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Oral History Interview of Jim Meigs

Conducted by Robert L. Hetzel

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Robert L. Hetzel: …quickly repeat what you just told me about Riefler?

Jim Meigs: Well, I always thought, it seemed to us that Riefler was the commanding force there, to me. He had the intellect, and he had convictions, and he had hit on the idea of the free reserves thesis. While they were puzzled by some things happening…I'm trying to remember the exact words, but they…that's so long ago now, I've forgotten the details and I'd have to refresh my memory by looking at my book.

But he came on the free reserves thesis, and he had the idea, one, he was firm that banks, they had this aversion to borrowing, so interest rate shouldn't affect the amount of borrowing that the banks are doing. And that the…how the hell was it? I've forgotten it.

Robert L. Hetzel: Sure, the reluctance doctrine. The Fed would engage in open market sales and—

Jim Meigs: Yeah. So they would put the banks into debt, push them into debt, and that would cause the banks to raise their interest rate.

Robert L. Hetzel: Sure.

Jim Meigs: So that was the mechanism by which the Fed had influence over the economy.

Robert L. Hetzel: So Riefler had been in Washington in the '20s and he had seen how the New York Fed had developed that way of operating.

Jim Meigs: Yeah.

Robert L. Hetzel: So at the time of the Accord, he must have been thinking, "We're going to go back to the kind of independence, the kind of independent ability we had to influence open market conditions in the 1920s." So he was thinking about simply returning to what they had.

Jim Meigs: Yeah. But see, that was the thing. He had worked this out to his own satisfaction in the '20s, and was still asserting his ideas on the principles. But the part was he knew when it was time to abandon principle, when conditions change.

Robert L. Hetzel: Right. This gets into Bills Only doctrine.

Jim Meigs: Yeah.

Robert L. Hetzel: To implement the free reserves operating procedures, all you need to do is engage in open market purchases and sales, and push banks in and out of the window.

Jim Meigs: Right.

Robert L. Hetzel: The New York Fed thought, on the other hand, that you actually needed somebody there on the trading floor to implement monetary policy, because you had to follow the whole term structure of interest rates and intervene wherever there were these knots and irrationalities and whatever arising. So from the Board point of view, from the Riefler point of view, monetary policy could be easily supervised from Washington. You didn't actually need somebody at the desk to do this.

Jim Meigs: That's true, that's a good point.

Robert L. Hetzel: And, of course, on the other hand, Rouse and Sproul, as you said, they didn't have a language to kind of communicate what they were doing because they were simply watching the market, watching the term structure, and then sort of responding judgmentally the whole time.

Jim Meigs: Yes, and I always thought they had been much influenced by the Bank of England, how the Bank of England was managing the gold standard. And the Bank of England thought it was necessary for them to supervise the whole money market because it was a very fragile place. And they wouldn't like to be restricted to bills. They liked to play the whole structure, thinking that they knew what they were doing, though I'm sure they didn't.

Robert L. Hetzel: So at the Board of Governors, it seems like the dominant individual before Bill Martin comes, is Winfield Riefler.

Jim Meigs: Yes. Yes.

Robert L. Hetzel: And, as you say, also Woodlief Thomas is a strong individual himself.

Jim Meigs: Yes. Woody didn't impress us as having the kind of intellectual power that Riefler did, but he was—

Robert L. Hetzel: He was more the business economist/statistician. He would summarize conditions.

Jim Meigs: Yeah, and Martin. Now, all this business of the tone and feel of the markets, he believed in that. The idea that a few smart people at the Board could manage the whole money markets at the New York Fed. Money markets would fall apart if they weren't in there every day.

Robert L. Hetzel: When you joined the St. Louis Fed, the Accord had already been signed.

Jim Meigs: Yes.

Robert L. Hetzel: Were you aware of the competition that was going on between New York and the Board, between Martin and Sproul, over basically kind of which center was going to be the dominant influence?

Jim Meigs: Oh, yes. Yeah, but I wasn't too much up on that because my field up until then, when I was in Arkansas, I was doing regional economics. And when I came to the Fed at St. Louis, for a while most of our work was we were confining ourselves to studying the economy of the District as really a regional economist. And it wasn't until Homer Jones came, and I forget the exact year he came, for one thing, he got me to go to Chicago and see Milton Friedman and get straight on a thesis. And Homer and I went up to Chicago and we had dinner with Milton one night.

And I was proposing a dissertation topic based on the new flow of funds accounts, which I thought hadn't been explored. And Milton said, "Well, there's no theory there." He says, "I'll tell you what I think would be an interesting question, this free reserves thing." And he just sketched on a napkin a demand curve of free reserves. And that started me on that.

Then D.C. Johns. These regional bank presidents didn't at first realize that they were responsible for monetary policy. They'd always deferred to New York and to the Board. But D.C. Johns said, in effect, "Well, if I'm going to be responsible for making monetary policy, I want to know more about how it works." He was very dissatisfied with the explanation that he was getting from the New York Fed on their operations.

And so I started working on the thesis on that point and got some pretty strong evidence that the whole free reserves thing was a mistake. And D.C. Johns formed what he called his policy group, and we would meet before each Open Market Committee meeting and after. And the group included the first vice president, and the officer who was in charge of the discount window, and then a group of us from the Economics Department, usually no more than about four or five. And we had to be cleared—we got the top secret clearance—to do that. And so we had access to the minutes and we had…

But Homer Jones, being the economist for the bank, he went to the meetings whenever D.C. Johns was a voting member. But then, D.C. Johns decided that when he was not a voting member, he was not bound to take only the director of research, he could take any economist with him.

So then we all went to the Open Market Committee meetings, one at a time, when D. C. was not a voting member, so I went several times. But whoever went there would report back to the group about the whole meeting, who said what and why and all that. And so we were steeped in that system, quite familiar with it. And it was fascinating. I wrote a little piece about that, I think it was the *Journal of Monetary*—

[00:09:35]

Robert L. Hetzel: Yes, yes, I'm familiar with that.

Jim Meigs: And this young man, Professor Something…gee, my memory is failing for names…but he sent me a paper he wrote about the president of—Malcolm Bryan and the Fed of Atlanta. Malcolm Bryan and D.C. Johns were very close friends and we collaborated a lot, and out of that came a lot of the work at the St. Louis Fed and at Atlanta.

And by '61, we came very close to adopting a quantitative target. Malcolm Bryan had proposed his kind of adjusted total reserves as a target, but we lost out when a concern over the balance of payments.

Robert L. Hetzel: That's right.

Jim Meigs: And so the New York Fed said, "We have to manage interest rates to protect the, to affect the balance of payments issue." And Martin agreed with them and they overrode us. But it was close. They had several Governors who were really interested, but it all went down the tube.

Robert L. Hetzel: Yeah, they didn't want interest rates to fall because of the gold outflows and the balance of payments problems.

Jim Meigs: And they weren't about to adopt a quantitative operating target.

Robert L. Hetzel: Yeah.

Jim Meigs: But to me, it just had a lot of the bureaucratic effect influence, too, that these people at the New York Fed viewed themselves as managing the whole money market. And then the guy who managed the relations of the central banks and who built up this big network of swaps

Robert L. Hetzel: Charlie Coombs.

Jim Meigs: Yeah. He just thought that he had the world in his hands. It was really something.

Robert L. Hetzel: Yeah. Somebody told me he'd been a roommate of Kennedy's at Harvard and that's—

Jim Meigs: Is that so? I didn't know that.

Robert L. Hetzel: Joe Barr told me that.

Jim Meigs: I'll be darned. I don't remember ever hearing that.

Robert L. Hetzel: No, I'd never heard it either. That's why it's fun to talk to people. You hear these things. Whether they're true or not, but it's great to get them on tape.

Jim Meigs: Well, yeah. Because, see, there's a lot of gossip going on. And what was interesting was we had all been barred from knowing what was going on. Only a very few people were privy to what was going on in Open Market Committee meetings. And when D.C. Johns set up that policy group at St. Louis, that was a new step. It was imitated afterwards at several other reserve banks.

But it was so funny. One of us would go from the St. Louis Fed to the Board, and we knew a heck of a lot more about what was going on in monetary policy than did 90 percent of the economists of the Board. They were frozen out, with very few exceptions.

Robert L. Hetzel: So the economists at the Board—Ralph Young was there at that time?

Jim Meigs: Ralph Young, mm-hmm [affirmative].

Robert L. Hetzel: And, of course, Steve Axilrod got there about '54. I don't know, but I doubt he would have been at FOMC meetings at the time you were going.

Jim Meigs: Well, Steve, that's a funny coincidence, because when I arrived at the University of Chicago and went to the first money and banking class, there was a guy sitting in front of me, and it was Steve Axilrod. And he had sat in the same position relative to me in money and banking courses at Harvard. We both went to Chicago from Harvard at the same time, and we graduated from Harvard in '48. I know because I'm going to my 50^{th} Harvard reunion this June and Steve Axilrod is going to be there, too. But he became sort of an aide to Martin and tennis partner. We used to kid him that if his legs ever gave out, it would ruin his career at the Fed.

So at the Board, only a very few people were privy to what was going on. Individual economists would come to report on some sector of the economy, but they weren't consulted about policy. That was not their function.

Robert L. Hetzel: So when you went to a Board meeting in the '50s, it was very different than it is now. The way it is now, the whole back of the room is filled up with economists and lawyers from the Board of Governors. There's a big staff presence. That wasn't that way at all. Woodlief Thomas would simply summarize national economic statistics for the FOMC members who were there, and then that was the information they would have.

Jim Meigs: Yeah, and Riefler, he was still there, I forget when he retired, but he was the guiding influence. He sort of had the final word, till he retired. Woody Thomas, he would speak to the Board about economic conditions, you're right. But the room was not full. There would be the big table and each member was—and then, usually one economist would sit behind his bank president at the meeting. That's all I remember. And then there would be a handful of other Board staff people in the room.

Robert L. Hetzel: Is it likely that any of the regional bank presidents were influential at that time? What about Karl Bopp? He'd been around since the '30s—

Jim Meigs: Yeah, Bopp. I think he was. He was the one who got the rebuke from Reifler about when he started talking about the demand for access reserves maybe being sensitive to interest rates. And Reifler shot him down publicly in one of the meetings. I remember it.

Robert L. Hetzel: Any possibility that—

Jim Meigs: But Bopp sort of quieted down after that [unintelligible]. But it was Reifler asserting his authority over this upstart from Philadelphia. They were having Bopp after a while, with D.C. Johns and Malcolm Bryan, who were very powerful and very good members of that committee.

[00:16:57]

Robert L. Hetzel: At the time, you mentioned the unhappiness in 1960 over whether to keep interest rates up for balance of payments reasons and let money and credit fall. Abbott Mills was also a critic of the—

Jim Meigs: Yeah, Mills. Mills was pretty much on our side. Excuse me a second. I've got go to the bathroom. I'll be right back.

Robert L. Hetzel: Oh, sure. [Tape skips]

Jim Meigs: We had a group that wanted to change the way things were done. And the New York Fed was adamantly opposed to any suggestions for—

Robert L. Hetzel: Yeah, they list Robert Roosa as still going to FOMC meetings at this time.

Jim Meigs: Bob Roosa, too. I'd forgotten about. He was another one who—

Robert L. Hetzel: He must have been very much opposed.

Jim Meigs: Yeah, and he was very articulate and persuasive. They really listened to him. But he was one who could change positions, you know, he could make a 180 degree turn and never notice it. Whatever it was he would say one time, then he could take the opposite side some time later and never concede that he'd changed his mind. His role was to make this stuff seem intelligible. Yeah, Roosa was a very smart guy.

Robert L. Hetzel: He was the one who, when he went to the Treasury, created the whole panoply of credit controls, interest equalizations, Roosa bonds.

Jim Meigs: Oh, yeah.

Robert L. Hetzel: Restrictions on what tourists could spend abroad. The dollar budget, where we limited foreign procurement. Just an endless variety of things to limit government expenditures abroad. He's the one that developed the idea of the swap lines, which Martin bought into.

Jim Meigs: Yes.

Robert L. Hetzel: And then Martin pushed the FOMC into agreeing to a very reluctant FOMC. But Martin had agreed to it with the Treasury, so he-- ultimately the FOMC felt like they couldn't disown their own chairman. So that's how we got into the foreign exchange business. Roosa was a very dominating figure at the Treasury. Dillon was, I think, a strong personality, too.

Jim Meigs: Yes.

Robert L. Hetzel: But Roosa was the one who was actively pushing all the wealth and capital controls.

Jim Meigs: Oh, yes. But then, in '61, I went to the New York Stock Exchange and got into that whole discussion because Keith Funston was put on some kind of advisory committee on the whole balance of payments situation; or, rather, a committee to encourage more investors to invest in U.S. securities. And the one thesis that came from, I don't know who, the New York Fed or others, that said that there was no long-term capital market in—

Robert L. Hetzel: Right. That's in your letter.

Jim Meigs: Oh, I'm sorry.

Robert L. Hetzel: That's well expressed.

Jim Meigs: I remember that so well, I thought it was—

Robert L. Hetzel: Yes. Well, that was the reason for the interest equalization tax.

Jim Meigs: Yeah.

Robert L. Hetzel: And then we got the euro-dollar market.

Jim Meigs: And Keith Funston, he listened to me on this and I think he—he was, of course, opposed to all this selective control business, but his appointment from the President was to serve on the committee to encourage the development of the long-term capital markets in Europe. The Europeans were coming over here and borrowing money in the U.S.

Robert L. Hetzel: So let me mention some of these other names to see if any recollections—

Jim Meigs: Sure.

Robert L. Hetzel: There was Canby Balderston.

Jim Meigs: Yep.

Robert L. Hetzel: Then Abbott Mills.

Jim Meigs: Right.

Robert L. Hetzel: Robertson, who was the Vice Chairman of the Board.

Jim Meigs: Right.

Robert L. Hetzel: Shepherdson and Szymczak.

Jim Meigs: Yeah.

Robert L. Hetzel: Any of those … particularly?

Jim Meigs: Yeah, I've known all of them. But the guys who came closest to changing the system were Balderston and Robertson. Robertson was an interesting guy. He was an honest man and trying to learn. The thing was, nobody knew very much in those years; there had been for a long time no monetary policy as such. But after the Accord, the presidents and the committee began to realize, hey, they were conducting monetary policy. And we had to learn a whole lot, and nobody knew how it worked. Except Riefler thought he knew, and for a long time then his thesis about the free reserves was taken as gospel.

Robert L. Hetzel: Well, it worked well in terms of shifting power away from New York and to the Board.

Jim Meigs: Yeah.

Robert L. Hetzel: Because, as we said, you only had to engage in open market operations.

Jim Meigs: But I hadn't thought of it so much that way, but I know you're right. Because we always knew the New York people as people who believed the money market was their property, and the rest of us should stay out of it. And they also believed they were essential to its smooth operation. And I thought, after I read a lot about the Bank of England in the old days, some of those attitudes came from the Bank of England. In order to manage the balance of payments and other things, you had to manage the money market, and also keep it reasonably stable. But it justified all kinds of interventions along the whole yield curve.

Robert L. Hetzel: Right. But Martin's organizational genius was that he realized that if he brought the regional bank presidents onto the full FOMC rather than just having this four-member executive committee or whatever, five-member, this small executive committee that had been making monetary policy, that he could sway the presidents; that he could basically have their support, which would then mean in an FOMC meeting, along with a certain number of Governors, that New York could be outvoted.

Jim Meigs: Yeah.

Robert L. Hetzel: And then, once he had changed the balance of power within FOMC meetings, then he could take supervision of the desk away from New York and give it to the Board, essentially himself. And then Sproul had lost all the battles and resigned. And then—

Jim Meigs: Sproul was gone before I went to Washington. I never met him, never saw him. Hayes was the man we saw.

Robert L. Hetzel: And when Sproul had lost all the battles and resigned, he tried to put his own man in the succession, but the Board blocked that and they got Al Hayes as president.

Jim Meigs: Right.

Robert L. Hetzel: And everybody liked Al Hayes because he was a gentleman, but he was—

Jim Meigs: That's right. Hayes was a nice man.

Robert L. Hetzel: He was a banker and he was not a forceful figure.

Jim Meigs: No.

Robert L. Hetzel: He would read his statements, and then he was not very effective after that. So at that point, Martin dominated the FOMC.

Jim Meigs: Yes. And the New York Fed operators, like Rouse, they were trying to hold control of their turf. But, as I said, their reports were unintelligible. Absolutely. And Martin, he always spoke in metaphor.

Robert L. Hetzel: Yeah. "Rubber bands."

Jim Meigs: Oh, and the river—

Robert L. Hetzel: And the river metaphor goes all the way through. When I came to work here for the Fed in 1975, the movie that was being sent out to schools and so on to explain monetary policy starts with a view of a river.

Jim Meigs: That's right!

Robert L. Hetzel: And you hear somebody opening and closing sluice gates to control the flow of the river, and that's monetary policy. And that had to have come from Martin.

Jim Meigs: And he would say, "The river of credit is overflowing its banks." And then he had another thing about a bubble on the floor. I forget what that one was. But the "speculative bubble on the floor." He talked that way all the time. But he was the Chairman, you know.

And they'd conduct the meeting and everybody would say something and some of the bank presidents stuck to the old tradition of talking about this—Homer Jones always called it the "state of the hay crop."

But some, like D.C. Johns and Malcolm Bryan, they took an active interest in monetary policy, which was a threat to the New York Fed—and also a threat to the Board in some way. The Board economists were the Board members that had this independent thought coming in from outside. That was a shock. They didn't like it.

Robert L. Hetzel: So tell me a little bit about the development of the Research Department at St. Louis. You said it was in response to the bringing in of the regional bank presidents into the FOMC process more than just?

Jim Meigs: They started going to all the meetings, whether they were voting members or not.

Robert L. Hetzel: So Johns just had the personality that if he was going to go to the meeting, he wasn't going to be just shunted aside. He wanted to be an influence.

Jim Meigs: Right. See, Johns was a lawyer, and he also was an English professor. He taught English at some women's college in Missouri. And so he believed in precise statements.

Robert L. Hetzel: This was before he became a lawyer and then he had a career of—

Jim Meigs: It was long before he went to become president of the St. Louis Fed. And he had been…I can't remember now, but it seems to me he was advisor in the setting up of some central banks right after the war. But the point was he wanted the objectives to be stated precisely, and he wanted some way to hold the Fed of New York to account for its operations between meetings.

And that's what got us into the whole business of, well, trying, first, to abolish the free reserves as a target and to develop another one. Malcolm Bryan had his adjusted total reserves, and then a guy named Norman Bowsher of the Fed of St. Louis, he constructed one, too. He really based it a lot on Malcolm Bryan's ideas and maybe made some improvements. And out of that finally grew the adjusted monetary base.

But the thing was, we really didn't know. And Milton Friedman and Anna were writing their great monetary history. And I would go up to Chicago nearly every week to a "meaning of money" workshop. So I was learning monetary theory, all I knew there. And at the same time, I was studying the data on affecting free reserves.

And so then comes these chapters. See, Milton was sending me draft chapters of the monetary history. And we would read them at the St. Louis Fed, and one thing that really bowled us over was when he said that the mistakes of the Fed had caused recessions, or would cause recessions. And that was all news to us because we were still all sort of Keynesians at heart. We thought, well, the Fed somehow would affect the price level, but the fiscal policy was the stabilizer of the economy.

And so, in 1959, that's when I was finishing my dissertation, and I remember going to a meeting of the Business Economists Committee of the System. And at the time, money supply was contracting very rapidly. And at the meeting of the economists, I said, "You know, if this continues, we'll have another recession."

And after the meeting, one of the senior Board economists came to me and he put his arm over my shoulder and he says, "Jim, are you serious?" It was all new to them, too, you know. The very thought that the Fed could accidentally cause a recession was very unwelcome there around the Board.

But, as I say, I was learning at the time myself. I didn't have the final answers. None of us did. We simply did not know how the thing operated. And for a long time, the Board had sort of gone on the Riefler thesis. And in my <u>Free Reserves and Money Supply</u>, I examine all that very carefully. But we were all learning together. And I think that the Fed of St. Louis and the Atlanta Fed had quite an influence directing the thinking, influencing the thinking, of several of the members of the Board and some of the other bank presidents.

The other bank presidents, I don't remember them well at all but the possible vote from Philip Dunne because he'd been a business economist at the Fed in Philadelphia and he was really a good man and a thoughtful guy. The rest of them didn't make so much of an impression on me, but Bryan was strong and so was D. C. Johns.

Robert L. Hetzel: And Bryan had an economist working for him, Harry Brandt. He was still around when I came to the Fed.

Jim Meigs: Yeah, I remember him.

Robert L. Hetzel: He was good, wasn't he?

Jim Meigs: Hm-hmm [affirmative].

Robert L. Hetzel: He must have had some influence on—

Jim Meigs: Could have, I don't—but from our point of view, it was Bryan himself. He was the thinker there. Harry Brandt may have done the number work for him, but he didn't make the impression on us that—well, naturally we would look to the member.

Because D. C. Johns and Bryan were such good friends, they would meet together the night before the Open Market Committee meeting. And so we got a lot of feedback through Johns of Bryan's thinking, and we also heard and read what he said at meetings. And he was on the right track.

Robert L. Hetzel: Can you tell me anything about D. C. Johns's personality? I know you told me one other time he was not an easy person to get along with.

Jim Meigs: No, he was not.

[Comment redacted at interviewee's request]

Robert L. Hetzel: Was that part of the chemistry in working with the Board that he was the kind of person that was just aggressive and did not want to be pushed around? Was that part of it?

Jim Meigs: At Open Market Committee meetings, he was very careful. And as you read the minutes, not really diplomatic, but he was making observations each meeting. And when we started, we had to convince him—I think I had to convince him in part because I was the one doing the work on the free reserves—and he wasn't just ready to jump to accept what we had said. And so that turned into the recession after, '60-'61.

That's when we really made the impression on him because he—and you'll see him quoted, and I got quotations from his remarks. And he was being very careful, but he was being, as I say, I always remember him being very precise. And he was diplomatic. He wasn't throwing his weight around in any way, but he was following a consistent position.

Meeting after meeting, he would keep saying, in effect, "Well, look, the Board said they wanted a little more restraint or whatever, and here we have the money supply growing very rapidly." That's one thing is he criticized them for letting the money supply grow too fast. And then he began criticizing them for letting it contract and he pointed out that this was dangerous.

Homes Jones at first thought, when I raised this issue in '59 about the dangers of having the money supply contract, he says, "Oh, well, it'll strike we don't need so much money."

Then, as weeks went by, he would say, "Well, Meigs, where is that recession you're talking about?" Homer was a great skeptic, which made all of us work very hard to answer his questions.

Robert L. Hetzel: So Homer did not come into the St. Louis Fed with quantity theory ideas?

Jim Meigs: Well, yes.

Robert L. Hetzel: He'd worked with Warburton at the FDIC, right?

Jim Meigs: Right.

Robert L. Hetzel: So he'd been exposed to Warburton's ideas.

Jim Meigs: Oh, yes.

Robert L. Hetzel: And then Friedman, of course.

Jim Meigs: He knew Warburton well.

Robert L. Hetzel: And then he knew Friedman well.

Jim Meigs: Oh, yes. Homer knew everybody of importance in the profession in those days. But I think Homer had a quantity theory view but it was old-fashioned sort of Lloyd Mints stuff. And he had been bottled up at the Fed on consumer credit.

Robert L. Hetzel: He was at the Board before he came to St. Louis?

Jim Meigs: Yeah, he was on the Board staff.

Robert L. Hetzel: And so he was just sort of off at the side?

Jim Meigs: Yeah. He'd been working with Warburton. And he used to joke, he said, "Well, they put Warburton up in the attic and he would scribble away writing."

See, Warburton, in my mind, is one of the guys who is underappreciated. He had a very clear explanation of markets and money growth affecting markets. And so Homer was exposed to that. And when he got to the Fed in St. Louis, as I say, at a time when everything was in ferment, then he was always asking questions. And the staff worked frantically to try to keep up with his questioning. So Homer had a tremendous influence there.

But D. C. Johns had this drive of knowing he was responsible and he wanted to do a good job. And he knew that what he was hearing at the Board and from the Fed of New York was inadequate to explain what was happening. And that's why he really brought us all in. But he was, as I say, a very difficult man. Very, very difficult.

Robert L. Hetzel: Because he had trouble controlling his anger.

Jim Meigs: Yeah. But I don't think he ever did that in the Open Market Committee meetings. One time there was a change of the discount rate. And he was so angry, he kicked the wall. And he was just absolutely furious because at the meeting a few days earlier, although the discount policy wasn't really their concern, but they had agreed, he thought, that there would be no change to the discount rate. And I remember that he said it was a New York trick. He was furious.

Robert L. Hetzel: You said that it came as a surprise that the Fed could set off the recession, the 1960 recession. In '56 and the first half of '57, inflation rose to four percent.

Jim Meigs: Right.

Robert L. Hetzel: The Fed was very concerned about that.

Jim Meigs: Oh, yes.

Robert L. Hetzel: Martin apparently thought that one reason for the inflation was that he had come out of the '54 recession too quickly. So there was a feeling that the Fed was responsible for inflation. Do you remember any feeling that the Fed, through tight money, was responsible for the '57-58 recession?

Jim Meigs: No, I don't think they agreed with that. Milton testified to some Congressional committee, remember? You have that, I'm sure.

Robert L. Hetzel: Sure.

Jim Meigs: And he was using that last recession as an example, as an interesting case, a recent case. That was consistent with the cyclical views that he and Anna had worked out over the long history. Then novelty to us was that changes in Fed policy not only influenced prices but influenced economic activity, real activity, in the short run. This was a new development, and not everybody at the Board ever did agree with it. I think they didn't want to be blamed for causing a recession, naturally. You can understand that.

Robert L. Hetzel: Sure.

Jim Meigs: But it was such—there you had Friedman and Schwartz developing their evidence on one side, and you had the independent research work going on at St. Louis and at Atlanta, which was different from the official view at the Board and at the Fed of New York. Different, you know. We were 180 degrees opposed to the explanation that was being offered to defend policy changes.

Robert L. Hetzel: You mentioned Boucher was working with you?

Jim Meigs: Yes.

Robert L. Hetzel: Who else was working in the Research Department?

Jim Meigs: Everybody's dead but me. Well, Fred Deming, is he still alive?

Robert L. Hetzel: Yes, he is. He's living up in Minneapolis.

Jim Meigs: Minneapolis?

Robert L. Hetzel: Yes.

Jim Meigs: Fred Deming went to the meetings but Fred never—well, Fred wasn't quite as, let's say interested in monetary policy. But he knew. He'd be a good one to talk to.

Robert L. Hetzel: I have talked to him.

Jim Meigs: You have.

Robert L. Hetzel: Yes.

Jim Meigs: He was first vice president, and then he went up to St. Louis. And then we had a guy named Guy Freutel. He was a genius. He committed suicide.

Robert L. Hetzel: I hope not related to Johns.

Jim Meigs: Well…

Robert L. Hetzel: So who else?

Jim Meigs: There was a guy named Ross Robertson. I can't even talk about Freutel. [choking up]

Ross Robertson was a senior economist and a very good writer. A very good writer of economics financial history. He was really good. But he left the Fed of St. Louis. I don't know why. I left, I don't know, I can't hardly explain it either. But…

Robert L. Hetzel: When did Leonall Anderson come?

Jim Meigs: After I left. I didn't even know him.

Robert L. Hetzel: So you never had any contact with—

Jim Meigs: Jerry Jordan came after I left. I left in '61 out of a rash act. But I was so upset by our being trumped by the New York Fed, for one thing. And I don't know, sometimes I thought if I got outside, I could talk more. But I didn't really. I published a book. That's all I did [unintelligible 00:45:10] New York.

And then I went to Citibank and I read something…Samuelson…in the *Journal of Economic Literature*, is it? Somebody wrote a long piece about Samuelson's money, I mean, Samuelson's big textbook.

Robert L. Hetzel: Yes, I've read that.

Jim Meigs: And read Samuelson's comments to the review of his book by this other economist. And one thing that's very interesting. This guy pointed out that he was giving more attention to money in each edition.

He said, "Well, yes. Things are changing." And there was the monetarist's work, and the monetarist captured the Fed at St. Louis. And then he said the Citibank. And I guess that was me. It was I who turned them around for a while. But I went there and I wanted to keep—I was convinced of the monetarist counter-revolution and I wanted to be part of it. And so at Citibank, you read those bunch of letters that say—

Robert L. Hetzel: Yes. Yes, those were very good.

Jim Meigs: Oh, they were excellent. But before I got there, they didn't ever say that changing money supply had an effect on anything. And we wrote a lot and talked a lot.

Robert L. Hetzel: Was Leif Olson at the Citibank?

Jim Meigs: Yeah.

Robert L. Hetzel: When did he join?

Jim Meigs: A little while before I did. I went there in '64 and he went there—he had been a writer with the *Wall Street Journal*.

(END OF RECORDING)