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## Interview of David Meiselman

Conducted by Robert L. Hetzel

March 28, 1995

**Robert L. Hetzel:** All right. How did you start working for the Treasury, and where did you come from?

**David Meiselman:** Okay. I was teaching at the University of Chicago. I was an Assistant Professor there and I was teaching the course called Money. This first year graduate course. And then I was working with Milton Friedman. It was in the money banking workshop, and we had been doing quite a bit of research together, and when I was hired there they said—I was pretty much told that at least for the foreseeable future, that they didn't really envisage that I would probably get any tenure there.

So I had been in Chicago for so many—for just too many years anyway, and so I wasn't actively looking for anything. But I was sort of amenable to moving on, and my old friend Alan Meltzer had been in the Treasury for a short time. He took leave from Carnegie. They hired him, and he was only there for about a week. But he quit because he was told that he would be involved in policy-making at the highest level. When he found out that he wasn't, he essentially said, "I'm wasting my time here. I'm going home." So he went home.

But he used to come back and forth. So they told him that they were looking, they were setting up a new office and that they were looking for some very good economists, and it was really through Alan's marketing that I made contact with them.

**Robert L. Hetzel:** So what was the date that you went to Treasury?

**David Meiselman:** I went to the Treasury in the fall of 1962, and what happened was that they set up a new office called The Office of Financial Analysis. The director of the office was Paul Volcker. Paul Volcker came from the Federal—from Chase Bank and before that he had been at the Federal Reserve Bank of New York.

**Robert L. Hetzel:** Right.

**David Meiselman:** And before he came, the director was Frank Morris, who later went on to become the president of the Federal Reserve Bank of Boston for many years.

**Robert L. Hetzel:** Right. I've interviewed him.

**David Meiselman:** Yeah, and everything really reported up to Bob Roosa, who was Under-Secretary of the Treasury for Monetary Affairs. And he was—everybody was really—this new office reported to him, and in the office they got—the reason as I understood it that they set up the office was that the Council of Economic Advisers was—and this was early in the Kennedy administration—was really a powerhouse.

And when the Treasury people went over to have meetings with the people from the Council, particularly the secretary—who was Douglas Dillon—he thought that he was outgunned. So he wanted his own troops, and so he brought together—so they set this up and they got special authorization to hire super grades and do various other things. And the people who came in with me included Jack Kareken from the University of Minnesota.

**Robert L. Hetzel:** Right. I talked to him too.

**David Meiselman:** Yeah. Sam Chase came from the Federal Reserve Bank of Kansas City. Carl Madden, who has since passed away. Carl had worked with Paul Volcker at the Federal Reserve Bank of New York, and although he had a PhD in Economics from the University of Virginia, he was more of a publicist. And so he—and he was a good speech writer, and not a bad economist but not the same analytical caliber as the other people.

And then there was a man called Herman Liebling who came from the Department of Commerce, and he was an old Department of Commerce guy who had made a lot of numbers and studied some productivity, and he'd worked on something called Corporate Source and Uses of Funds, which I had also worked on at the National Bureau of Economic Research, probably the flow of funds. And so we had this group of people there under Paul Volcker.

**Robert L. Hetzel:** [00:05:41] Dewey Daane and Peter Sternlight, they were there also?

**David Meiselman:** Dewey Daane was there. I'm not sure that Peter Sternlight was there, and yeah, Dewey Daane . . .

**Robert L. Hetzel:** Well, Sternlight would have been more in the marketing, Treasury security function.

**David Meiselman:** He may have been. Yeah, I don't recall him. I met him at other times.

**Robert L. Hetzel:** He was there. I talked to him too.

**David Meiselman:** He was there? Okay.

**Robert L. Hetzel:** Yes.

**David Meiselman:** And once the decision was made to start this new office, and then it took quite a while to hire the people and then they're academics, it took them a long time to get there. And we—the whole thing really didn't come together until September. And once we were there, it was clear that they didn't know what the hell to do with us, and Paul Volcker would hand out little assignments. The person who had the most responsibility, was most involved, was Sam Chase who had come earlier, and he was—Sam was working on various problems of banking structure and regulations.

**Robert L. Hetzel:** Right. He did some stuff with Lyle Gramley I think.

**David Meiselman:** Later on, right. And the two of them were alumni of the Federal Reserve Bank of Kansas City. They met there and they were—through the years were very close friends.

**Robert L. Hetzel:** Sam Chase is still around, I assume?

**David Meiselman:** Yeah. He later—he went to the—was at the University of Montana. He's from Montana. He has a Berkley PhD, was an undergraduate at Dartmouth. A very bright guy, a very tense man. I think he had four daughters or five daughters. If I had five daughters I'd be tense.

[Laughter]

**Robert L. Hetzel:** Yeah.

**David Meiselman:** He came—I think he came back from Montana. He was with the Fed, Board of Governors working on bank structure and financial market structure problems. Then he later went into a private consulting business with Carter Golembe, worked for Golembe Associates and I think he was a partner there. Did that for some years and then he went off on his own, and I think now he still does some consulting, primarily with the ABA, and he's partly retired. And he still lives in Chevy Chase.

**Robert L. Hetzel:** Oh, so I could look in the phone book and . . .

**David Meiselman:** Oh, I'll give you his number.

**Robert L. Hetzel:** Oh, okay.

**David Meiselman:** I see him from time to time. We're good friends, and he would be very knowledgeable and I'm sure he would be happy to talk to you. He lives in Chevy Chase. It's Samuel B. Chase, Junior. Samuel Chase, Junior. It's area code [phone number redacted]

**Robert L. Hetzel:** Tell me about the personalities of the individual there. Did you ever meet Douglas Dillon, talk to him?

**David Meiselman:** Not—I would see him at some big meetings or sometimes I would bump into him in the corridor or someplace like that, and I really can't say that I had much in the way of any—enough of an interaction with him really to make any kind of judgment. At that time, there was a group of Treasury consultants, so called. And the chief—the person in charge of it was Seymour Harris from Harvard.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** [00:10:13] And we would have these meetings. In fact, I had been invited to some of those meetings when I was still in Chicago.

**Robert L. Hetzel:** Oh, you two must have had some interesting conversations.

**David Meiselman:** Well . . .

**Robert L. Hetzel:** You know?

**David Meiselman:** There was a large group. But no, not really.

**Robert L. Hetzel:** Okay.

**David Meiselman:** He had an office in the Treasury and would spend a day or two a week there. Largely running this group of consultants.

**Robert L. Hetzel:** Okay.

**David Meiselman:** And what they would do is the consultants—there would be a meeting on a specific topic or several topics, and people would come from all over the country, but primarily from Washington. They have a group of academics and sometimes bank economists or something like that, and some people would be assigned responsibility for making presentations or preparing a paper of some sort. And then there would be a lot of discussion.

During that time, there would be various Treasury people who would be there, and you'd get the top people from the Treasury. Like Douglas Dillon would sometimes come, and he would spend a large part of the day there. Paul Volcker would be there or the other people you just mentioned. Dewey Daane and the others, and mostly the Treasury people listened. Sometimes they'd raise a question, and Douglas Dillon would mostly listen, occasionally raise a question, and I don't recall that he ever contributed much but he listened. And that was the point, was really to inform the Treasury officials, and there would be some pretty free-swinging discussion and I thought that was very helpful.

I think one of the things that would did was it not only exposed them to different points of view, but it also told them what people were thinking, and they would then get a whole catalog of talking points which they could use in their own presentations.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And so even if they disagreed with somebody, it's something they had to take into account. Or very often points were made which would show up in testimonial speeches or whatever, and Volcker was very good at that. Now I—we would meet. Our group would meet with Bob Roosa from time to time. But we—I don't recall that we ever met with Dillon.

**Robert L. Hetzel:** Do you have any sense of Roosa as an economist? Or was it mostly . . .

**David Meiselman:** Oh, yeah. I had a—yeah. I've . . .

**Robert L. Hetzel:** So how did he look at the world? He was a John Williams Keynesian, but with emphasis on financial markets?

**David Meiselman:** Financial markets, and he was trained at Michigan, University of Michigan. He was a Keynesian. It's kind of a funny kind of Keynesian. He thought the financial markets were very complicated and very complex, and that there was a lot of sort of market segmentation, and he thought that . . .

**Robert L. Hetzel:** So he was very much in the Sproul, New York . . .

**David Meiselman:** He was very—that's right. In fact, during the '50s he wrote extensively, and I remember when I was—in the mid '50s I was at the National Bureau in New York and I would sometimes visit down there. In fact they once offered me a job. The only time the Fed has ever offered me a job or anything. But that's . . .

[Laughter]

**Robert L. Hetzel:** Yeah, that was before they knew you.

**David Meiselman:** Before my reputation was formed. And that's where I first met Paul Volcker. I met him at lunch with a group of people there, and they were worshipful of Bob Roosa because of his very detailed, sophisticated, and almost superhuman insight and understanding of financial markets. And then he was the only one who knew all these connections.

**Robert L. Hetzel:** [00:15:15] But it's interesting what you say about the New York connection. I talked to Kareken not long ago, and he said the reason Roosa left the Fed and went to the Treasury was that he, Roosa, gave a public defense of New York's position against the Board's position, bills only, and that after that . . .

**David Meiselman:** Oh, yeah.

**Robert L. Hetzel:** Martin, you know, saw to it that he couldn't rise any further.

**David Meiselman:** Is that right? Yeah. Well that was a big thing about bills only. That was a big, big controversy then, and I think that one of the reasons that some of the people in the Treasury were favorable to hiring me, even though I came from Chicago and was a student of and a colleague of Milton Friedman was my work on the term structure.

**Robert L. Hetzel:** Okay. Let me ask you about that. Unfortunately I didn't start this project until after Roosa had died. So I missed him.

**David Meiselman:** Well, yeah.

**Robert L. Hetzel:** I missed him.

**David Meiselman:** Let me tell you a little bit about Bob Roosa because he was a very important person in this, and Bob Roosa was an intervener and a fiddler in financial markets.

**Robert L. Hetzel:** Hm-hmm [affirmative]. Yeah, like Sproul.

**David Meiselman:** And he—Bob Roosa—at the time we were struggling with the \$35 price for gold and we were losing gold, and the Treasury was really beset by worries about the gold. And they were in a dilemma because we were losing gold, and at the same time, there was a belief that the country was in—if not a full recession, at least a semi-recession, and that particularly in 1962 . . .

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** The stock market crack in the spring of '62, and there was the belief that we might be headed back into another recession.

**Robert L. Hetzel:** That's right.

**David Meiselman:** So they were sweating blood because the usual things that they thought about to fight the recession would make the gold situation worse. And so then Roosa was struggling to find some financial weapons or some kind of finagling, or to do something that could accommodate both. And they thought of different things. One of them was—that really didn't come from them, but it came from the Council, was this so-called operation twist, which they never did anything about anyway, which was to try to change the term structure of interest rates by pushing up short rates which they felt would attract foreign capital. And pushing down long rates, which they thought could stimulate domestic investment and be expansionary. And by changing—to do that by changing the relative quantities of public debt.

**Robert L. Hetzel:** Right. The outstanding maturity of the public debt. But I want to ask you about that because . . .

**David Meiselman:** Yeah.

**Robert L. Hetzel:** . . . having gone back to talk to people, people have very different . . .

**David Meiselman:** Hm-hmm [affirmative].

**Robert L. Hetzel:** . . . opinions on what Roosa had in mind. Some people say that Roosa didn't really believe in operation twist. It was done to accommodate Tobin in particular at the Council, with the idea that all the Council really cared about was long-term interest rates. If they could persuade the Council that they were doing something to keep long rates down, that would give the Fed more flexibility to raise short rates. So that this was more a way of putting off pressure from the Treasury than something that Roosa really, truly believed would work.

**David Meiselman:** Well, I really have no knowledge of that.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** I just—the person who may know—Sam Chase may know more of that.

**Robert L. Hetzel:** Okay.

**David Meiselman:** Okay? Now incidentally—and Sam and I have talked about this a lot, what I'm just going to say.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** [00:19:55] Which is this. In terms of the role of that office, that between the time Dillon came to the conclusion that he needed more support and he needed people to do battle with the Council, it turned out that Kennedy became more favorably inclined to the Treasury, and Dillon—and whenever there was—and typically when there was a conflict, the Treasury would win and the Council would lose.

So having brought this group together, then the people who are really running the show, including Roosa, they didn't feel that they really needed us anymore. Because they could win without us. Because Treasury did not have to play the Council's game. And now in fact, one person you may be interested in talking to is a man by the name of Marshall Kaplan. Do you know about Marshall Kaplan?

**Robert L. Hetzel:** No, the name's not familiar.

**David Meiselman:** Okay. Marshall Kaplan was a Chicago PhD. When I came to town—see, and he—when I came to town he was working at the Council. He started working at the Council when Arthur Burns was there and when Walter Heller came in, he just kept him on. He later went on to—he left the Council after some time and he was with the Federal Home Loan Bank and then he was in consulting, and I saw him in Chicago in the fall when we had sort of had a reunion of people who were there four years ago at Chicago. And unfortunately he's had a stroke. But he's—I mean, it impairs his mobility but his mind is perfectly fine.

**Robert L. Hetzel:** Okay, so do you have a phone number on your Rolodex?

**David Meiselman:** Let me see if I have one for him. He'd be a wonderful person to talk to because I'm going to tell you a story about—because I had lunch with—what he told me the first day I was there. No, I don't.

**Robert L. Hetzel:** Okay. Do you have an address?

**David Meiselman:** I suspect that he probably lives in the Maryland suburbs. But if you cannot find him, let me know and I will call people at the University of Chicago and get the address for you. Because he'd be very good to give you the Council—what was going on in the Council.

**Robert L. Hetzel:** So I could call the alumni office and . . .

**David Meiselman:** Maybe, yeah. Marshall Kaplan. He has a PhD in the—maybe in the late 50s.

**Robert L. Hetzel:** Okay. I can call the alumni office.

**David Meiselman:** If not that, there's somebody I was going to call at the business school who has his address. Claire Friedland.

**Robert L. Hetzel:** Oh, okay. Well, so . . .

**David Meiselman:** Anyway. When I was—I remember I had lunch with Marshall, and I—we were chatting about what was going on and then he said that the general impression about Kennedy and what was going on in the administration was absolutely wrong. And he says, "Never forget that Kennedy is his father's son."

**Robert L. Hetzel:** Yeah.

**David Meiselman:** He says, "He's a financial puritan. He loves gold and he hates deficits."

**Robert L. Hetzel:** Yeah. That's written up a couple other places. Martin Mayer wrote a book about this period.

**David Meiselman:** Is that right? Okay. He said—and so given that—and he said that the—he told me that the Council really didn't have that much clout. So these guys were running around making speeches, giving seminars, etcetera, and so Kennedy let them run around, you know, and get their jollies out of these presentations. But what it came down—when it came down to it, the Treasury had the clout.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Or it typically did, see.

**Robert L. Hetzel:** That's right. The other thing was that Kennedy had been elected on a program of sacrifice, and then after the Berlin Wall went up, he didn't feel like he could then go around and say, "Oh yeah, you know, let's relax discipline. Let's, you know, spend a lot of money. Let's cut taxes." He felt constrained. If he was asking the public for sacrifice, then he felt like he couldn't then tell the public, "Well, the government is, you know, not going to share in this sense of sacrifice."

**David Meiselman:** [00:25:06] Well, you know, there were no big spending plans except for the military.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And even after Kennedy was shot, when Johnson filled out that term, there was no spending.

**Robert L. Hetzel:** That's right.

**David Meiselman:** And in fact, it was—they perceived the problem as one—the stabilization problem from the Keynesian standpoint was one of fiscal drag. There was so much money coming into the Treasury.

**Robert L. Hetzel:** That's right.

**David Meiselman:** And that's when they started to think about, what are we going to do with the money? They said, well we can't spend it. So what we'll do is we'll give grants to the states. Let them spend it.

**Robert L. Hetzel:** That's right. The . . .

**David Meiselman:** [unintelligible 00:25:51] and the person who came up with that is Joe Pechman.

**Robert L. Hetzel:** The Heller Council, and particularly Galbraith who was sending letters from India at that time—they very much wanted a deficit through increased government spending.

**David Meiselman:** That's right.

**Robert L. Hetzel:** But Kennedy told Heller, “If you want a tax cut—if you want a deficit it’s got to be through a tax cut and strict control of government expenditure,” or you know, Harry Bird and the rest of the democrats won’t go along with it.

**David Meiselman:** Yeah. Yeah. And so the explosion did not start until Johnson, until the Great Society.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Anyway. So there was great fear and trepidation about the gold and they were—in the Treasury they were particularly concerned about foreigners coming to America and borrowing at our low interest rates, and that we had a—I think at the time we probably had a deficit on capital account. So we had a surplus on trade account.

**Robert L. Hetzel:** That’s right.

**David Meiselman:** So they focused on the part of the equation where there was a deficit, and there would be times when they would—there was great concern that they had heard stories that a government or municipality in Europe was negotiating with a Wall Street firm to borrow money. And a great upset, and so Bob Roosa, some of our meetings, he would talk about some finagling here and there and whatever to try to impede that or to try to do something to strengthen the exchange rate, which didn’t have much wiggle room. But it had some. And to keep the US from exporting capital.

**Robert L. Hetzel:** So Roosa came up with the—at least worked out the details of the interest equalization tax. That was the Treasury.

**David Meiselman:** Well, I think that—no. It came—the interest equalization tax came into being after I left. But I was given to understand that that was put together by Paul Volcker. But I’m not sure.

**Robert L. Hetzel:** Well, he worked out . . .

**David Meiselman:** But I wasn’t there at the time.

**Robert L. Hetzel:** He worked out the details of it.

**David Meiselman:** And so maybe the idea came from—the general idea or concept came from Roosa and Paul worked out the details.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Wasn’t that perfectly consistent, because at that time Paul was still more of a staff person and he would be implementing whatever the boss wanted. See, my feeling about him was that he was a loyal staff person and he got his marching orders from his superior and his—in best Prussian style he was going to salute and do his best.

**Robert L. Hetzel:** Sure.

**David Meiselman:** And he couldn't understand why this group of characters that he'd assembled didn't do the same for him. He wanted me to do for him what he was doing for Bob Roosa and for the—for Douglas Dillon.

**Robert L. Hetzel:** Yeah, yeah.

**David Meiselman:** And so I came there as a truth seeker, you know? After all my years at the University of Chicago.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And so I was prepared to give my best shot to understanding a problem and implementing it, and giving it the best economic analysis. Not to take my directive from a political position made by whoever at the Treasury. And so there were—on various occasions he would ask me to do something and I would say, "I can't do that." And he—so we quickly had a falling out and so did the other people. So the whole office essentially fell apart within a few months.

**Robert L. Hetzel:** [00:30:35] Hm-hmm [affirmative].

**David Meiselman:** Sam Chase quit. Kareken quit. And Volcker stopped asking us to do things. And so long times would go by and we wouldn't see him, and we were just left alone in our offices. So I went off and I started writing some other papers, and I was looking for another job. I was the last of them to go except for this Herman Liebling who stayed on for a number of years. And the reason I was the last to go was it was a little harder for me to get a job. And so now Volcker worked closely with Liebling, and he found him very useful because Liebling knew all the damn numbers to everything.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he had contacts all through the government. So he could get sometimes—they got people who were preparing data, would give him preliminary data.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he had a better sense about the reliability and the sources of the new statistics than other people, because he had worked on them. And so he developed a very close working relationship with Volcker and he fed him a lot of stuff that later went out through the Treasury, and we didn't that role. So the whole thing dissolved. And so I came in September. I left in May, but I was the last of them.

[Laughter]

So even his old buddy Carl Madden left, and he went to—I think he worked for the Senate Banking Committee. I left and for a time I worked for the House Banking Committee, and then in the fall, in September of '93, I started teaching at Hopkins. And then I was working for the democrats. It was really Wright Patman, and there again it was—that was through—Al Meltzer was the matchmaker.

**Robert L. Hetzel:** Yeah. Let me—before we get to that, let me ask you a few more questions.

**David Meiselman:** Go ahead.

**Robert L. Hetzel:** About the Treasury. You came after the Treasury began the practice of swaps and after the exchange stabilization fund basically ran out of money?

**David Meiselman:** No. Well the exchange stabilization fund . . .

**Robert L. Hetzel:** Yeah. Did you have any discussions about that? Like that's of particular interest to me.

**David Meiselman:** I'm trying to think about it, and . . .

**Robert L. Hetzel:** It ran out of money basically because the funds had been used for the Alliance for Progress.

**David Meiselman:** Is that right?

**Robert L. Hetzel:** To lend to Argentina.

**David Meiselman:** Oh, I don't remember.

**Robert L. Hetzel:** Okay, and then they needed money to . . .

**David Meiselman:** I don't remember that. I don't remember that. I did remember that my paycheck was—it said exchange stabilization fund on my paycheck.

**Robert L. Hetzel:** Oh.

[Laughter]

**David Meiselman:** They paid me out of that.

**Robert L. Hetzel:** Oh, well . . .

**David Meiselman:** So we—I knew it was a giant slush fund.

**Robert L. Hetzel:** Yeah, I hate to think who else along with you got paid out of it over the years.

**David Meiselman:** I know, but to me it seemed . . .

**Robert L. Hetzel:** You accumulate some really notorious company.

**David Meiselman:** We used to joke about it that it was a big slush fund.

**Robert L. Hetzel:** That's what it is.

**David Meiselman:** And that the Secretary of the Treasury had it to his disposal.

**Robert L. Hetzel:** And now it's a 20 billion dollar slush fund for [unintelligible 00:34:22].

**David Meiselman:** It's even bigger.

**Robert L. Hetzel:** Yeah, okay. Well . . .

**David Meiselman:** And so anyway, the office really didn't accomplish a hell of a lot.

**Robert L. Hetzel:** Hm-hmm [affirmative]. Did you have any discussions involving Bill Martin at the time? Anybody make comments on his relation with the Treasury or any . . .

**David Meiselman:** I don't—offhand I don't recall.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** No, I don't recall.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** I had friends at the Fed. I'd go visit them. We were very friendly, and it's people that I had known from graduate school. People like Steve Axilrod and whatever. But Martin just was just kind of a fixture there.

**Robert L. Hetzel:** [00:35:17] So you knew Axilrod?

**David Meiselman:** Oh, I knew Axilrod when we were both graduate students. Right.

**Robert L. Hetzel:** So tell me. I've not talked to him yet. He's recently retired and I will talk to him. But so he was a graduate student in economics?

**David Meiselman:** Yeah. He had a bachelor's degree from Harvard. He came to Chicago.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** He never finished his degree.

**Robert L. Hetzel:** Okay.

**David Meiselman:** And he married a woman who was also a graduate student in economics, whose name was Catherine. I think her maiden name was Padolski or something like that, and he and I were also both—at that time there was—at Chicago there was a committee on planning, and in my crazy youth I thought that that was the way to go.

[Laughter]

So I took a year long course, or three quarters of a course called Socioeconomic Planning, and that convinced me to be a free market person. Because it was a wonderful course because I read all the planning literature, and when I came midway through it, I said, “Is that all there is to it?” You know, I read Lange’s essay on the economic theory of socialism and he made the strongest case, and I thought, “If that’s the strongest case, there’s no case.”

**Robert L. Hetzel:** Did Axilrod have any ideas of his own that you can ever remember? I mean, he was always a . . .

**David Meiselman:** As a student? No.

**Robert L. Hetzel:** Yeah, as anything.

**David Meiselman:** He was kind of—[comment redacted at interviewee’s request] And I don’t think he ever felt he fit in there. So he left and became—he got a job at the Board in kind of the international section, and then the next thing I heard he rose very quickly. And they used to joke about how he used to play tennis with Martin, and he had his tennis racket at the ready whenever Martin wanted to play. So that didn’t hurt his advance. He was a loyal, effective—my impression is that he was a very loyal, effective person inside the Treasury, and he was sort of an intellectual adversary of mine.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** But he was always loyal to whatever was going on there.

**Robert L. Hetzel:** Yeah. Yeah.

[00:38:00]

**David Meiselman:** And he was—and then he was there for many years before he went out in the private sector where he probably made a bundle of money.

**Robert L. Hetzel:** Yeah, I’m sure he did.

**David Meiselman:** Yeah.

**Robert L. Hetzel:** Well, tell me about going to the Congress and the House Bank Committee and working for Patman. When did you do that?

**David Meiselman:** I did that—I think it was May of '63, and what happened was that Patman had been waiting in the wings there for many, many years to become chairman.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And there was a man who was chairman who was in his dotage. I think his name was Brent Spence from Kentucky, and he was well into his 80s and he kept getting re-elected, and Patman was the number two man. And then finally he took over as chairman, and then one of the first things he did was to start a—he wanted to start an investigation of the Federal Reserve or start an inquiry.

**Robert L. Hetzel:** Yeah, yeah.

**David Meiselman:** And so he went out and he got in touch with Alan Meltzer. The reason was that when Patman was on the Joint Economic Committee, they commissioned Alan to do a study of the government bond market.

**Robert L. Hetzel:** Right.

**David Meiselman:** With the dealers and they liked the results. So he was one person, one economist. So they got Alan, and of course then Alan of course got Karl Brunner, and then Alan told me that they were looking for people. So I went over there and they hired me, and then they hired a whole bunch of other people, and that's how—through me, we got to hire Bob Weintraub and then Don Jacobs later became—who is now—later was dean of the business school at Northwestern, and a man by the name of Ira Scott. It turns out that every single one of us had voted republican in 1960. But Patman didn't care about that.

**Robert L. Hetzel:** [00:40:21] Sure.

**David Meiselman:** What he cared about was the fact that we worked in—none of us were in the Fed's pocket, and we started—launched a series of studies and the major one was the one done by Brunner and Meltzer.

**Robert L. Hetzel:** Right.

**David Meiselman:** Became a renowned study, you know.

**Robert L. Hetzel:** Sure.

**David Meiselman:** I was tangled up in things going on in the committee and I was too close to it. So I really didn't produce anything that was publishable, and then I started

teaching at Hopkins and then between the two it was too hard. I was working part time, so sometime in the fall I quit.

**Robert L. Hetzel:** So you quit in the fall of '63?

**David Meiselman:** Fall or winter of '64. I hung on for a few months more, and then by that time, Bob Weintraub I think was coming down. Although he didn't have a background in money. He was smart and a fast learner. He got a degree from Chicago, I think in labor.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And then there are other people. It was like a daisy chain. Other people came into the Banking Committee through the—it might have been Dean Carson, who was a good friend, and some others.

**Robert L. Hetzel:** Is there anybody around still from the mid '60s who was on the staff I could talk to about—'65 and '66 especially. Reg Q and Patman's attack on the Fed. I'd really like to get some idea from the Congressional perspective, whether they ever really thought they had a good chance to change the Federal Reserve Act to limit Fed independence. Whether the Fed was really running scared.

**David Meiselman:** I'll tell you. I will tell you. See, Bob Weintraub and I were very dear friends and very close friends through the years, and we talked almost every day for a number of years, and we used to talk about Patman a lot. Because he was not the usual kind of politician, and there was a lot about him that was very enigmatic. And Patman had a big reputation of being a Fed-bashed, a Fed-hater, kind of a goofy guy. A dangerous man. Whatever, and that didn't bother him a wit. In fact, I think he probably liked it. And the thing is that Patman had an almost perfect batting average whenever he brought legislation to the House floor, which is a zero.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he couldn't get anything through the House, and through many years of discussion with Bob Weintraub, it was clear to us—and this is also through some hints that Patman gave to him. That Patman basically was not really interested in monetary policy. He wasn't really interested in the Fed. That the whole thing was a diversion. He wanted a cause to divert attention from what his real interests were, and his real interests really had to do with financial structure and it had to do with getting special provisions that were helpful to the savings and loans, the building people, the whole real estate thing that went through the House.

**Robert L. Hetzel:** So he was more interested in credit allocation?

**David Meiselman:** He was interested in credit allocation particularly.

**Robert L. Hetzel:** And monetary policy—I mean, what you associate him with is his attacks over high interest rates. But you think he . . .

**David Meiselman:** He never in fact—I mapped out—there was some things I remember working on for him where the Fed was tightening, or seemed to be tightening, and I didn't think it was the right thing to do. So I mapped out—I still remember. I mapped out a whole plan of attacking every element in the Fed plan at that time, and whatever discussion they had, or justification. And I thought that it was flawed at every single point, and he structured it so it was just kind of muted. So he didn't want to hit—he wanted to make a fuss but not enough really to make a damn bit of difference.

**Robert L. Hetzel:** [00:45:22] Okay. This is important to me because . . .

**David Meiselman:** It's really a different interpretation.

**Robert L. Hetzel:** Well, yeah. I mean, you know, the Fed on the one hand talks about its independence. On the other hand it likes to have this argument in the pocket that we know whenever there's a problem, inflation gets out of hand. Well it was political pressures if you really push it [unintelligible 00:45:44].

**David Meiselman:** Yeah, but he didn't have any.

**Robert L. Hetzel:** They'll say, oh, yeah. We were really . . .

**David Meiselman:** Yeah, I know. I understand that.

**Robert L. Hetzel:** We just don't understand . . .

**David Meiselman:** We had to do it because otherwise they would have taken our independence away.

**Robert L. Hetzel:** Yeah, you know, you just don't understand.

**David Meiselman:** You know, and then that's like the girl who would protect her virtue by giving in.

[END OF TAPE 71, SIDE A]

[BEGINNING OF TAPE 71, SIDE B]

**Robert L. Hetzel:** It's important for me to get as many people talking about it as I can because it's hard. He pushed the Fed. The Fed would say, "Well, you know, we really can't—there's no evidence of this, of course. That we were just about to have our independence taken away." But the way it works is that the chairman gets subtle hints from the chairman in the Senate Banking Committee, and you know, that he better back off and . . .

**David Meiselman:** Well, I think most of that was empty, and you know, Patman would make—you know, he would appeal to his supporters and constituents and contributors. And so he would make a big thing about the expenses at some of the regional banks and that they bought 400 ping pong balls for a recreation room at the Federal Reserve Bank of New York. And he had people on the staff who did nothing—he would have some people who would just crank out this garbage.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And so—and now at the same time he had some very good people involved there. You know, like Brunner and Meltzer and Bob Weintraub. And so it was this funny mixture. But in my recollection, I don't know of anything that Patman was ever responsible—any important legislative change that Patman was ever responsible for initiating and carrying through. He had a lot of initiatives, but nothing ever happened.

**Robert L. Hetzel:** Nothing on the Fed directly. He must have . . .

**David Meiselman:** Nothing ever happened on the Fed. Nothing.

**Robert L. Hetzel:** Were you at all aware of what was going on with Reg Q in 1966. Were you at all involved?

**David Meiselman:** I was not involved in that. I left there and then I was working at the—I worked in South America for a while. Then I came back and I was working at the Officer of the Comptroller of the Currency, and I had some involvement there. But the flap about Reg Q and I'm a little fuzzy about it right now.

**Robert L. Hetzel:** Okay.

**David Meiselman:** And there was—in '66 interest rates were rising.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And it started to—some of the various interest ceilings were starting to get screwed up, and so then in the—I think it was the spring of '66. I went to work for the—on leave from the Comptroller's Office. I went to work for the World Bank.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And then at the end of the summer I left and went to Minnesota.

**Robert L. Hetzel:** Hm-hmm [affirmative]. Let me come back to your general discussions with Bob Weintraub.

**David Meiselman:** Hm-hmm [affirmative].

**Robert L. Hetzel:** And maybe we could talk a little bit about Arthur Burns.

**David Meiselman:** Okay.

**Robert L. Hetzel:** Did he ever have the feeling that Burns—I mean, what you've just told me was that if I want to explain what Martin did, why he behaved the way he did. It wasn't because he was forced into it by an angry Congress. It was either because he . . .

**David Meiselman:** No. I didn't see—I didn't—from my recollection I don't know that there was an angry Congress beating on him, and that in many respects it wasn't even an angry Patman. I think the whole thing was a charade.

**Robert L. Hetzel:** Yeah, I've had other people who talked to people who testified before him, and Patman would ask a very pointed, angry sort of a question, and the person would come back with nothing and then Patman would say nothing. You know, it was like the staff had written out the question and he would read it off, and then there would be nothing. No follow-up.

**David Meiselman:** It was all structured that way. Patman was as friendly and as genial . . .

**Robert L. Hetzel:** Well, that's the . . .

**David Meiselman:** As grandfatherly as you can imagine, and then the Fed that talked about him was he was a raving madman, and so would the press. You know?

**Robert L. Hetzel:** Of course, the Fed liked that image. I mean, that was his part of . . .

**David Meiselman:** Of course. That was all part of the theatre of it all.

**Robert L. Hetzel:** Yeah. Yeah, that's good.

**David Meiselman:** And so they had to hold him up as a demon and as a threat, and that was easy for them to justify a lot of stuff.

**Robert L. Hetzel:** In your discussions with—I mean, I'd be interested in anything you could remember that Bob Weintraub told you. Because one of my great, great regrets is that I didn't talk—I mean, he died so prematurely. It was just such a shock. It was so awful.

**David Meiselman:** [00:51:07] Oh yeah. It was—I still miss him. I miss him a lot. He died 12 years ago.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And it's hard for me to believe that so many years have gone by. We were very close and we talked almost every day, and I saw him a lot. We were very close, and I was very, very fond of him and I had the highest respect for him. And he was a—

he had a lot of effect, and when he died, it left a hole on the hill that has never—nobody's replaced him.

**Robert L. Hetzel:** That's right.

**David Meiselman:** And so the people that worked in the area are just—they're a different kind of people. He was very effective and he had a high sense of integrity. At the same time, he was working with politicians.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he primarily was working with democrats.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And it was unusual. You know.

**Robert L. Hetzel:** He could work with . . .

**David Meiselman:** And as far as I know, he was fit until he got a stroke that killed him. In fact, the week before, I went to see him. I was going to make a presentation on California and I was struggling with a paper, and I went to see him to talk with him about some things. I was dragging my ass. I was so tired and bleary, and I went to see him in his office and he was jumping up and down. The telephones were ringing, and I thought to myself, "God, I wish I were as fit as he is."

[Laughter]

So you never know.

**Robert L. Hetzel:** If I had asked him, "Why did you get the kind of monetary policy you got under Arthur Burns?" What would he—what do you think he would have said? Under Nixon, say, '70, '71, '72.

**David Meiselman:** Arthur Burns gave Nixon what Nixon wanted.

**Robert L. Hetzel:** And why did Arthur Burns do that? What was his motivation? I mean, surely Arthur Burns was out for Arthur Burns, not . . .

**David Meiselman:** Out for Arthur Burns, and he was so—he wanted to give Nixon whatever he wanted. And Nixon was—he was so focused on winning that '72 election. There was nothing he wouldn't—there is hardly a single thing that—there's hardly a single lever he didn't press.

**Robert L. Hetzel:** Yeah, we know.

**David Meiselman:** And so he would stop at nothing, essentially stop at nothing for that, and Burns went along. Now here's the guy. I mean, he went along with wage and price control and everything. Everything, everything. He knew what was involved.

**Robert L. Hetzel:** But because Burns believed that it was important for the country to have Nixon? Or because he thought as long as Nixon was around, he, Burns would be a key player.

**David Meiselman:** I can't answer that. I wouldn't know.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** I can't answer that. I suspect he had attached himself to Nixon, and who knows what tricks you play on yourself.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** But I do know that when Carter came in, that Burns was working very hard to be reappointed.

**Robert L. Hetzel:** Sure.

**David Meiselman:** And so that the first year he was in—see, when the Carter crew came in, they came in convinced that we were in a recession with the possibility of going down even more, and they came in to fight a recession.

**Robert L. Hetzel:** Yeah, Charlie Schultz came in as if it was 1962 all over again.

**David Meiselman:** Yeah.

**Robert L. Hetzel:** It was strange, as if nothing had happened for the last . . .

**David Meiselman:** That's right, and whatever his name was at the Treasury, the whole thing.

**Robert L. Hetzel:** Blumenthal.

**David Meiselman:** Blumenthal. Right. So Burns would have had a moderate policy during the last years of the Ford administration.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And he turned on the juice.

**Robert L. Hetzel:** So did he—your impression that he was trying to be reappointed. That comes from discussions with third parties? Or an observation of what was actually happening?

**David Meiselman:** It came from a discussion with his son who was—did you know Joe Burns?

**Robert L. Hetzel:** Well, I've never met him. He's at the FCC, I think, in Washington?

**David Meiselman:** No, he's in—he works for the justice department. Joe is a funny fellow. He got a PhD from Chicago, taught at UCLA for a little bit. Then he was at Rice for a little bit. Then he came to Washington and he wrote one piece for the AEI on something about futures, and then he basically has gone out of business. I mean, intellectual business. Not a bad guy, but I . . .

**Robert L. Hetzel:** [00:56:33] People tell funny stories that when you—they kind of elliptic sentences. They say, "Well I saw what Arthur Burns did to his son," and then they kind of cut off.

**David Meiselman:** That right? Well I don't know anything about what happened between them personally. But his son is kind of an innervated guy. I mean, a nice fellow. But he—I don't think he has—he doesn't have healthy aggression.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** You know? And so . . .

**Robert L. Hetzel:** Yeah.

**David Meiselman:** So he settled into the ooze and the bureaucracy of the justice department. I don't think [unintelligible 00:57:17] damn thing there.

**Robert L. Hetzel:** You think it would be interesting for me to talk to him about his father?

**David Meiselman:** Yeah.

**Robert L. Hetzel:** I just call the justice department?

**David Meiselman:** I'll give you his number. Right here. His number is area code [phone number redacted]

**Robert L. Hetzel:** That's a work phone?

**David Meiselman:** Yeah.

**Robert L. Hetzel:** Okay.

**David Meiselman:** He was a student of mine in Chicago, and I see him from time to time. In fact he called me last week to have lunch with me and some other guy that he worked for that I got to know.

**Robert L. Hetzel:** So what section is he in?

**David Meiselman:** Antitrust. I think he works on—well he's supposed to work on bank cases or financial market things.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And I mean, he didn't say anything. But the other guy that I know whose name is Sal [phonetic 00:58:12] Block. He quit. He said it's terrible. There's nothing to do. He said it just corrupts you. You fall apart.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** So he left and he started a consulting business.

**Robert L. Hetzel:** Did you have contact with Burns in the mid '50s when you were at the National Bureau?

**David Meiselman:** Not really. When I came there . . .

**Robert L. Hetzel:** He was already at . . .

**David Meiselman:** Well he was the head of the Council.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And then he quit the Council at one point, and then he came back there and everybody was sort of in awe of him, and he was teaching at Columbia and he was there, and he was a mare of enormous energy. He worked late. He'd come in late in the afternoon and work late, and I had some contact and they would have seminars or discussions or whatever. But he didn't have that much contact with the staff.

So there was a guy that was a close friend of mine at the National Bureau who was a graduate student at Chicago, and he became Burns' research assistant and unfortunately he was killed in a plane crash. A guy by the name of Ed Kilberg. A wonderful fellow, and so I learned a lot about Arthur Burns from Ed. And in fact—and then I've talked to Milton about Burns.

**Robert L. Hetzel:** Well, I'm going do that. But I . . .

**David Meiselman:** I have talked to him.

**Robert L. Hetzel:** I wrote him a letter and said, “I’d like to interview you about Burns,” and I got a letter back saying, essentially, this is a very touchy subject with me. You know, we broke. I still feel very sensitive about it. I’ll talk to you about Burns before he went to Washington, or before he went . . .

**David Meiselman:** Hm-hmm, hm-hmm [affirmative].

**Robert L. Hetzel:** . . . to the Fed. But I don’t want to . . .

**David Meiselman:** Yeah. In fact I saw a letter that he wrote—that Milton wrote to somebody else I knew going on and on about Burns, and I don’t know if I can ever find the letter. And it’s consistent with what he told me, which was that—Milton once told me that Burns was the biggest disappointment of his life.

**Robert L. Hetzel:** Yeah, that’s the feeling I got from the letter. Like it was still just too painful to talk about it.

**David Meiselman:** And that they were very close. Their families were very close, and then they had summer houses up in New Hampshire, Vermont, that were close together so their children were close.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** Their families were close, and Burns was his teacher and he was his sponsor.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** [01:01:01] And he learned a lot from Burns, and Burns was a father figure of a sort, and I remember at the time that—see, Burns was preparing a set of lectures that was given at Fordham.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Ed was—Ed Kilburg was working for him, and he was upset at some of the things that were happening in the material. And then Milton came by for a visit and we would—the three of us were talking and he told me he was upset. So Milton calmed him down. He said, “Well, he goes at things in a different way than we do.” He said, “But he arrives at the same point. Eventually he’ll arrive at the same point,” and he didn’t.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** He didn’t. So for many years, Milton was making excuses for Arthur.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And then when he became chairman and he did a whole bunch of things that you know about.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** Then Milton was really crushed, and he felt terrible about it and he felt he was very let down.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And even if he hadn't written what he did when Burns came in, he still would have felt let down. Here he had this enormous responsibility and opportunity and he fucked up.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Every which way. You know?

**Robert L. Hetzel:** Yeah.

**David Meiselman:** And imposed enormous damage. Now I—but it's interesting. You see, I was on the transition team for the first Nixon administration, and I was chairman of a group that put together really what turned out to be the economic plan of the Nixon administration that they followed up until the wage and price controls.

**Robert L. Hetzel:** Yeah, it was a great plan.

**David Meiselman:** Yeah, and it—Burns was the chairman of the whole transition team. And what's his name who became chairman of the Council.

**Robert L. Hetzel:** McCracken.

**David Meiselman:** McCracken, yeah. He came to our meetings and he loved our plan. He loved the plan. And so they implemented most of it. They implemented most of it. But I've got to tell you one story, which was that we were having a meeting of all the—this is a task force, they called it. A task force, and I was the chairman of the task force on inflation. That was me, and we had a meeting in New York at the Hotel Pierre, and so they had a group of task forces working on different economics things. We all met together, and Alan Greenspan came to talk.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he was working for Burns in this transition thing. And he got up to—he said that they convened a new task force on trade policy, which there was no task force. And because they had to—because Nixon had made a commitment in the heat of the campaign to Strom Thurmond and to southerners about having quotas on textiles. Because he needed the southern vote.

**Robert L. Hetzel:** Yeah, I laugh at that because William Sapphire has written up what happened to Camp David, and according to him, while Burns wanted to talk about the gold window, all Nixon wanted to talk about was how mad he was at Japan for not going along with voluntary restraints on textiles.

**David Meiselman:** Is that right? Well, so this fits in. So Greenspan was there as the fixer, in the sense that he got his marching orders to go implement this thing. And he acknowledged that the quotas and whatever were not a good idea. He said, "But we're basically stuck with them because a political decision has been made."

And then there was a fellow who was on the task force, a guy by the name of Jim Ford, who had been a postdoctoral fellow at Chicago. That's how I know him, and he was working with the Ford Motor Company. He was not a member of that Ford family, but a very nice fellow. He got so mad. He got red in the face. He said, "If I knew that Nixon was going to do this other thing, I wouldn't have voted for him." But anyway . . .

**Robert L. Hetzel:** Sound like, yeah. Like Niskanen later on.

**David Meiselman:** Well . . .

**Robert L. Hetzel:** Niskanen quitting Ford. He was . . .

**David Meiselman:** He quit Ford, you know? But Greenspan didn't quit.

**Robert L. Hetzel:** No.

**David Meiselman:** And he didn't do what some of us did. No, he just went along.

**Robert L. Hetzel:** Sure.

**David Meiselman:** And I remember after that, Norman Torrey [phonetic] and I met with him at the plaza to have a drink and sit and talk about things, and he—it didn't seem to bother him. He talked about that and it didn't bother him.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** So that was the time that Greenspan sort of hooked up with Burns. And that . . .

**Robert L. Hetzel:** So Burns must have been instrumental in Greenspan being appointed head of the Council when Ford came in.

**David Meiselman:** I suppose.

**Robert L. Hetzel:** Yeah.

**David Meiselman:** Although I really don't know. See because that was a strange appointment, because Greenspan at that time didn't have a PhD.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he had no academic credentials, and the chairman for some years that did that, you know.

**Robert L. Hetzel:** Well, Burns was running economic policy. So you basically didn't need a Council.

**David Meiselman:** And the—but Greenspan developed, when he was chairman of the Council, he developed a very close friendly relationship with the President, and he used to go off with him and play golf and whatever.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** And he ignored everybody else around there, and there was—and anyway, that's another story.

**Robert L. Hetzel:** You mean Greenspan and the Council?

**David Meiselman:** Yeah. He ignored the other members of the Council. He ignored the staff, and it was just between him and the President. They were just—and so in fact he was away a lot of the time.

**Robert L. Hetzel:** My impression of that period is that Burns was . . .

**David Meiselman:** Running everything.

**Robert L. Hetzel:** Yeah. So it didn't make a lot of difference what the Council was doing.

**David Meiselman:** That's right. And besides, if Burns had—it was the same. So I think that Burns was probably—I don't have any direct evidence. But consistent with what happened before, that Greenspan was in there still reporting to Burns. This is all rambling, but I don't know if this has been helpful to you.

**Robert L. Hetzel:** No, no. Oh, absolutely.

**David Meiselman:** It's the stuff about Patman.

**Robert L. Hetzel:** Yeah. Yeah, that's important.

**David Meiselman:** And I talked to Bob a lot about that, and he repeated several stories to me. I mean, over and over. And that in an unusual moment, Patman did disclose

his strategy to Bob, which was that the whole thing with the Fed was nothing he took seriously. It was just a charade.

**Robert L. Hetzel:** Well he certainly could terrorize lower level people with his forays and events.

**David Meiselman:** Well the inquiries and the—yeah, yeah. The inquiries. He's a GAO and whatever. But it never came to anything.

**Robert L. Hetzel:** Well did he get anything done that he wanted to get done other than just get re-elected from a populist . . .

**David Meiselman:** No. He got re-elected. But what he wanted done was to get legislation that was favorable, that would help his clients and his constituents, which were the SNLs and the credit union and the builders.

**Robert L. Hetzel:** Hm-hmm [affirmative]. And he got that in Reg Q.

**David Meiselman:** He got that every which way.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** [01:11:07] And the stuff on the banks, the big banks and the money interest and the Wall Street and whatever, and the Fed. He used to repeat the most outrageous things and we'd straighten them out. Like how a single bank gets one dollar and through the fractional reserve system, a single bank loans out the same dollar ten times.

**Robert L. Hetzel:** Yeah, the feeling that seniorage gives banks something for nothing.

**David Meiselman:** Yeah, and every banker then has a license to print money because they get in one dollar and then they multiply it.

**Robert L. Hetzel:** Hm-hmm [affirmative]. Yeah.

**David Meiselman:** But we explained to him the difference between a single bank and a banking system and, you know, a bank can only loan out what it has, etcetera. And he would go through it and he would acknowledge it. But you know, he'd just repeat the same thing. Now he was not crazy. He would sometimes give people the impression that he was a little wacko or that he was a little addled. But he wasn't at all.

**Robert L. Hetzel:** Well, he kept getting re-elected so he was doing . . .

**David Meiselman:** Kept getting re-elected. He had been re-elected I think every year since 1930.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** He started out as a firebrand, but he was a fixture in that town, Texarkana. Very close to Hope, Arkansas.

**Robert L. Hetzel:** Hm-hmm [affirmative].

**David Meiselman:** He was on the other side of the railroad tracks literally, but not metaphorically, because Texarkana, the railroad goes down the main street. On one side of the street is Arkansas and the other side is Texas.

**Robert L. Hetzel:** Yeah, I've been through there.

**David Meiselman:** Been through there. So . . .

**Robert L. Hetzel:** Yeah. Don't ask me why.

**David Meiselman:** A long time ago. But so he came from the Texas side, and Hope, Arkansas is a few miles there on the Arkansas side. You know.

**Robert L. Hetzel:** Well, this has been very interesting. I really appreciate you sharing with me. I really enjoyed it.

**David Meiselman:** Okay. If there's anything . . .

[END OF RECORDING]