed. And I've not talked to anybody yet who had any real knowledge of that period, it's one of the [inaudible 00:37:43]

Robert Holland: No, I associate that much more with Bob Roosa than with anybody else. And the -- if you want to talk to somebody about that, I'd say Bob Solomon is the best guy to talk to. His recollection on that will be much more sharp.

Robert L. Hetzel: Yeah, I've actually talked to Bob Solomon, but that was somewhat before he -- he was doing, I think, capital markets then.

Robert Holland: Oh, that's right.

Robert L. Hetzel: But I am going to talk to Dewey Daane, and he was Roosa's assistant at the Treasury then, so I should probably get some information from him, but I haven't done that yet.

Robert Holland: Yeah, yeah. It was a very ingenious idea that I think served us well, even though if you look in the record you'll see a couple of times when I thought we didn't quite handle it right.

Robert L. Hetzel: The foreign exchange intervention.

Robert Holland: Yeah, yeah.

Robert L. Hetzel: So what are you referring to, in the record?

Robert Holland: Well, I remember, once I was on the Board and had the voice of the Governor repeatedly challenging the manager of the Foreign Open Market Account, Charlie Coombs, to pay off a Swiss swap that had been drawn on months and then years earlier.

Robert L. Hetzel: Yeah, I remember, that's about where I came in, in the'70s. Yeah, I remember that.

Robert Holland: Charlie was proud as a peacock that they never lost any money on any swap. And I said, Charlie -- I would argue, well, I made the case to the committee. I said, "Look, we evolve the swap," and the swap is built on the idea that it deals with, it helps to dampen short-term temporary movements and to cushion the edges on them and so forth. It shouldn't be used to deal with what turns out to be a long-term, a more chronic imbalance. And we shouldn't apologize for that. That's the way the instrument is. And I said, "Charlie, the Swiss one, we tried, and we tried to deal with a temporary situation that looked like it was helping it for a while. It's turned out to be more chronic. It's time to pay that off, in the interest of being true to the intentions and the design of it from the outset. Pay it off and take our losses." And Charlie hated doing it. I remember, it was after I left when they got him…

[00:40:02]

Robert L. Hetzel: Yeah, I think it was '75 or something.

Robert Holland: Somebody mailed me the [inaudible 00:40:05] page that described the decision, because I tried to be such a hair shirt to Charlie. But I said to him, I said, "Look, I think you're starting to prejudice the very intellectual basis on which the swap lines were established, on which they're accepted, and on which we want them to continue. That's very important, that intellectual basis, and you're mortgaging, you're detracting from it by keep this debt in there.

Robert L. Hetzel: In terms of kind of Martin's position, you know, of course publically he has had a reputation as a strong anti-deflationist. But in terms of the Board and where he fit, was he -- in terms of how he himself would try to balance off real objectives, growth against inflation, would you put him to the middle, or to one side?

Robert Holland: Yeah, no, I'd put him in the middle, basically. And I think by and large, that was a position with which he was comfortable.

Robert L. Hetzel: And that was because he liked consensus? Or it was just, you know, kind of the way he looked at things?

Robert Holland: No, I'd give him a little more credit than that. And I'd give the members around the table more credit than that. It seems to me time and again, what happens in this kind of system of ours is we're running along on one level of policy focus and so forth, and then the economy starts to act in a way that upsets one member of the FOMC enough to start talking about doing something about it. And then a second, and a third. And those are all knowledgeable individuals, and someone may be drawing on more powerful ideologies than others. But as you watch that number spread around the table, that's very important economic intelligence. And I think that's the way Bill Martin took it. He also had the Chariman-ly role of evolving a consensus around that table, and he knew -- he had a very clear recognition, he had one vote out of twelve. And he regarded it as his responsibility to develop a responsible, solid consensus. I think that's one of the reasons he spoke last. I never recall him giving a strong policy speech saying which way he thought policy ought to go, in the beginning.

Robert L. Hetzel: So he never interrupted, to try to get things on the track?

Robert Holland: Well, he might ask a gentle question or two. But he didn't have any of the kind of forcefulness like Volcker did. And indeed, he wasn't even as forceful as Burns in that respect. I think he regarded it as his primary job to develop out of those rotating twelve people around the table a consensus that can endure. And he would regard it as a -- it bothered him, when he had a big division within it. And he would work to try to narrow that gap. Develop mutual understanding

Robert L. Hetzel: Well, he had his work cut out for him, because he had a very diverse group of people there.

Robert Holland: Well he did, in what, the latter '60s, yeah. The earlier '60s, I don't remember that. I mean, there would be an outlier now and then, which didn't bother Martin.

Robert L. Hetzel: Yeah, Mitchell, for example…

Robert Holland: Yeah, or Robbie, or one of those. But no, that didn't bother him. But something that looked like a sizeable division, 50-50 or 60-40 or something like that, he worked hard to try to keep that from continuing. By working hard, I mean, you know, in the analyses, and as we were developing the Bluebook technique to sort of provide descriptions, you know, of alternate courses of FOMC policy -- you know, directions the manager might take. And that was one way -- while it was our idea, he liked it, and it was one way to sort of bracket in the range of responsible differences of view. And to give people a sense of what might go along with it, and so forth, and that kind of thing. He was a consensus-builder, as well as a clarifier, I think, in his mind.

[00:44:57]

Robert L. Hetzel: And well, presumably he thought it was important to present a unified view to the rest of the world of what the FOMC had decided. I mean, you…

Robert Holland: I think that's right. I think that's right. And while I don't have any recollection of specific orders -- well, he's not the kind of guy who dished out orders. I think it was -- he made it clear to people that he thought we ought to try to work out our differences at the table, arrive at the best decision we could arrive at, and then support that decision in what we say is public. Because we're servants of the committee, and if the committee decides something, that's what we should be talking about. And I know, for some individuals that was awkward, and they didn't, but most people respected that kind of feeling on his part. Because he was a likeable individual, as well as a Chairman, who they didn't really want to -- they didn’t like overturning. They didn't like, say, not going along with something like that, that's a request earnestly made. We were very well aware that the Chairman, episodically, was taking a lot of heat from one side or another on the political pressures that wanted things done different than we were doing, and I think the other members of the Board, and of the FOMC appreciated the fact that he was having to hold that front and he needed as little ammunition, provided by dissatisfied non-voters, as his conscience would permit, because that was a darned hard role to play.

Robert L. Hetzel: Yeah, I had one President tell me that he remembered Martin saying once that, "Look, I'm under an enormous amount of pressure on this, and I'd like to do more right now, but you know, I'm doing everything that I can do," and you know, people respected what he was…

Robert Holland: That's right. I think people took him as a honest man, who was saying the way…

[00:47:18]

[END TAPE 84, SIDE A]

[START TAPE 84, SIDE B]

[00:47:21]

Robert Holland: Once in a while he would personalize it, as you just said. But…

Robert L. Hetzel: Well, I get the feeling, from what you've told me, less than more recent Chairman's -- I mean, I know a number of times our principals have come back and said the Chairman has asked them, "Look, I have to have a unanimous vote on this." And you know, of course the committee goes along, because they know the Chairman is not going to abuse that. I get the feeling from what you said that Martin was able to get to the consensus before, in a way.

Robert Holland: I think that's right. There might have been once or twice -- oh, gee, now I'm not sure which of the Chairmen I'm remember it of, maybe whether it was him or Burns, who said, "Let's strive for a unanimous vote on this one, because this is an important decision." I think maybe that's Burns rather than Martin.

Robert L. Hetzel: That could have easily been Burns.

Robert Holland: But it wouldn't have been out of character for Bill Martin to put it that kind of way. Not saying, "I've got to have it," but, "In this kind of situation, this is important. Let's see if we can't find a basis on which we all can agree here before we go ahead." That kind of thing.

Robert L. Hetzel: Do you feel like he ever got far away from administration thinking? My reading, when I go back to the '60s, is that he was pretty good at difficult times. He was pretty good at convincing the administration's economists of, you know, that the Board's position was a pretty good…

Robert Holland: Well, it depends when you mean. I think he was, from 1965 on, we were repeatedly -- not every meeting, because there were some ups and downs in the economy in the last half the '60s. But through most of that terrain, we were running a tighter policy than President Johnson liked. Now, some of Johnson's economist advisors I think, were -- I don't want to say were on our side -- had a view of the economy that coincided very closely with the Fed's own view of what was happening and what the problem was.

Robert L. Hetzel: Well as long…

Robert Holland: But Lyndon? No sir. He did not -- easier is better, was I think the spirit. And don't' tighten. Don't rock the boat. Don't tighten. Easier is better, was a pretty consistent description, I think, of how Johnson felt personally, even though some of his advisors wouldn't have put it in those terms.

Robert L. Hetzel: Was there the feeling that Johnson just might have sent a letter to the Chairman of the Banking Committees and said, "Hey, let's change the Federal Reserve Act. Let's open this up and never get back to that point," or was Martin able to finesse it?

Robert Holland: I know Martin worried about that. Because after all, right, Patman's a Texas representative, and Linden was from Texas. Martin worried about Congress and an unhappy President ganging up on the system and taking away bit-sized chunks of its independence. That worried him a lot.

Robert L. Hetzel: Well, it worries every Chairman. That's why he's Chairman. I suppose '66 was the first year where Congress, apart from a few individuals, really became aware of the Fed, and perhaps hostile is a good word. Even though the slowdown in '66 was -- major unemployment never rose. Housing fell -- housing starts with 50% at the time.

Robert Holland: Oh, we took some real heat at that time. What we thought was real heat. Looking back, you can see how much more heat developed in the more extreme conditions that came along in the '70s and early '80s. But at the time, that felt like a lot of heat.

Robert L. Hetzel: Well it was, because of the housing. And then you had Reg Q, and all that. Couldn't raise Reg Q more than a -- what, the S & Ls had to have a quarter of a percentage point advantage, so that kept us from -- anyways…

Robert Holland: Yeah, no, we had all those kind of things that looked important at the time, even though the problems associated with them got to be more intense, you know, over the next decade and a half.

[00:52:16].

Robert L. Hetzel: Let me pass this by. This is just conjecture. Looking at that period, and especially thinking about the period from summer '67 through summer or fall '68, I had the feeling Martin would have liked a policy mix of a tax increase, without too much of an increase in interest rates. That would have dealt with the housing problem, it would have dealt with the problem of Vietnam expenditures. And he was willing to lobby and work with Congressmen, as long as there was, you know, there was a possibly that that would work out. That if we went ahead and raised rates sharply, then Congressmen would say, "Oh, we don't have to raise taxes. The Fed has tightened for us." Was there any of that lobbying on Congress going on, that you remember?

Robert Holland: I think, I don't know for sure. But I do believe that Bill Martin was a strong spokesman for tightening up the fiscal pressures. He thought he saw expending totals coming out of the government, he saw programs coming out -- he thought the government needed -- he felt with increasing intensity, I think, that the government needed more fiscal restraint on itself, both for the macroeconomic reasons of, you know, dampening down aggregate demand at those periods during that last half of that decade, when that was appropriate. But also as a political discipline of, you know, so that people don't think these programs are free lunches. And that -- so I think he talked often to people on Congressional committees. I'm sure he talked in line with the administration, that kind of thing.

Robert L. Hetzel: Who was head of the Senate Banking Committee then, do you remember? I'm trying to remember. Patman, obviously was head of the House.

Robert Holland: Let's see, that was pre-Proxmire, wasn't it?

Robert L. Hetzel: Well, presumably he had good relations with…

Robert Holland: He had better relations with the Senate by quite a bit, than the House. Who was it..

Robert L. Hetzel: Who was Sparkman,? Fulbright and Sparkman, when were they…

Robert Holland: Yeah, that's who it was. That's who it was Fulbright and Sparkman, in order. And…

Robert L. Hetzel: So presumably, I would think, given their intelligence, he would have had good relationships with them

Robert Holland: He did. Well you know, as I said to you, I think Martin had good relations with virtually everybody. He was very good at it. There are some academics for whom his style was an anathema, and were critical of him, but as a person, even then, usually responded to -- I won't call it the Martin charm, that sounds too contrived. I'd just say…

Robert L. Hetzel: Well, he was genuine.

Robert Holland: He was a genuine, courteous, kindly person, he did the right thing. He just was -- I said to you, he was gifted in the way he relates to other people.

Robert L. Hetzel: Like Volcker, I guess, in that respect.

Robert Holland: Oh no, they had very different styles.

Robert L. Hetzel: Okay, well we'll get to that later. Okay, so I think everybody would agree that monetary policy was expansionary in that period, from '67 through fall of '68. Was it just a question of the pressures that the Fed was under, and the difficulty of working rates up, or was it kind of a split within the Board at the time, of priorities?

Robert Holland: Well, remember, we had an economic slowdown there, in '67.

Robert L. Hetzel: Right, in early '67. Although, it was more of a -- I'll say, the unemployment rate never rose, and the inflation rate only got down to about 3%.

Robert Holland: No, no. That's right, that's right, that's right. And then when the expansion did start -- remember, that's another one of those times when some of the inflationary period was pressure was siphoned off in a rising balance of payments deficit. And that -- because that didn't show up on the price indices, that meant for those members of the FOMC who were not strongly attuned to the balance of payments, the evidence didn't call for as tight a policy as with 20-20 hindsight, you can see is needed. Our policy looked more expansionary than it seemed, in their eyes, at the time.

[00:57:42]

Robert L. Hetzel: It seemed less expansionary that it, in fact, was.

Robert Holland: I'm sorry, that's right. It seemed less expansionary, so it seemed appropriate to run a more expansionary monetary policy, because you saw less addition of upward price pressures.

Robert L. Hetzel: So you think basically, the monetary policy in that period, last part of '67 through '68, that's basically what the FOMC wanted?

Robert Holland: Well, yeah. There were some differences of view, and some of the -- there were some members who thought staying easier longer was wise, and some others who were getting uneasy, and some things. But I would say, in general, the committee got what, as a consensus, it wanted.

Robert L. Hetzel: What about the…

Robert Holland: And see, that fits with the way Martin dealt with the committee, and the way he handled it and so forth. He, in his own way, you know, recognized that evolving consensus, and allowed the committee to move along that kind of line. He might say some cautioning words and so forth, but toward the end of the meeting or in talking about them, before he describes what he thinks the consensus is. But he never tried to change -- to my recollection, he never tried to change the FOMC's position drastically.

Robert L. Hetzel: So, for example…

Robert Holland: He might say, "Well, it seems to me like maybe in these circumstances," you know, maybe he'd say, "Well, maybe a little bit more time would suit the situation." Watch it very closely instead of saying, "Well, let's go ahead and move," or then he might say, "Well, it sounds to me like it's time." Those are the kind of -- that's the way he'd deal with that kind of thing, in terms of getting people ready for a consensus at the next meeting, or something like that. We were still behind the learning curve, I think, Bob, in terms of our awareness of how long-delayed the effects of monetary restraint might be, and well, we learned some more painful lessons in the '70s, and so forth, that make them now, I think, much more attentive to moving early, and so forth, in order to start something, because you've got a long lag before this monetary restraint ship you're launching can get turned around, and so forth. We did not have that long -- we talked about lights, but we did not think in the time dimensions I believe that they do now. I mean, I think, and they were right now, and we were wrong then.

Robert L. Hetzel: The FOMC, for example, moved very quickly to raise interest rates after the '58 recession ended. I think they went up 3.5 percentage points. It moved relatively more slowly after the slowdown, first half of '75 ended. So you think that wasn't so much a change of attitude on Martin's part of the…

Robert Holland: I don't understand -- I wasn't close enough to things to understand that '58 episode, quite. I can't use that as a base for judging the '75 one, you know. I remember in '75, we thought we were…

Robert L. Hetzel: I'm sorry, the '68, '67. I get mixed up between '60s and '70s.

[01:01:46]

Robert Holland: Yeah, all right. We did do that, and so forth. Then the comment I was going to make doesn't apply to '68. But we -- I don't know. My recollection for that tail end of the '60s period is a committee got about what it was asking for, as a consensus. Albeit, it had these two different points of view emerging increasingly strongly. But in all -- I shouldn't say emerging increasingly strong. It had, you know, more people gradually getting more and more interested in paying some attention to the monetary aggregates, and the Chairman in articulating the consensus, took that into account. And took their point of view into account and so forth, as he granted the consensus that was developing and so on. So, as expressed, the consensus that was developing. I think Darryl felt he was often ignored completely, Darryl Francis. And as so long as he was alone, sometimes I think that probably was so. That is, that his voice by itself did not -- he had talked, he shouted wolf, wolf, so many times that it lost some of its impact. But when one or two other people began to come along and talking a little bit more in that direction also, then I believe the consensus started to modify a bit to take into account some of those views. Even though the language of the directive and things like that wasn't always so. I've kind of forgotten when I started writing -- I usually drafted those things. And I've kind of forgotten when I started putting monetary aggregates into the language of the directive.

Robert L. Hetzel: Well, there was a proviso…

Robert Holland: That's right. That's the way we first did it. And at first, it was there in words without a lot of content. It got increasing content as time went on.

Robert L. Hetzel: Well as you say, the Bluebook, that would have what -- '69 or so. '68 or '69, that came in. I can check that easily enough.

Robert Holland: Yeah, I don't remember the -- I thought it was a little earlier. Might be now…

Robert L. Hetzel: Well, I'm thinking about the alternatives. The ABC thing.

Robert Holland: Yeah, that's right. The alternatives came a little later.

Robert L. Hetzel: Yeah, you're right. The Bluebook replaced something called, I don't know, reserve aggregates in '66, or something like that. That was early. Okay, well then the summer of '69, there was a clear consensus that monetary policy ought to tighten, that, you know, that the priority ought to be inflation. I guess that was pretty much, there wasn't much dissent about that.

Robert Holland: I haven't looked at the minutes. And maybe you have, but I don't remember much by that time. There are many differences over the degree of tightening, but I don't remember disagreements as to the wisdom of tightening, yeah.

Robert L. Hetzel: So, that's kind of where Burns comes in. Was your first contact with Burns the February 1970 FOMC meetings, or had you had some contact with him before then?

Robert Holland: I recall -- well, a little bit. He was on the Council of Economic Advisors, of course.

Robert L. Hetzel: Right, '56 was the first four years of Eisenhower.

Robert Holland: Yeah, yeah, I didn't have anything to do with him then. But the latter time -- I didn't have anything to do with him personally. I just knew who he was, and I'd been in meetings where he was, and that kind of thing, and so forth. But when he came in, I had no really background of working with him.

Robert L. Hetzel: Do you remember the first…

Robert Holland: Everybody else, we had to learn.

Robert L. Hetzel: Do you remember the first FOMC meeting? According to Maisel's account, as of the January 1970 meeting, there was still a consensus that the Fed ought to keep the funds rate unchanged and high until inflation actually came down. And then at the February 1970 FOMC meeting, Burns came in and basically went head to head with Al Hayes on that issue, and moved the consensus of the committee to what McCracken called gradualism, toward trying to bring inflation rate down in a much more gradual way. Do you have any recollection of that? Does that ring a bell at all?

Robert Holland: I've got recollections of an intense exchange, but I don't recall the degrees of the difference that it made.

[01:07:16]

Robert L. Hetzel: Well, policy did begin to ease after that. Rates started coming down somewhat. Although, in 1970, monetary policy, you know, was pretty monitored. It was like.

Robert Holland: Well it depends -- right, I guess that's right. With either major, wasn't it?

Robert L. Hetzel: Well it was like, I guess -- I don't know. M1 growth was like 2% in 1969; it was like 4.5% in 1970. So it was gradualism, but with some reduction in interest rates. Did you have a….

Robert Holland: But remember, Burns, while he was no monetarist, had some appreciation of the intellectual merits of paying some attention in that direction. And Hayes was still very close to market, and he felt -- I mean, it was not an intellectually dishonest position. He felt, and his colleagues at the New York Fed felt that you could achieve whatever changes you need in the overall monetary atmosphere by looking at rates and by working to change rates, through the market devices that we had, working through the Fed of New York. And so Burns had, at that 2% money growth in '69 weighed a good deal more in Burns's analysis than it did in Hayes's. And I give that more credit than some -- some people try to give that this political credit, this first intense thing. I, frankly, I give that -- What'll I say? Somewhat enhanced attention to the monetary aggregates, I credit also for that exchange. And Burns, of course, knew full well that the way he handled that first meeting would be a very important element in creating the atmosphere of how he would handle the FOMC, and how it would deal with him. And he was very aware of that part of it, of what was going on, you know.

Robert L. Hetzel: Yeah, apparently from then on, I guess his relations with Hayes were pretty curt. But you mention, you know, Burns's awareness of, you know, monetarist thinking, but wasn't his kind of -- weren't his views -- did you have the feeling his views changed somewhat, in 1970, as the unemployment rate continued to go up, and without any appreciable fall in the inflation rate? Actually, I think the inflation rate continued to rise somewhat. Did he begin to think of inflation more as kind of, cost-push and, you know, a problem with [inaudible 01:10:30]

Robert Holland: Well, I think a little bit. Remember, he was a first-class student of economic data, and he consumed economic data in big volumes. The staff groaned under the volume of requests he would produce for more detailed data, and evidence on this point and the other. And those kind of changes, like the ones you're describing, were registering clearly on his needle of what was going on in the economy.

Robert L. Hetzel: Yeah, that's a good way to put it, yeah.

Robert Holland: And they weren't registering on Hayes's, as much. And also I think at that stage, Hayes may have been more influenced by our international financial situation than Burns. And that's not so surprising. I mean, after all, that's a -- sitting up at the head of the Fed of New York, your nose is closer to the grindstone on that whole kind of thing. And he was concerned about that whole balance of payments, exchange rate situation. And there was reason to be concerned. And I don't mean Burns paid no attention to it, I mean on the relative scale of things, I think it carried more weight on Hayes's scales than it did on Burns. And that shouldn't really surprise anybody.

Robert L. Hetzel: Sure. How do you read Burns's advocacy of an income policy? I guess, initially, it was [inaudible 01:12:13]

Robert Holland: Bob? Bob? Bob?

[01:12:16]

Robert L. Hetzel: Yes? Oh, hello. I'm sorry. Hello.

Robert Holland: Hi.

Robert L. Hetzel: Hi. I'm sorry. I must have pushed something. Are we still on?

Robert Holland: Yeah.

Robert L. Hetzel: Okay, I must have pushed something that must have somehow…

Robert Holland: Well, like monetary policy, it's easily reversed.

Robert L. Hetzel: Yeah, right. Well, I don't know about that. Once you start moving the funds rates one way or the other, it's not so easy to change the rap sheet.

Robert Holland: Well, technically you can change it overnight.

Robert L. Hetzel: Technically, but anyways. Maybe get to that later. So, how do you read his advocacy of pay board to incomes policy?

Robert Holland: Well, there -- I think, to some extent, he had two hats on. He was, you know, he had been an advisor to the President on those kind of things. I think he regard -- you know, these, market interferences were rubbed against his fundamental philosophy, but I think he felt there were also rigidities in that market, that might need special attention. In this area, I don't know how much the political considerations of the situation with the administration. Haven't got any idea how much weight that carried with him. He never talked about that to me. It didn't enter into our discussions.

Robert L. Hetzel: Well people have very different opinions on that. I think probably if there was a middle position it was that he wanted to be a player with whatever administration was in power, and he didn’t want to be a player to be an influence. He didn't -- he couldn't be too far from the consensus, so as long as he thought that, you know, monetary policy could achieve kind of the general objectives that were desired -- kind of, you know, low unemployment with moderate inflation -- that that was an influence. You know, he was not -- because, if he had kind of approached these things ideologically, you know, taken a position that could consistently isolated him, he wouldn't -- I think he felt like he wouldn't have had an influence that he could have otherwise. I mean, to me, that's kind of what I read as a middle position.

Robert Holland: Well, I think that's -- I think there's wisdom in that. I don't think he's -- some people think he's a man who hungered for power. I never saw him in that kind of way. He may have had some of that in him. I think he felt there was a limit to how far he could go, while he was Chairman of the Federal Reserve Board, and that touching anything that was political, and that kind of thing, he was very careful about that, and very often with the Secretary of the Treasury and his deputy. On the other hand, I think he also felt that, for the Federal Reserve -- he liked, he respected the Federal Reserve as an institution. He was enough of an economic historian to recognize the innovation it represented. And I never heard him fuss and say he wished it was designed radically different. Whether I think he felt like he was the steward of the Federal Reserve System. And he was -- I wasn't sure how he'd feel, for example, about the independence of the Federal Reserve. And I think probably some other people weren't either, when Bill Martin had been such a sturdy defender of it,that we wondered how it would be when Burns came over. And I saw Burns taking that to heart, and really arguing strongly for it. And I think part of what he -- at the time, he spent with Congress and so forth, he was doing what he felt was strengthening the support for an independent central bank, and an independent Federal Reserve System in the Congress. And within those in the Administration who weren't so persuaded by it.

Robert L. Hetzel: But there was very little support for an independent monetary policy, either within the administration or within Congress at that time.

Robert Holland: That's right.

Robert L. Hetzel: Obviously, Patman was wanting to put on his own budget, and all of his things…

Robert Holland: No, no, that's right.

Robert L. Hetzel: Well, Proxmire later criticized…

[01:16:13]

Robert Holland: Well I'm sure that part of what Burns was doing, he was trying to deal -- in his position on the Wage Board and some of those other things -- he was trying to do deal with some of what he felt were rigidities within some of the submarkets that were leading to, well, a higher level of unemployment that you'd like, and leading the people to call for easier money, which he thought would be a mistake, but he was trying to point to things that could be done to reduce what we would now call structural changes, or structural innovations, so that the monetary policy wouldn't be either asked to do so much to lower unemployment, or berated so, because the unemployment rate wasn't going down enough.

Robert L. Hetzel: Oh sure. So, I mean, every Chairman needs some way of diffusing criticism, and so you know, you've got the deficit that you can talk about. I mean, you got to somehow throw the ball back to the other person's court and say, "Well, look, I'll take care of my business, you take care of your business." You want to do something about inflation? Well, you know, you got the deficit. I mean, it's…

Robert Holland: Burns, I think, felt more comfortable than some of our other Chairmen at pointing to some of the rigidities or sticking points inside the structure of the economy. That if those were appropriately dealt with -- and that shouldn't surprise anybody. After all, that was the whole part of his professional experience.

Robert L. Hetzel: Well let me -- I want to get more exactly what you were talking about earlier, his view of himself as the steward of the Federal Reserve System. So you think that the extent that Burns was pushed away from his own preferences, it was at times when he felt that Congress with the -- you know, and there was some real chance that the Federal Reserve Act might be opened up again, and the structure, you know, the whole thing could be thrown away in the heat of the moment.

Robert Holland: That's right. He sometimes -- that's right, I think that was a sincere concern of his, and he didn't want it to happen on his watch, and he had is -- you know, when he was responsible for the system, he didn't want that kind of thing to take place, and he tried hard to forestall it. Once in a while, he'd remind the other members of the FOMC and the President about it and so forth. Now, he didn't -- defending the Federal Reserve System, The Federal Reserve, the central bank, didn't mean he was as natural or dogged an advocate of the Federal Reserve Banks, and their roles, as was Bill Martin. That came naturally to Bill Martin, and Burns didn't think that part of the Federal Reserve Act was wrong. He did squirm once in a while over some of the hair shirts the Reserve Bank president's tried to put on him.

Robert L. Hetzel: Well, yeah. I…

Robert Holland: I guess I should say, and vice versa.

Robert L. Hetzel: I came in shortly after that, and there was friction. The Reserve Bank Presidents did not like asking their Directors to lobby over this GA or Audit Bill. There was some resistance to calling their friends, you know, as part of the CID program, you know, to limit interest and dividends. And some of the Reserve Bank Presidents felt like they were set on at times. Obviously, St. Louis is an example, but there were other examples too. Boston sometimes had differences. Our President always tried to get along but, you know…

Robert Holland: Well, I think your President usually had some sympathy for the kind of problems that he was trying to deal with, and may not always have thought that Burns had chosen precisely the right calibration for whatever action was being asked for. But, was understating of the kind of situation Burns was trying to fend off, on behalf of the system. Burns didn't always explain that he was doing this in terms of preserving the Federal Reserve independence, when he talked to the Reserve Bank Presidents and so forth. He tended to start with what he thought needed to be done. But he was -- he did not have Bill Martin's easy, genial, you-can't-help-but-like-the-guy way of operating.

Robert L. Hetzel: Yeah, that's…

[01:22:16]

Robert Holland: And frankly it got to the place where, I know, on a number of issues, I got involved, because in the interest of trying to be a middleman, kind of quieting some of the rough waters, and smoothing things along.

Robert L. Hetzel: Yeah, well there was such a contrast with Martin, people about Burns usually said, "Well you know, at times he would come into meetings with his mind already made up." And whether that was right or wrong, it was a very different kind of…

Robert Holland: Well, yeah. And I think that's typically true. That is, Burns was an analyst, you've got to remember. And he worked hard at his analysis, and he'd drag in Chuck Partee, and Lyle Gramley, and me in sequence, or at various times, working over the economic evidence, working on the financial market evidence, working on this international side, and how much it should be considered. He worked hard, intellectually, on that kind of thing, and he'd come up with an analyst's judgement of what was the situation, and certainly what the economic situation was. And oftentimes also, I think he had some sense of what precisely he'd like to -- would be the right kind of monetary setting for the next committee meeting. He was analytical, and he was a guy who tended to plan ahead, and I think he oftentimes came in with that kind of mindset. Once in a while, he had to budge a little bit.

Robert L. Hetzel: Well, he had a personality where he was used to controlling the environment in which he existed. It came from being so smart, intellectually, and it wasn't -- oh, I don't know, it wasn't quite the Federal Reserve culture, or at least the people were used to…

Robert Holland: Oh no, oh no, no. But remember, after all, the atmosphere Bill Martin created was not the one Mariner Eccles created either. I mean, Bill's was probably the most…

Robert L. Hetzel: Well, Volcker for that matter, too. Volcker tended to dominate, although in a different way than Burns. While they each got what they wanted, but in somewhat different styles. There was -- I suppose the height of the concern came in early '72. The FOMC had moved toward reserves available to support private deposits, and when -- I remember, well actually I don't remember, because I came a couple years later, but when I worked through this period, we talked about you know, at FAC meetings, and that kind of stuff. As soon as the funds rate began to rise significantly, Burns stopped. The rising experiment never got off the ground. I think that was a period of time where there was some feeling like Burns just overrode the committee's procedures. I don't know if you have any recollection of that, that period.

Robert Holland: Well, I remember the discussions, and the tug-of-war on that kind of thing, and as I recall, we were getting conflicting signals from our -- the addition of the alternative ways of dealing with monetary -- judging first its ease, or tightness, and then doing something about it and so forth. And the -- my recollection there is that -- oh, let's see. I got to pause and think some more about that episode.

Robert L. Hetzel: Oh, sure.

Robert Holland: There's one meeting that stands out in my mind, only because it's been so -- it got talked about, and so on. But I'm trying to think of the period as a whole.

Robert L. Hetzel: Oh, that was the Fortune Magazine one?

Robert Holland: Yeah.

Robert L. Hetzel: We've been over that, too. Yeah.

Robert Holland: My standard answer to that is, look, when Burns went out of the room, I'm the guy he took with him. And I didn't hear him call anybody, or I didn't hear him get a call from anybody. Right in his office.

Robert L. Hetzel: What Bob Black said was, during the break, Burns went into a room with a couple of his advisors. They were trying to put together a consensus.

Robert Holland: Yeah, I was one of the guys.

Robert L. Hetzel: You know, it was a perfectly normal thing to do. They didn’t think anything about it. But then that was misinterpreted. I guess.

[01:27:15]

Robert Holland: I think that's right. But I'm one of the guys that he took through the door with him. To sit down and try to thrash out a consensus. And it was hard, but we came up with one.

Robert L. Hetzel: Yeah, was that August '72?

Robert Holland: I don't remember. Sometime that summer.

Robert L. Hetzel: So anyways, the whole thing was absurd.

Robert Holland: It was a tough -- well I think, no. I think the wrong presumption had been made about what happened when he went out that door. But that's not the first time that's happened to institutions. That was tough times, working our way through there, and the fact that Burns was attuned as he was to the underlying performance of the underlying economy, I think -- oh Gosh, Bob. Somebody's at the door.

Robert L. Hetzel: Okay, well, 1972. To what extent did Burns feel like the wage and price controls would work to keep inflation down. Did he place a lot of confidence in those, so that would have made a difference in the kind of monetary policy he was willing to follow?

Robert Holland: Careful. What he said about that. At least in my hearing on that kind of thing. I know he didn't think they were a permanent solution to a problem for an economy that had too much steam in it. And I think, like a good soldier, he was careful not to badmouth in places. I think he -- my recollection of the discussions that I had with him, which weren't very often directly on that point, but was it -- well, they might help for a time. They might have some temporary help, and indeed, because of his feeling, there were these sort of scriptures and rigidities and structural cost-push linkages that are stronger than they ought to be in a free economy that maybe by braking some of those, B-R-A-K-I-N-G on some of those, he could hold inflation down to a -- he, you know, the government could hold the inflation down to a lower level than would otherwise develop. And of course, again, he saw these as a, to some extent, a partial alternative for tighter money. And not very much of one, but a partial one, I think. And his arguments for their support, and the strenuous way he threw the Federal Reserve into its part of those activities was partly to do our best to hold down those kind of forces that might kick up and start off a sharper price spiral. And also, to show our earnest intentions to try to help, as the good citizens and good parts of the government, and help in those things, where we could, on that kind of thing.

Robert L. Hetzel: He did think that unions could kick off a wage price spiral. I mean, he was especially concerned about construction.

Robert Holland: I think he thought they could ratchet it up, that's right. Kick it off -- well, I don't remember him using those terms. I don't want to exclude it. I know that sense that they could push it up and make it harder was one of the factors influencing him. But you know -- and we went into those successive sort of market interventionist activities, you know, the credit -- what were the initials we used for it?

Robert L. Hetzel: CID?

Robert Holland: CID, yeah. And the Voluntary International -- oh boy, I don't even remember quite how that goes now. Well, we were trying to hold down the balance of payments with that control on international credit extensions, and so forth. All those were approached -- you know, he put Robertson in charge of that, and Robbie was no lover of fixed controls, but Robbie worked like a Trojan to do the best he could with it. And that was the spirit at that time, as I recall.

Robert L. Hetzel: Were there times in '72 where you felt like if interest rates rose too sharply, that would cause a destruction of the consensus that kept the wage and price controls going? Laber did walk off in the spring of '72. I mean, did he felt like that leg of the stool would disappear if there was a feeling that, you know, that equity was lacking, that, you know, interest rates would go up too sharply and that may have been a factor?

[01:32:30]

Robert Holland: I don't remember him saying that. I never heard him say anything that was contrary to that, either. And a lot of what we were doing was with an eye on Congress. By that time, we were into the P&P period, or Proxmire and Patman. And they were giving us an unpleasant kind of distracting fits, you know.

Robert L. Hetzel: Well, he did want Congress to extend the controls I think, and he was concerned that there wouldn't be support if it looked like the Fed was…

Robert Holland: I think that's right. That's right, that's right. And the reason he wanted those controls extended is, I think, goes back to what I said to you earlier. It wasn't that he thought they were such an all-fired success. It had -- we needed to be, for that, as good citizens of a government, we needed to be for that, because without that, we'd have even more pressure on monetary policy. Need to increase the rates on the one hand, and fiery attacks from people who didn't like high interest rates on the other. So I think he thought he was serving at least those three purposes as he took the stand he did.

Robert L. Hetzel: And wasn't there a consensus at the time that 6% unemployment showed considerable slack in the economy, and as long as you have that slack, that would keep the inflation rate moving down?

Robert Holland: Well, my recollection is it wasn't quite that clear. At least, I think -- I believe there were some members of the committee who just thought yes, it's there in slack, and if we can run an easier policy, that slack will pull those people into the job market. I think there were -- and there were others, I think, at the other extreme, who were not sure that was slack anymore. And I think there were people in the center, and this is where I tend to think of Burns's comment, on the feeling that…

[01:34:38]

[END TAPE 84, SIDE B]

[START TAPE 83, SIDE A]

[01:34:41]

Robert Holland: **--**so that unemployment would be able to go lower without generating inflationary pressures.

Robert L. Hetzel: Right. That was kind of a common way of affecting--of course, Burt never would have used the terminology, “Phillip’s Curve tradeoff”.

Robert Holland: No. I bet it wasn’t his favorite.

Robert L. Hetzel: That was a common way of expressing it. And it wasn’t until December of ’72 that the FOMC actually saw number on unemployment that fell below six percent. And at the time, you know, against the background of the 60’s where unemployment got down as low as almost three percent. That was viewed as…

Robert Holland: It was thought of as high.

Robert L. Hetzel: Yeah. You know, there was considerable excess capacity in the economy.

Robert Holland: Yeah, and it made it--it clearly was one of the things that made the committee move more slowly than--with 20/20 hindsight we’d have been wise to move entirely independent of political pressure.

Robert L. Hetzel: Well, in terms of politics, some people like Steve Axilrod have said that the Fed doesn’t change interest rates before a presidential election as a way of staying neutral. In fact, later on Volcker did push rates up before the ’80 election. But at some point, would that have been a factor? Feeling that it was better to keep rates changed as a way of keeping the Fed out of politics or the presidential election?

Robert Holland: I don’t have anything hard I can hang my hat on.

Robert L. Hetzel: Well, Burns never would have said that. I mean…

Robert Holland: No. No.

Robert L. Hetzel: Not at an FOMC meeting.

Robert Holland: Actually, I think the--I think it may be that the prospects of that election were heightening the Patman-Proxmire banging at us. For that matter, it may have heightened the banging coming out of [unintelligible 01:36:55]. Not directly, but banging on Burns.

Robert L. Hetzel: Yeah.

Robert Holland: I don't remember hearing it at the table and I don't quite know how to--I've heard the allegation often. You got…

Robert L. Hetzel: Yeah, Maisel says that in his book and Steve Axilrod's written it in a couple of places. So I've heard it enough that it--you know, I guess I have to give some credence to it. But obviously that's not something that would have been discussed at an FOMC meeting.

Robert Holland: No. No. I think it a little bit underrates--I mean, and Chairman--all of them at the Federal Reserve seem to learn how to take pressure and Japanese style and say, "Yes, I understand," not, "Yes, I agree with you," you know.

Robert L. Hetzel: Right. "Yes, I hear you." Did Burns ever talk about Camp David? Did he know…

Robert Holland: Not to me.

Robert L. Hetzel: Okay. So you don't know whether he knew going into it that there were going to be wage and price controls.

Robert Holland: No, I don't.

Robert L. Hetzel: And do you have any sense of why he felt so strongly about closing the gold window? Why he objected to that so much?

Robert Holland: Let me try to open up that. Gee, right now, Bob, I don't have a good recollection of that.

Robert L. Hetzel: Yeah. Did he think to some extent that inflation…

Robert Holland: Of course, the bulk of that argument took place outside the Federal Reserve.

Robert L. Hetzel: Sure.

Robert Holland: Yeah. And I don't have any input on that one that I can recall.

Robert L. Hetzel: Did he think to some extent inflation was powered by expectations and that the wage and price controls would be useful in breaking that sense of, you know…

Robert Holland: Oh, yeah. There were plenty of rationalizations. There were several rationalizations like that one around justifying getting into them and justifying keeping them. And I suspect there was some truth to several of those. It's just that they weren't as--the influences weren't as--in that direction weren't as powerful as their advocates to those particular points of view.

Robert L. Hetzel: Do you remember the period--the six months after wage and price controls? Initially, the FOMC didn't change the funds rate, and so apparently expectations of inflation fell. And with an unchanged funds rate, that made monetary policy restrictive, at least for a while. Money growth fell and Maisel in his book says that the Board pushed the regional bank presidents into an easier monetary policy. Is that period--do you remember that at all?

[01:40:00]

Robert Holland: Well, Maisel's part of the Board sure did.

Robert L. Hetzel: What he said--and I thought this was pretty amazing to write down--was that I think he said three times in a row the Board pushed the discount rate down right before an FOMC meeting as a way of sending a message to the full FOMC of what they wanted monetary policy to do. I guess that happened in '86, but that's not something that ordinarily--anyways, that's what he wrote.

Robert Holland: I don't know about that. I don't know about that. I know that the Board can't push a discount rate down unless the Reserve Bank Board of Directors votes for it.

Robert L. Hetzel: Well, but they only need one bank to be in the window. I mean, sorry. They only need one bank to have the recommendation.

Robert Holland: That's right, but that's one more than zero. One more than the Board being able to make it happen, you know.

Robert L. Hetzel: True. But usually one bank, Chicago or New York, will go in if the Board wants them to.

Robert Holland: I wouldn't have said that. That's not the way it felt from the seats I sat in.

Robert L. Hetzel: Okay. Well, you obviously had a better view of it.

Robert Holland: But I had a different view, Bob. That doesn't mean--that may not be--so there could be things happen that I didn't know about, but I don't ever remember being involved in any Reserve Bank president to get them to be first on the parade to lower the discount rate or change the discount rate. That may have happened--that's something a Chairman--either one of those Chairman could have done without involving me in it, but I don't remember any of those. Don't think I'm having just convenient failure to recall. I just don't remember it.

Robert L. Hetzel: Do you have any sense of why Burns accepted the job as head of the Committee on Interest and Dividends? It must have been a hell of a lot of work. I know he was a hard worker, but…

Robert Holland: He never was put off by hard work. I think he had a sense that he had--he never had a sense that he couldn't--that if there was something that needed to be done that he could do, that he was too busy to do it.

Robert L. Hetzel: Wasn't he 70 when he took the job as Chairman?

Robert Holland: Oh, yeah.

Robert L. Hetzel: But he continued to work these incredibly long days. I mean, stories that he slept four hours a night or something.

Robert Holland: No. No. People used to tell me, "If you think he's working hard at night, you should have seen the way he was when he was over here up at the Bureau." That kind of thing and so forth. My own experience was he was the hardest-working Chairman or Board member I've ever seen, and I could get you a testimony from my wife to that effect as to what hours I'd be coming home from there. I'd be winding up at 7:30 p.m., getting ready to go and Burns would walk in the office and said, "Let's talk about this." And I'd show up home at 10:00 and DeEtte would say, "Ah-ha. Burns again." And first thing the next morning he'd be in to see the results of what he talked about.

Robert L. Hetzel: Oh, gosh.

Robert Holland: Oh, no. He was a real work horse. And ideas and issues were absolutely preeminent in his mind. I remember he was at an age where his doctor had told him he needed more exercise. And one of the rules of exercise that he and his secretary had agreed upon was he would find a time each day to get out and get a little walking exercise. And the walking device Kathryn hit upon for him to do was to walk around the Board building once or twice. And when she couldn't get him out, she'd call me up and she'd say, "Bob, come down and take him for a walk around. Find out something you can talk about and take him around the block." And so I'd come down and she'd usher me in and I'd say, "I've got something and we should talk about it, Mr. Chairman. Can we walk around the block and talk?" And he was smart enough to know what we were doing.

Robert L. Hetzel: Sure.

Robert Holland: But he would usually say yes. "Yes. I'd like a little exercise anyway." And we'd go out and we'd start around the block and the conversation would never lag. It would be one thing and then we'd get walking around and we'd walk maybe a block-and-a-half and it would come to an important issue and there was something that was important on his mind. Arthur would stop and point his finger at my chest. He'd use it as a way of letting off steam and providing things and so forth. It would sometimes take us half and hour to get around the block and back inside the building because of these pauses to discuss things. He just was full of these economic policies.

[01:45:02]

Robert L. Hetzel: Yeah.

Robert Holland: It filled his life.

Robert L. Hetzel: In these walks, did he express views about other individuals? Did he ever express a view about Nixon, for example?

Robert Holland: No. He never talked to much about Nixon. I think my guess is he--and I never honed in on it. I think he saw me as in a position inside the Federal Reserve System where it wouldn't be a good idea to pull me into these innards of politics, if to the extent there were any. Moreover, he may have even thought I wasn't that good at it, although he talked with me about an awful lot of different stuff. I never sensed any restraint, but I noticed we never got involved in really intense political discussions of the President. He occasionally let off steam with me about Ehrlichman and Haldeman.

Robert L. Hetzel: Yeah. He didn't get along with Haldeman. Well, I guess with either of them.

Robert Holland: Yeah. I think that's right.

Robert L. Hetzel: They didn't think he showed proper respect to the President.

Robert Holland: Yeah. And he had me deal with the White House people on nominations for the Board, but that was a lower level down. And that, in effect, only got really into the personalities of the individuals. He worked out a very adroit arrangement with Nixon, one that I think was remarkable and which I don't think they've been able to hold onto. He worked out an understanding with Nixon whereby--when a vacancy opened at the Federal Reserve, we would present his Chief of Persons--it was press who was handling that kind of stuff there at that time in the White House.

Robert L. Hetzel: You mean who later became governor?

Robert Holland: Yes. Yeah, but at that time he was there and he was responsible for presidential appointments at least in the area in which the Federal Reserve fell, and Burns had developed an understanding with Nixon. We would supply press with the names of three individuals who would make fine Federal Reserve governors who would reflect credibly on the President in the sense of don't bring a lot of bad baggage and so forth.

Robert L. Hetzel: Sure.

Robert Holland: And still would be good governors and that the President would choose one of those three. And for any reason he found none of those three helpful, they'd come back and we'd go find some more. Well, we worked hard on that list, and I think partly because Burns was not comfortable about the kind of names that we turned up by the Haldeman-Ehrlichman group in the White House if suggestions for membership as a member of the Board of Governors came from them. So, boy, when an opening was coming up, we worked hard and quick to get three names of good people.

Robert L. Hetzel: Well, you had good governors at that time, you know. Partee and Gramley and…

Robert Holland: Yeah. No. We started with Henry Wallich, you know.

Robert L. Hetzel: Those speakers were very good. Sure.

Robert Holland: I mean, they were…

Robert L. Hetzel: Sure. Wallich was top.

Robert Holland: They were high quality people and that was his idea. I want to give the President names he can be proud to have placed on the report. Names of people who will do the job very well.

Robert L. Hetzel: I'm curious. Did Burns ever mention Milton Friedman?

Robert Holland: Not to me, no. I think he felt Friedman was not a consensus person.

Robert L. Hetzel: Oh, yeah.

Robert Holland: And what he needed was consensus people.

Robert L. Hetzel: Oh, sure. No, not as a governor. I'm just curious in terms of comments on the individual.

Robert Holland: Well, he regarded himself as a personal friend of Milton Friedman.

Robert L. Hetzel: Was Burns a completely private person? Was there anybody he talked politics with or was he just always--pretty much kept his own counsel?

[01:49:48]

Robert Holland: Nobody I know. Nobody where I know for a fact it happened. I'm sure he talked the congressional politics with Joe Coyne and--let's see who else was handling that for us? Bob Cardon, I think, at that time.

Robert L. Hetzel: Ken Guenther, I guess, later.

Robert Holland: And Ken Guenther later. Talking about the Proxmire-Patman things and that kind of thing. I don't know how much wider than that those discussions might have gone.

Robert L. Hetzel: What was the second name you mentioned?

Robert Holland: Bob Cardon.

Robert L. Hetzel: I don't know. K-A-R-D…

Robert Holland: C-A-R-D-O-N.

Robert L. Hetzel: C-A-R-D-O-N. No, I don't--he must have come and gone before I came.

Robert Holland: Might have been. Might have been, yeah. I felt he was open with me on a lot--we discussed a number of things, but they were almost always--they had some relation to business--our business, one way or another. And I think that's the way he treated me. Within that scope, there wasn't any issue that wasn't within sort of the Federal Reserve's concern or even the economy's concern. I think he used me as a sounding board for a lot of different things.

Robert L. Hetzel: Sure.

Robert Holland: And oftentimes he asked me to go deal with this or go to talk to somebody else within the system about this, and so I was doing a lot of shuffling back and forth and that kind of thing.

Robert L. Hetzel: You didn't have any contact with congressmen or with Congress. It was all internal to the system.

Robert Holland: No. Once or twice I had to go up and do some testimony, but we tried to avoid it. And, in fact, I was Mr. Inside on that kind of thing. His person life he didn't talk with me.

Robert L. Hetzel: Well, he couldn't have had too much social life, given how much he worked.

Robert Holland: Well, that's true. That's true, although he enjoyed some outings. I know. People would tell me about Arthur and Helen had a grand time at the blah, blah, blah.

Robert L. Hetzel: You mean social events.

Robert Holland: Yeah. Oftentimes it would be politically-sponsored social events or something. But he was an intellectual. He was a good artist. He would be at art receptions once in a while, that kind of thing and so forth.

Robert L. Hetzel: I didn't know that.

Robert Holland: He started that whole art program at the Board and she was a poetess and liked poetry and worked on that kind of thing. Once in a while he had me talk to one of his sons, counseling him on some kind of career decision or something like that.

Robert L. Hetzel: He had two sons, right?

Robert Holland: Yeah.

Robert L. Hetzel: And one became an economist and went to Texas.

Robert Holland: Yeah.

Robert L. Hetzel: And the other one--what happened to the other one?

Robert Holland: I don't know. I don't know.

Robert L. Hetzel: He must have been pretty hard to get along with as a father, given how dominating a personality he had. I just assume that. I mean, he wasn't a patient person.

Robert Holland: That's right..

Robert L. Hetzel: His wife must have been a saint, I'm sure.

Robert Holland: She was a peach. She really was, yeah, and she was good for him.

Robert L. Hetzel: So then after '72 no one expected--the inflation of early '73 was a real surprise, right?

Robert Holland: Yeah.

Robert L. Hetzel: That was just…

Robert Holland: Unpleasant.

Robert L. Hetzel: Did that experience change Burns' views at all about inflation or did he primarily describe it to special events? The drought? The rise in oil prices? That kind of thing?

Robert Holland: Well, I think…

Robert L. Hetzel: I guess the oil price rise came later, but there was the drought.

Robert Holland: Yeah, I can't quite separate Burns from the FOMC stuff itself at that time. And my recollection through that interval was we thought at first that some of these were one-time things or sort of special situations and so forth. And then as they continued--as the price behavior continued to broaden and heighten, we took actions. We took them on a time frame and design that we thought was going to be monetarily restrictive and repeatedly through those years, we found out they weren't tight enough. We would have to go back and do some more and do some more and do some more. We were taking heat at every stage in that game.

[01:55:15]

Robert L. Hetzel: Oh, yeah.

Robert Holland: Every stage of that.

Robert L. Hetzel: Incredible.

Robert Holland: We'd make a little increase in interest rates and "bam", the Chairman would be down there to testify and we'd be attacked one way or another. At that time, I think we thought we were pretty heroic in terms of how firmly we were moving and holding to anti-inflationary monetary policy posture that would gradually bring inflation under control without putting us back in a recession and get us on a new track. And then to prove--and we had plenty of critics who were claiming we were doing too much. But as you look back with hindsight, it's clear we were doing too little and too late time and time again. And gradually, member after member of the FOMC came to that conclusion, I think, as the decade unfolded. But each time when we started at it again--well, I can't speak first-hand knowledge after '76.

Robert L. Hetzel: Sure.

Robert Holland: But through each one of those stretches, then the FOMC would act and we thought we were being bolder that time and, doggonnit, you look back again and you realize, no, that it would have been better if it had gotten tighter earlier..

Robert L. Hetzel: Well, but for the period as a whole, '73 through '76, monetary policy was initially moderately restrictive and then quite restrictive. So I think it was…

Robert Holland: Well, we thought so, you know

Robert L. Hetzel: It basically was.

Robert Holland: You can use some standards by which you wouldn't say that, but that's what we thought.

Robert L. Hetzel: Well, money growth went down and interest rates certainly went up.

Robert Holland: But, you know, some other liquid assets were galloping off, you know, and it depends how you interpret some of the international movements, too, on this kind of thing.

Robert L. Hetzel: Burns' role on the two-tier prime--was that primarily a way of diffusing congressional pressure on interest rates?

Robert Holland: I believe so. I believe so, yeah.

Robert L. Hetzel: And, more generally, the Committee on Interest and Dividends--I think somebody once said that Burns thought that if he hadn't been appointed head of it, Connally would have. So it was better that he was--I guess Burns said that in an interview.

Robert Holland: He probably said that sometime, and I think he felt that if he had taken the job that would have been given to somebody who would have been more interventionist, more anti-market, more rigid, then he would be. And he was very worried about the potential for that evolving in that kind of direction.

Robert L. Hetzel: Yeah.

Robert Holland: And by taking it under his own wing, he felt he could. He had a lot of confidence in himself. He felt by taking it under his wing, he could make it be closer to right.

Robert L. Hetzel: Yeah.

Robert Holland: You know, not perfect. He was enough of a realist to know you can't always get things exactly the way you want in this world of monetary policy or anything else, but closer to right.

Robert L. Hetzel: When the recession developed in the last part of '74, Burns thought that was to a significant extent due to the increase in oil prices. It was not something that the Fed had produced.

Robert Holland: Well, gee, that was more than Burns that felt that way, I think.

Robert L. Hetzel: Well, I think the Nixon economists…

Robert Holland: Beg your pardon?

Robert L. Hetzel: I believe the Nixon council felt that way. The Council of Economic Advisors.

Robert Holland: Yeah, I think that's right.

Robert L. Hetzel: At least that's what Stein says in his book.

Robert Holland: Yeah, I think that's right.

Robert L. Hetzel: But my recollection is that Burns--well, I can just remember I came the year after that and my principals were saying that Burns was saying, "It's not that there's not enough money. It's that there's not enough oil." Something to that effect.

Robert Holland: Yeah.

Robert L. Hetzel: Or the problem's too little oil, not too little money.

Robert Holland: Yeah.

Robert L. Hetzel: And I guess he really…

Robert Holland: Well, and see, what that does is relate to what you think are a number of sort of structural linkages and some sort of structural sticking point in this kind of thing, rather than that we had a perfectly adaptive market, that kind of thing. And remember he felt a little burned by the inflation that had developed with the monetary policy techniques we'd used up to that time.

[01:59:49]

Robert L. Hetzel: Well, after the fact, Proxmire and others jumped on him for exactly what they were telling him to do in '71 and '72.

Robert Holland: That's right.

Robert L. Hetzel: And he must have resented that.

Robert Holland: And I think that made at least him, and I suspect it made other members of the FOMC too, inclined to go a little slow in moving in an easing direction and this was. That phenomena--that oil price change--was an absolutely--well, we'd never had anything like that that we could think of. It was an analogy before.

Robert L. Hetzel: Sure.

Robert Holland: I remember he had the staff go back and look at other price spikes in history to see if we couldn't learn something more about price spikes and how they spread through the economy and so forth and so on. There wasn't an awful lot of wisdom, but that will give you an idea of how his mind was running.

Robert L. Hetzel: During the Ford Administration, he was the primary architect of basically conservative policies. Low budget or budget surpluses and low deficits and moderate money growth?

Robert Holland: Well, he was sure all for that, yeah. I don't know how much credit he gets. You'd have to go to other sources to find out how much credit he got for why people did it, but he was certainly all for that approach.

Robert L. Hetzel: And in '76 that must have been a hard year, but monetary policy stayed pretty tough during that year. And that was your last year, '76?

Robert Holland: Yeah. I left in June of '76.

Robert L. Hetzel: Did you follow things at all after you left or did you pretty much unplug from it?

Robert Holland: Oh, no. As a matter of ethics, I really unplugged really for two reasons. I was going to an organization interested in economic policy, the Committee for Economic Development and I didn't want there to be any question about me either drawing on or passing on information that was not appropriately shared in a public arena. And, secondly, I had played--well, I guess I should say, a unique role in the workings of the Board up until that time.

Robert L. Hetzel: Sure.

Robert Holland: And I figured I did not want--I figured the only way to let the guys who were coming on to pick up those responsibilities and have a good shot at it is if I am out of the picture, period. And I didn't want to look over their shoulders. I didn't want people asking me to second-guess them. So I just cut the ties completely. After about--gosh, I waited I think about five years before I began to show up back there occasionally. And by that time, I was--and I didn't go back--I still haven't gone back very much. Well, I do now. After I retired from the CED, then I'd become Chairman of that retirees' group. I guess I was succeeding George Mitchell and [unintelligible 02:03:19] Sherman, who had headed before and so forth. But I don't have that kind of concern anymore. I'm far enough away so it doesn't. But at the time, that seemed to me a serious concern and one that I didn't want anybody to say or think that I made use of the confidential information I had about the Federal Reserve in other places. I didn't want that to reflect back to discredit the Federal Reserve and I didn't want it to stain me or the outfit that I was going to.

Robert L. Hetzel: Yeah. Well, that was obviously--not everyone has done that. You headed the Holland Subcommittee in the early--when you were governor?

Robert Holland: I'd even forgotten the name. What did we call the Holland…

Robert L. Hetzel: Well, it wasn't the Holland.

Robert Holland: That must be a popular nickname.

Robert L. Hetzel: I'm going to call it the Holland Committee on the directive. After Maisel left, didn't you continue the work on the directive?

Robert Holland: Yes.

Robert L. Hetzel: And the work was pretty ambitious and you had some very good people and some very big egos…

Robert Holland: Yes, we did.

Robert L. Hetzel: …working for you. My recollection, you know, as I said--well, I think it was ultimately discussed in an FOMC meeting in Spring of '76, so I had just come on. But the idea was to rationalize FOMC procedures, be clearer about objectives and how changes in the policy variable affect those objectives.

[02:04:54]

Robert Holland: That's right, and to make clearer to the members of the Committee what were the inflection points they controlled and what were sort of derivative goals and so forth and goals they can't control as well? So one of the things you were trying to do is to work out--the most strongly-stated targets would be those that the FOMC and its manager could, indeed, control. That doesn't mean they're the most important ones, but they're the ones you ought to speak in strictest terms because they're the ones you can control. And then we produced this pattern of indications of what you wanted to achieve and those measures that would be affected by the Reserve changes or the interest rate changes you produced. And thereby to give the Committee a sense of these are the broader outcomes we're after and that we care about. These are the tools we're using to get there. And I gave them also--we tried to give them a directive structure in which they could change their relative emphasis on various goals.

Robert L. Hetzel: Right.

Robert Holland: Well, intermediate goals I guess is what I recall what we were calling them. You know, like money and longer-term interest rates and a couple of other things and so forth. And then there were the ultimate goals.

Robert L. Hetzel: Right.

Robert Holland: Things like GNP and unemployment and so forth, and we were careful to describe those in terms to keep the members of the Committee and to keep a reader of the directive--readers of the directive when it comes to history--to understand those are not things the Fed can fix directly. Those are things that the financial and economic system works out and works in a proper kind of direction. So we were--and Burns was a stickler for language, and it really bothered him when people would use language that would imply more control than we had over some variable. And so this idea of creating a chain where you used the most controlling type language about what you can indeed control and then you have a directive that reflects these intermediate and ultimate goals in appropriate language so you aren't claiming either that you can do something or you can be accused later of, "Well, you missed your target on unemployment, didn't you?" That kind of thing.

Robert L. Hetzel: So he objected to labeling things like unemployment and inflation as targets because he felt like inevitably when we miss them, then we would be--you would be subject to criticism.

Robert Holland: Yeah. And, moreover, once in a while in the shorthand of communication across the FOMC table and within the system, people would fall into those ways of referring to things, too. And so he was all for creating this kind of structure where--and I think it was a good idea.

Robert L. Hetzel: Oh, yeah.

Robert Holland: And it also led to some redesign of the Bluebook and the way we presented alternatives in the Bluebook and that kind of thing and so forth.

Robert L. Hetzel: But the staff had a much more ambitious agenda for change than ultimately Burns was willing to go along with, didn't it? At the Board when Brenner and Tinsley and Pierce--were they the ones who were working with you at the Board? I guess Mike Keran at the regional level?

Robert Holland: We had that fuller one. That's right. That part of the staff had a more elaborate, more ambitious one, one that would constrain the FOC or tie the FOMC's nose to the grindstone a little more tightly and so forth. And that was not one that--I had an awful lot--I mean, I thought a move in that direction was useful, but I thought we need to be very careful of going too far. So I wasn't as much in sympathy with that specificity as Jim was, but the idea of producing a disciplined economic analysis that tried to describe as best we could on the basis of objective economic knowledge. What would happen? What was projected? What would be the difference if we did this thing? That I felt was excellent.

[02:09:45]

Robert L. Hetzel: Yeah

Robert Holland: And some part of that--well, I shouldn't say some part of it persisted. Well, yeah. I guess that's the right way to say it. Some part of it was persistent. I think Jim always felt like we didn't make the most of that opportunity, but I thought we made a notable improvement.

Robert L. Hetzel: Well, my recollection of Jim Pierce was that he was somebody who believed very much in his models.

Robert Holland: Yeah.

Robert L. Hetzel: And he really thought the Board's model described the way the world worked and, Burns was just a lot more skeptical of that view.

Robert Holland: Yeah, that's true. That's true. Over the years, Lyle Gramley I think--Chuck Partee and Lyle Gramley handled that with Burns in a way that progressively increased Burns' level of confidence and what they got out of their econometric results. But I think there was some give on both sides on that score. That is, I think Burns came to trust it more as he saw results more often, but also Chuck and Lyle would describe its results less rigidly than, let's say, Jim Pierce would have described them.

Robert L. Hetzel: I see. So when people say that Burns was not an econometrician, what they meant was that he didn't take at face value the projections the Board staff was turning out in the Greenbook.

Robert Holland: Yeah, but he placed increasing confidence in them over time. And they got better, I think. He never got rid of all his--I believe skepticism is a better word than cynicism.

Robert L. Hetzel: Yeah.

Robert Holland: He wasn't cynical about it. He just--he'd handled an awful lot of data in his day. He knew what variances were, you know, and he knew there were variabilities around those central things that were the building blocks of an econometric model. And while he probably couldn't have written the equations for the econometric model, he had a very deeply-ingrained sense of empirical data, and it's trusted [unintelligible 02:11:55] and it's variability.

Robert L. Hetzel: So some of the staff could work with him and some couldn't. I guess it just depended on their own personalities.

Robert Holland: Well, I guess that's a good way to put it. To some extent, he'd picked who he'd call into the office. But he found Chuck and, later, Lyle as very good channels and not only good analysts in their own right, but also very good channels through which to filter the works of the rest of the econometric modeling staff. And they knew his skepticisms and respected them, I think. They didn't think he was a idiosyncratic, the doubts he had about it. He was more doubtful than they were, but they didn't think his ideas were just emotional and not analytically related. They knew full well Burns had a very rational economic mind.

Robert L. Hetzel: Yes.

Robert Holland: And he had reasons for feeling that way about those kinds of things.

Robert L. Hetzel: Sure. Tell me--you said that you worked with the committee of retired governors and senior staff. Who else should I talk to among ex-governors or staff? Do you have anybody come to mind? I've talked with Chuck Partee and Bob Solomon.

Robert Holland: Have you talked to Lyle yet?

Robert L. Hetzel: No, I have not. I assume he's very busy with his mortgage banker stuff, but I'd love to talk to him.

Robert Holland: Well, Lyle was an important part of the process increasingly during the '70s and '80s and you should talk to Lyle, too.

Robert L. Hetzel: Yeah.

Robert Holland: And he and Burns hit it off very well.

Robert L. Hetzel: Well, Gramley wrote Burns' speeches, I guess, to a considerable extent.

Robert Holland: Some of them, yeah. We had other people who would write--I hate to call them boilerplate speeches. Burns never wanted to give a boilerplate speech. And he dragged me in on occasion, but I think he liked Lyle particularly for testimony.

[02:14:41]

Robert L. Hetzel: Yeah. Did Axilrod write any of his speeches?

Robert Holland: Not that I know of, but it just may be that I haven't remembered it.

Robert L. Hetzel: Someone told me that Merritt Sherman had an interest in Fed history. Did you ever hear that, that he had worked on putting together papers and things on the Fed?

Robert Holland: Oh, yes. Merritt was kind of a packrat in terms of things of Federal Reserve history.

Robert L. Hetzel: Do you know whatever happened to his papers or things?

Robert Holland: No. He has a son who still lives in this area. Probably the Board--somebody in the Board of the Secretary's office probably knows his son's address.

Robert L. Hetzel: Okay.

Robert Holland: Stewart Sherman is the one I remember.

Robert L. Hetzel: S-T-E-W or S-T-U?

Robert Holland: A-R-T, yeah.

Robert L. Hetzel: And so S-T-U-A or S-T-E-W?

Robert Holland: I think it was S-T-E-W-A-R-T.

Robert L. Hetzel: Yeah. Well, Joe Coyne might know.

Robert Holland: Yeah. Or I'll tell you, there is down still--and the last I knew she's still down in the secretary's office. There's a woman named--oh, gee--Libby. If you get to the secretary's office and you ask for Libby's number.

Robert L. Hetzel: Okay.

Robert Holland: Libby has worked for the Fed, I think, for 50 years. She was a close compatriot working--she worked under Merritt all those years. She may not know what he kept for this Federal Reserve history, but she might.

Robert L. Hetzel: Yeah.

Robert Holland: She'd be inclined to know as much as anybody, and she probably also knows where the Sherman sons are.

Robert L. Hetzel: Yeah, because I was told that he worked for awhile on the Fed history. That seemed interesting, but then I didn't--I had no idea.

Robert Holland: Well, I think he wanted to write--he wanted to keep track. He was a walking history book of things that happened inside the Federal Reserve history. He spent a number of years at the Fed of San Francisco, you see, before he came to Washington. So I was walking in his shoes, of a Federal Reserve person turned Board back when I came into that picture, and he was full of history and he had notes and things and so forth. I never got into detail into what he had.

Robert L. Hetzel: Yeah.

Robert Holland: I do remember he talked about--he liked to write. He was a very good writer. Very precise. But he wrote Federal Reserve and Board minutes.

Robert L. Hetzel: Yeah, sure.

Robert Holland: That has an effect on how you write things.

Robert L. Hetzel: Yes. It's a lot of work.

Robert Holland: Yeah, and I have no idea how large of a storage house like that he kept, but I wouldn't be surprised that there's quite a bit.

Robert L. Hetzel: Okay.

Robert Holland: He also had a deputy--an assistant secretary named Ken Kenyon.

Robert L. Hetzel: What was the name?

Robert Holland: Kenneth Kenyon, who also was close to Merritt. Later on, Ken became my deputy and he was a very--because I was involved so much in policy matters, I let Ken handle a lot of the administrative and record-keeping and day-to-day details of the job as secretary. And he may have some knowledge of records, too. However, he's hard to reach. Libby will know how to reach him, too.

Robert L. Hetzel: Oh, okay. I've never heard the name. I assume he's retired.

Robert Holland: Yes. Oh, yes. Yeah. And he has some health problems, which keeps him from being a part of visits back to the Federal Reserve for our semi-annual get-together of retired officers and former governors, that type of thing.

Robert L. Hetzel: Yeah. Well, do any other names come to mind other than Lyle Gramley in terms of whom I should talk to?

Robert Holland: Again, for your interest in monetary policy?

Robert L. Hetzel: Yeah.

Robert Holland: I assume you've talked to Dewey plenty.

Robert L. Hetzel: Well, I'm going to talk to him for the first time on Friday.

Robert Holland: Oh, okay.

Robert L. Hetzel: I'm looking forward to it, but I've not talked to him in the past. But I'm looking forward to it.

Robert Holland: Yeah. How up to date do you want to get?

Robert L. Hetzel: Well, up to date I pretty well know who the governors were from the late '70s on. I just wonder if there's anybody around from the early '70s or still from the '60s that I'm not thinking of I should talk to.

Robert Holland: Well, there are various guys around. In terms of somebody who could give you a somewhat different slant but who would be responsible in what he had to say and so forth, you might try Phil Coldwell.

[02:19:46]

Robert L. Hetzel: Yes. I'll definitely try him. I've got his number and address.

Robert Holland: Yeah.

Robert L. Hetzel: Is he still in Washington?

Robert Holland: He's back and forth. That's my understanding, from Texas and here.

Robert L. Hetzel: Does he still keep a consulting business going or is he retired?

Robert Holland: I don't know that much.

Robert L. Hetzel: Okay. Well, I'll definitely call him.

Robert Holland: Yeah.

Robert L. Hetzel: Yeah.

Robert Holland: But he didn't always see eye to eye with Burns, and that might be helpful to have you hear from his point of view.

Robert L. Hetzel: Sure.

Robert Holland: On the other hand, Phil had a sense of the system and…

Robert L. Hetzel: Yeah. Well, he was in charge of the regional reserve banks.

Robert Holland: Yeah.

Robert L. Hetzel: Oversaw their budgets and stuff.

Robert Holland: Yeah. Well, he was President of the Federal Reserve Bank in Dallas...

Robert L. Hetzel: In Dallas, sure.

Robert Holland: …which brought him up to the Board.

Robert L. Hetzel: Sure.

Robert Holland: And he was the financial economist there before he was that.

Robert L. Hetzel: Sure.

Robert Holland: So he had a lot of the Federal Reserve System in him before he ever got to Washington.

Robert L. Hetzel: Yeah.

Robert Holland: And for that reason, I think he might have an extra perspective.

Robert L. Hetzel: Yeah. Okay. Well, do you have any more general comments?

Robert Holland: No.

Robert L. Hetzel: I feel like we kind of covered the waterfront. But do I have things I haven't touched on that I just missed? Or…

Robert Holland: No. You've talked to me quite a bit. If you get stuck on something or you have a question or a contradiction and you think I might have some way of resolving it, you can call me. But I don't have any ideas for that kind of thing that I haven't said about monetary policy.

Robert L. Hetzel: Right.

Robert Holland: I hope you pay attention to the uniqueness of the Federal Reserve System and how the system affects the process.

Robert L. Hetzel: You mean you're thinking about payment systems and…

Robert Holland: No. No. I mean--well, yeah, that--I mean the 12 regional Federal Reserve Banks.

Robert L. Hetzel: Sure. Well, tell me--as long as we're kind of finishing up…

[02:21:53]

[END TAPE 83, SIDE A]

[START TAPE 83, SIDE B]

[02:21:56]

Robert L. Hetzel: What determined Burns' attitude toward government in the sunshine and freedom of information, the Merrill Act? Why was he so opposed to the kinds of things that--the more openness and so on that they would have entailed?

Robert Holland: Well, I'd say there were two main reasons. One, he was pretty sure this was a case of camel's nose, that the people asking for that, within the Congress in particular, to a lesser extent within the Administration, that their agenda didn't start with that at all. I mean, didn't end with that at all, that they had a whole lot of things they'd like to get out the Federal Reserve more and change and that this was for them an instrumental request, not an ending request. They'd ask for this and then they'd ask for more and then they'd ask for more and they'd use this to develop more of a case to produce some of the other changes that would be more directly threatening of Federal Reserve independence. And he was pretty sure that that was the case.

Robert L. Hetzel: You mean they wanted to create a presumption that while the Fed needs oversight and once that presumption is created, then you can move toward ultimately things like putting the Fed on budget and things that would end our independence.

Robert Holland: Yeah, that's right. That's it. Put them on the GAO audit. He thought that they would find things that they would rightly or wrongly point to and try to convert into criticisms that would prove they could fix it or if the Fed had to get congressional okay for its targets for each year and that kind of thing. And so, you know, there were various ideas around, that the presidents ought to be kicked off the FOMC or made subject to Senate confirmation and all this kind of stuff. Some of those ideas--those ideas all--he taught the sum total of those ideas were the big inroad on Federal Reserve independence. And he thought this was a camel's nose with that behind it, and he thought it was better right at the beginning. Secondly, I think he had a feeling that I had, that the kind of debate, exchange of views, evolution of analysis and understanding, consensus building with the kind of mind changing that inevitably will have to go along with that once in a while because all of the 12 voting members of the FOMC can't all reach the same conclusion at the same time independently.

Robert L. Hetzel: Yeah.

Robert Holland: But that whole process of consensus building and all the learning that goes into that. The kind of trust--mutual trust that must exist for people to be willing to change their minds with the arrival of more evidence and all the rest and that kind of mutual trust that leads people to be relatively comparatively candid in terms of what they say about things and what they say about changing their mind and so forth. He thought that whole process needed not to be revealed immediately. I mean, he was a big one for keeping the minutes back for a long span. He didn't want to destroy them. I think he saw they had a place in history.

Robert L. Hetzel: Yeah.

Robert Holland: But he wanted to keep them confidential until--well, I'm guessing as to how he would have put it if you were talking to him. But I would guess what he would say is they should stay confidential until such time as making them available will not affect the voting behavior or the willingness to discuss in candor and honest and mutual trust, changing minds where necessary in the consensus building process inside the Federal Reserve System. That is an extraordinarily sophisticated, difficult job to do. And having somebody being on the newspapers the next day or even in six weeks as we're finding, you know, can immediately bring that kind of focus on individuals that can then make it a little more awkward for those individuals to change their minds next time around.

Robert L. Hetzel: Sure.

Robert Holland: And I think he was foresighted in that. I think that's exactly the major risks the system faces now and what's becoming of it all.

Robert L. Hetzel: Right, where monetary policy gets made through headlines. I mean, that's not--we aren't there, but I think that's where Gonzales would like to move us.

Robert Holland: Yeah. Well, more--that's right, but it's more. Well, you can use that as a shorthand for that whole kind of thing. But it's the sense it would make it harder for people to interface and to change one another's minds in the process of a developing consensus down the line in the future that I think was particularly of concern to Burns.

[02:27:07]

Robert L. Hetzel: Sure.

Robert Holland: It sure is of concern to me, I'll tell you.

Robert L. Hetzel: Oh, yeah. Well, you mentioned when we talked this morning--you know, you asked me if we were going to talk about the Federal Reserve System and how consensus develops. You know, how the system works as a whole with its division of responsibilities.

Robert Holland: Yeah.

Robert L. Hetzel: You know, directors, presidents, governors, staff. Are there other things that you feel like we should talk about and have on the record about?

Robert Holland: No. I only meant to heighten your attention to the way those stories and things contribute to the Federal Reserve policymaking and to heighten it chiefly to be aware of what we might lose in that area…

Robert L. Hetzel: Right.

Robert Holland: …if some of those designs are changed.

Robert L. Hetzel: Sure. Well, it's like the United States. One person doesn't just come up and announce a policy. It kind of gets passed by a lot of different people.

Robert Holland: Yeah.

Robert L. Hetzel: And so by the time something is considered--it may be right or wrong, but at least when a decision gets made it's considered from a lot of different angles and in a deliberate sort of a way. And that's what a federal system does for you.

Robert Holland: Yeah. Well, I tell people, "Remember, this was designed by people who really like to check and balance the systems of government."

Robert L. Hetzel: Yeah, absolutely.

Robert Holland: [unintelligible 02:28:45] improving on the one in the Constitution. We did and who were a lot more interested in preventing mistakes than they were in achieving quick and efficient operations.

Robert L. Hetzel: And that's a good way to put it. I wish we had more of that attitude throughout government now.

Robert Holland: Yeah. I think that's right. Yeah.

Robert L. Hetzel: Anyways, that's a different…

Robert Holland: I think that's right. And some of the ideas that are being kicked around I think when he wrote that.

Robert L. Hetzel: Yeah.

Robert Holland: I'll give you one example.

Robert L. Hetzel: Sure.

Robert Holland: I don't want to prolong this discussion, but for example, I wince as I see how often people who are writing about the Federal Reserve Banks assume that at least all their directors are in the pocket of business…

Robert L. Hetzel: Yeah.

Robert Holland: And that the President probably is, too. I mean, the sense that there's a integral check and balance, even for the selection of directors, you know. I see no mention of ever in newspaper discussions about the place of the Federal Reserve Banks in the system.

Robert L. Hetzel: Yeah.

Robert Holland: Just one little thing.

Robert L. Hetzel: Sure.

Robert Holland: They build on one another.

Robert L. Hetzel: Yeah.

Robert Holland: Well, I hope this has been helpful.

Robert L. Hetzel: Yeah. It's been a lot of fun. I really enjoyed it. I really appreciate you taking the time to share your insights with me. It's been edifying and a lot of fun.

Robert Holland: Yeah. Well, there are things I'm sure I've forgotten. I didn't bother to do anything more to refresh my memory than glance through a few pages of that book *Working at the Board* in which you'll find Bob Black quoted incidentally.

Robert L. Hetzel: Oh, okay. Well, I'll get a copy of it.

Robert Holland: Okay. But I'm glad to share. It sounds to me like it's for a good cause, Bob.

Robert L. Hetzel: Okay. Well, thanks a lot.

Robert Holland: And I didn't tell you anything that I don't think your own discretion will keep you from using in an inappropriate way.

Robert L. Hetzel: Well, when I do write something, I'm not going to write things, you know, for attribution. I'm just going to--what I want to do is take a lot of different points of view and then try to synthesize them in my own mind in terms of generalizations.

Robert Holland: Sure.

Robert L. Hetzel: It's not going to come out so and so said this or so and so said that. You know, not in any sense. But, even so, I don't think you said an unkind word about anybody. I'll have to go back and listen to this, but I don't--off the top of my head, I don't think so. Okay. Well, thanks a lot.

Robert Holland: You bet.

Robert L. Hetzel: All right. Bye.

Robert Holland: Bye.

[02:31:22]

[END OF RECORDING]