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Interview of Ralph Leach
Conducted by Robert L. Hetzel
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Ralph Leach: ...it would achieve. Now, you're going to put Washington in the major position in the Federal Reserve System, and you'll regret it, Ralph. That kind of—and even later, when I saw him years after he had retired in New York. He would still say that it was a mistake to let the leadership of the Fed move from New York. That's the financial center of the world and should be the center of the Federal Reserve System. Well, politically, you know damn well that couldn't happen, is all I could answer him. And that was Bill Martin's attitude, as well, that you could not maintain that kind of relationship. It had to come down to a Washington leadership.

Robert L. Hetzel: So, I mean, Sproul kind of—it wasn't so much the Fed against the Treasury as it was New York against Washington?

Ralph Leach: It does seem, yeah. Well, we talked, I think, about the time—somewhere along in that whole discussion—that Allan caucused all of the Federal Reserve Bank presidents, apart from an FOMC meeting, and that became known. Whether he then announced it or what, I don't recall. Maybe he didn't even hear. But it was well known that he had tried to get them to assert some leadership in here. But all we were trying to do, from my standpoint—I should use Allan's technique, because he writes so beautifully, and he says, "Now, this is a one-sided account," in his article, and mine is certainly a one-sided one, but all I could think of was that this business of maintaining stability gave full power to the desk and in the hands of guys that I didn't really have much confidence in. And what we led to was the phrase, "correcting disorderly markets." I'm sure you've found that somewhere in your reading.

Robert L. Hetzel: Mm-hmm. Oh, sure.

Ralph Leach: This is what led to the bills-only policy and led to supplying or withdrawing reserves only and securities of one year or shorter maturity, as I recall.

Robert L. Hetzel: When you mention Sproul caucusing the Reserve Bank presidents, when was that?

Ralph Leach: I would think in '52 or '53.

Robert L. Hetzel: That's when the debate was going on over whether to have the New York desk report directly to the FOMC, i.e. Martin, or whether it should continue to report to Sproul, I guess?

Ralph Leach: Right. That was no problem, but it was a deeper, more basic problem that—

Robert L. Hetzel: Well, I think it was a problem. I mean, it was very emotional with Sproul, that is—

Ralph Leach: Well, I mean, I don't think Martin pushed it to any great extent. But, again, he might have in private talks, but I don't—

Robert L. Hetzel: Well, yeah, that was after you left the Fed. I've seen some kind of internal documents and so on that are very—I think that's probably—my guess, just from reading the language, that was probably the main thing that caused Sproul to decide to retire, having lost that battle.

Ralph Leach: Mm-hmm.

Robert L. Hetzel: Because he really felt strongly that he wanted to run monetary policy. It had to be done by somebody who had his ear to the market all the time and could keep kind of adjusting things, you know, moving the yield curve around and, of course, you know.

Ralph Leach: If that's what you were going to do, that probably had to be in New York.

Robert L. Hetzel: You know, tone and feel. That was what he apparently—

Ralph Leach: Yeah.

Robert L. Hetzel: Hmm, well that's fascinating. So, this study you mentioned, I would think our library would have it. If not, it'll be in the archives.

Ralph Leach: Well, it's got to be in the archives. I'm quite sure I have one in my desk in New York. If you can't find it, I'll call my secretary and see if she can...

[00:04:59]

Robert L. Hetzel: Okay, would it be listed under authors? I mean, or would it be listed by title or...?

Ralph Leach: I wouldn't know how it was listed, honestly. It was a study done, I'm sure, in late '62 or early '63.

Robert L. Hetzel: '62 or '52?

Ralph Leach: '52, I'm sorry.

Robert L. Hetzel: '52, yes.

Ralph Leach: Yes, obviously, '52 or '53.

Robert L. Hetzel: Yeah.

Ralph Leach: And the first page or two, I'm sure, mentions this depth, breadth, and stability phrase. That's the one I—that just happened to be Don Riefler's initials, and that's what I accused Win of using as a memory jogger.

Robert L. Hetzel: That's funny.

Ralph Leach: But by this time, Don was working for me in New York, so I'd gotten used to the DBR address.

Robert L. Hetzel: Yeah. Okay, I'll check our archives. It must be down there.

Ralph Leach: I can't even think of what the title might have been, but it certainly related to open market operations of the Federal Reserve System and its effect on markets or something.

Robert L. Hetzel: And tell me again, who was Bob Kraft?

Ralph Leach: Bob Kraft was vice president and treasurer of the Guaranty Trust Company before the merger with J.P. Morgan, and he was -- the bank gave him a leave of absence of about three months to come down to Washington and go through this series of discussions. He was sort of the leader on the Fed side of the discussions, and I was the special assistant on it, and we got to know each other very well in that period, worked pretty well together. So, his name might be on it, but I'd think if there's one name on it, it would be Win Riefler.

Robert L. Hetzel: Okay. Yeah, I can check that. Okay, well that's good advice.

[END RECORDING]

