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Interview of Donald Miller
Conducted by Robert L. Hetzel
November 18, 1995

Robert L. Hetzel: Okay, can you tell me where you got your education?

Donald Miller: I got an AB, AM, and Ph.D. at the University of Illinois.

Robert L. Hetzel: Mm-hmm, and in economics?

Donald Miller: Yes, mm-hmm.

Robert L. Hetzel: And when did you graduate?

Donald Miller: '42, '43, '48.

Robert L. Hetzel: So, you had a period of time when you were in the Army?

Donald Miller: I beg your pardon? Well, I think I got the AM, I guess, about the—well, actually, I guess I was in the Army when I received it.

Robert L. Hetzel: Okay, that was what I asked.

Donald Miller: But I went in, and then after I got out in '46, I guess it was, I finished up the Ph.D.

Robert L. Hetzel: And all your—your thesis, your work had been in fiscal policy?

Donald Miller: Right, taxation, public finance.

Robert L. Hetzel: And then you went to work for UCLA?

Donald Miller: UCLA, right.

Robert L. Hetzel: As an assistant professor?

Donald Miller: Well, I went out as a lecturer, I guess, when I went out. When I came out, I was a—I can't remember what I was.

Robert L. Hetzel: Mm-hmm. And how did you get the job at the Board of Governors?

Donald Miller: The Fed of San Francisco ran summer programs for young, aspiring professors or, you know, young faculty, had a program where you'd go and spend some time at the San Francisco Fed, and at the New York Fed, and at the Board. And in that program, I guess I got into an argument with Leach or Youngdahl, and it just kind of went on from there. They got in touch with me and wondered if I wanted to come for the Board for a year on a leave of absence from UCLA, which I did. And didn't work—when I went there I didn't work in the monetary policy area, I worked in the government finance section, which really followed Treasury activities and budgetary activities but was, you know, sort of a—part of that section, also, was the staff work, did staff work for the FOMC.

Robert L. Hetzel: So, what year was that?

Donald Miller: I went to the Board in '50, I guess it was.

[00:02:49]

Robert L. Hetzel: Mm-hmm. So, the Korean War broke out June 28, 1950, right? So, you went to work before or after the War broke out?

Donald Miller: God, I don't remember, but I would have gone probably the summer of 1950.

Robert L. Hetzel: Mm-hmm. That's, I think, right after Ralph Leach started, if I—

Donald Miller: He had been there a while.

Robert L. Hetzel: Then it was Youngdahl. One of them started in June of—

Donald Miller: Oh, Youngdahl, I think, had been there even longer. I think Youngdahl hired Leach. Leach was at Valley National out in Phoenix, and Youngdahl waylaid him some way or another. And both of them were there and, you know, well established by the time I got there.

Robert L. Hetzel: Mm-hmm. Obviously, the key thing that was going on at that time was the fight between the Fed and the Treasury over pegging long-term interest rates. How aware were you of that, of what was going on of that struggle when you started working?

Donald Miller: Well, a lot of it was tangential at first because—in the form of maybe lunching with those people and listening in on some of their arguments as to what was going on—so that, again, you know, as I mentioned to you earlier, that really was on the periphery of a lot of that, since I really, the first couple of years, just kind of gradually moved into sort of the FOMC activities. And the early work was really in budgetary and tax policies and how they affected the Board.

Robert L. Hetzel: So, you didn't have much contact with Riefler at that point?

Donald Miller: Not a whole lot. You know, it just sort of evolved as time went on. But at first, no, he was way up there. I was down in the basement yet, at that time.

Robert L. Hetzel: And then how did you become involved with FOMC activities and with [inaudible 00:05:27] progressed?

Donald Miller: I think largely just through association with Leach and Youngdahl, and then after Leach left I kind of moved up in sort of the area where he had been working.

Robert L. Hetzel: So, at that point you were working under Riefler? Or who were you working for then?

Donald Miller: Well, at first worked for Leach and then for Youngdahl. And Youngdahl, you know, would report it up to—well, you know, Riefler really was not in sort of the, as I recall, in the...

Robert L. Hetzel: He was more of an adviser?

Donald Miller: Yeah, he was in a little box over to the side of the chairman, and I don't think had much to do or bothered much with administrative matters. See, all of this was in the division of research, which was under Ralph Young most of the time.

Robert L. Hetzel: Did you have any contact with Ralph Young?

Donald Miller: Later on, but a lot of it was simply that he was head of the division and I was part of that division, but intellectually, much more with Woody Thomas and Riefler.

Robert L. Hetzel: What can you tell me about Woody Thomas? Just from reading the FOMC minutes, the impression one gets from him is that he was primarily a statistician, that he would summarize statistics on the economy, but that he was not himself a theoretical economist.

Donald Miller: Not to the extent that Win Riefler was, but I think Woody Thomas is probably underestimated by a lot of the people because he was a sort of a very slow southerner, soft-spoken mumbler—the great mumbler—and I think was smarter and probably had more influence on Martin and some of the other governors than he generally got credit for.

[00:08:01]

Robert L. Hetzel: Do you know how long he'd been at the Federal Reserve System?

Donald Miller: Oh, golly, a long time.

Robert L. Hetzel: Mm-hmm. So, he'd come up through the Depression?

Donald Miller: I don't know. You know, when you come into an organization and somebody's been there, you get the impression they've always been there, so that I can't give you any dates, except he seemed well-versed in the history of what had gone on.

Robert L. Hetzel: Mm-hmm. In terms of talking economics, did you have a sense of what these people, like Riefler and Thomas and Young, how the Depression affected them and the kind of lessons they drew from it about monetary policy? Do you have a sense what they would have said if you'd asked them, you know, what caused the Depression and how was the Fed involved?

Donald Miller: Not really. You know, so much of our discussion was really involved in the minutiae of the government securities market and the relation with the New York Fed and the various policies—current policies.

Robert L. Hetzel: Did you have contact with individuals at the New York Fed?

Donald Miller: Oh, yes. Yeah, I fought—not sure I just want to put it that way—I argued, you know, a great deal with Bob Roosa and found him a very challenging intellect. And then, on a more operating basis, did a great deal with John Larkin, but got to know him better years later, after he'd gone to Citibank—

Robert L. Hetzel: Right.

Donald Miller: And we were both on the advisory committee for the ABA Government Borrowing Committee, which advised the Treasury.

Robert L. Hetzel: Hmm. Yeah, I've talked with John Larkin. In fact, he must be very fair-minded. He encouraged me strongly to talk to people who had been at the Board so I would get both sides. I'm especially interested in your impressions of people at the New York Fed and how the Board's market-oriented view differed from the views of people at the Board. In terms of the way Roosa looked at the development of the government securities market, do you think he would have been sympathetic with the views of Allan Sproul and Bob Rouse in terms of the importance of the New York Fed, you know, controlling rates and the term structure of rates?

Donald Miller: Oh, I think so. I think so.

Robert L. Hetzel: So, he didn't share the Board—the Leach, Youngdahl, Riefler view that the system should encourage the government securities market to develop on its own?

Donald Miller: Well, again, you're getting kind of specific, you're trying to know what he really thought, but I--there was certainly disagreement on specific issues at that time, which probably reflected a basic difference in their grounding as to how markets work and what the role of government should be in those markets, so that I think that the Board staff, in general, was much more free-market oriented.

Robert L. Hetzel: Do you remember any specific disagreements that you had with the New York desk and individuals there?

Donald Miller: No. I think a lot of it involved the amount and timing of the New York Fed intervention in markets and that role, so that, you know, they had their day to day responsibility, and I think felt much closer--probably felt they could do more, felt that their role was bigger and more important than probably a lot of the Board people did and probably took a much shorter-run viewpoint than the Board people.

[00:12:53]

Robert L. Hetzel: I think it was about 1956 that the desk ceased reporting to the New York president and began reporting to the FOMC and, in particular, to Chairman Martin. Do you remember that change in supervision?

Donald Miller: Oh, golly, now that you bring it up but, you know, again, I can't attest as to dates or how quickly, just that that was, you know, part of the evolution of the--

Robert L. Hetzel: I guess that was about '55.

Donald Miller: Yeah.

Robert L. Hetzel: And in '56, they went from the executive committee to full FOMC meetings on a regular basis.

Donald Miller: Yeah.

Robert L. Hetzel: So, the decisions began to be made much more platform C rather than with just between a few FOMC members.

Donald Miller: Mm-hmm.

Robert L. Hetzel: So, you were on the phone, often, with the New York desk--with people at the desk?

Donald Miller: Yeah, in later years, yes, after Leach had gone. And many times it would be that several of us would be involved with a--would be on the phone. So, that it might be that several were involved on discussing various matters.

Robert L. Hetzel: Can you give me your impressions of how the Fed implemented monetary policy in the 1950s? If someone were to ask you to describe how the instructions of

the FOMC were translated to the New York desk and, you know, what the targets of the New York desk were, and how were they set, what can you remember about that period, and what could you tell me?

Donald Miller: Well, I can remember the Board meetings, where these generally were thrashed out.

Robert L. Hetzel: And so, you were present at those, some of them?

Donald Miller: Yes.

Robert L. Hetzel: And so, that would have been starting about when?

Donald Miller: You got me. I don't know—the middle or late '50s.

Robert L. Hetzel: Okay.

Donald Miller: I left in '58, so there was probably a fairly short time in there, so that, you know—I guess, you know, I have the impression that the efforts of Martin to reach a consensus to come to some sort of an agreement and a workable way to get at the policy, and at that, he was quite good.

Robert L. Hetzel: Okay, I'd love to come back to that in just a second, but what specific instructions were Martin and the FOMC communicating to the New York desk? What were they telling the New York desk to target after their meetings?

Donald Miller: Well, I think your record would show that.

Robert L. Hetzel: Okay, but I'm interested in your impressions—

Donald Miller: And I can't, you know, get specific on that. But, certainly, the FOMC minutes would catalog the instructions to the desk.

Robert L. Hetzel: Well, but they're—you go back and you read those, and until you get into the more explicit free reserve targets later on, the instructions are very vague. They really—in this period we're talking about now, they're really phrased in terms of tone and feel, often, so—

Donald Miller: Yeah. So, that's probably why it eventually moved to a preoccupation with the free reserve targets and the setting of specific targets. I suppose represented, in part, of dissatisfaction with interpretation of the looser feely, touchy words.

Robert L. Hetzel: Mm-hmm. So, when you had your conversations with people on the New York desk, in terms of their desire to intervene and buy securities, you know, what do you remember about FOMC instructions? Was it primarily in terms of an understanding of what, say, the three-month Treasury bill rate was going to be, or was it more general, in terms of kind of just how the market was feeling, tight or loose or...?

[00:17:48]

Donald Miller: Well, I think even back then, even though it was much more specific maybe, than now, that there was an eclectic approach of rates, free reserve, tightness of the system, tightness of the commercial banking system. And I suppose at times there was some disagreement over how to interpret all the different data.

Robert L. Hetzel: Mm-hmm. How much was Chairman Martin involved in discussions with the desk? If the Treasury bill rate began to rise or fall sharply, would he be brought into the discussions, as far as you knew?

Donald Miller: Not, to the best of my remembrance, with the desk. In other words, we had everyone—and we had what was known as an 11:00 o'clock call, where we talked with the desk every morning, and he was not involved in that. That was all with the staff, at the staff level. But, you know, if difficulties arose or disagreements arose on that, why, he would be apprised of that, and then it would move to a higher level of discussion. But in the day to day operational discussions with the 11:00 o'clock call, he was not involved. Because many, many times that would be just a routine call, which would be a reporting, and there would be no—you know, you didn't get a big policy crisis every day, so that he wouldn't be directly involved in that. Neither would—Riefler occasionally would listen in, but he would not be closely involved either. Woody Thomas, on the other hand, quite often played a role in that.

Robert L. Hetzel: What about—were any of the other governors generally involved in the morning call?

Donald Miller: No.

Robert L. Hetzel: So, it would have been just Thomas, on the part of the Board, and then yourself and, you know, other staff members?

Donald Miller: Right.

Robert L. Hetzel: Mm-hmm. Do you remember any of the particular reasons for strong disagreement between the New York desk and the Board? You know, bills-only is the famous one.

Donald Miller: Yeah.

Robert L. Hetzel: Do you remember any of the other arguments that you could—

Donald Miller: Not—no, you're stretching me. Not specifically. You know, a lot of this just kind of comes drifting back, now, that there were some disagreements, but I couldn't cite you chapter and verse or specifics.

Robert L. Hetzel: Mm-hmm. You said you were at the Board through '58?

Donald Miller: Right, I left in summer of '58.

Robert L. Hetzel: Mm-hmm. Okay, the period from summer '57 to summer '58 was especially interesting. The FOMC was concerned about inflation that summer, and when the economy began to weaken, kept interest rates up despite the feelings of the Council of Economic Advisers. And then there was a debate in the spring of 1958 over whether the Fed should continue to be concerned about inflation, how low it should push interest rates. Do you remember any of those debates within the FOMC meetings and differences of opinion and kind of how Martin handled those?

Donald Miller: No, I really don't. Again, I have to generalize that I think we had probably, at the Board, more of an anti-inflation bias than--well, I know we did--than the administration. I can't remember where the New York Fed fit into that, at that time.

Robert L. Hetzel: Mm-hmm. Do you remember, were there ever disagreements within the FOMC that were strong, or was Martin--that the views within the FOMC generally--you know, Martin could fairly easily kind of summarize them and, you know, make things go the way he was interested in having them go?

[00:22:38]

Donald Miller: He was pretty good at coming up with a consensus or a position, so that I don't recall many pitched battles. You know, at that time, he was riding pretty high on a reputation and was pretty highly regarded, so that I think he often carried the day on his own strength, so that he generally prevailed.

Robert L. Hetzel: Mm-hmm. Do you remember anything else, in general, about how the FOMC meetings were organized and, you know, how the discussions were carried on?

Donald Miller: Well, I think they were, you know, carried in a--Martin... I don't want to give the impression that he was dictatorial, but he certainly gave leeway to the venting of any other points of view or opinions on the part of the presidents. His own Board, he usually had, you know, a pretty solid majority. And most of the time, when I was there, there weren't any real mavericks--in terms of policy, you know, somebody being able to develop a strong anti-Martin or a strong point of view that did not sort of jive with the other governors.

I guess, you know, I remember mostly back to the earlier days, when Allan Sproul, who is a much different personality and a much stronger person, could take positions, present points of view that were the other way, so that was different. And Al Hayes was too much of a gentleman, I think, to really take on Martin in a strong, anti-Board way.

Robert L. Hetzel: Mm-hmm. And Hayes would have been the dominant individual, other than Martin, you know, representing the New York Fed.

Donald Miller: Right.

Robert L. Hetzel: But, as you said, he didn't have the kind of personality, and he wasn't an economist, so he didn't have the inclination or ability to ever challenge Martin?

Donald Miller: Not in the way that Sproul did in a much earlier—

Robert L. Hetzel: Did you ever attend a meeting with Sproul and Martin?

Donald Miller: I think so. I'm trying to think how in the world I got in there. When did Sproul—

Robert L. Hetzel: '55.

Donald Miller: '55? You know, sometimes there would be specific reports to be given or specific, say, a question on a tax policy or something. So, they would ask a staff person to come in and to sit with your back against the wall and to be quiet.

Robert L. Hetzel: Yeah.

Donald Miller: And I think that I did luck in, in some of those earlier years, just as an observer. But, you know, I remember well that he was a force to be reckoned with.

Robert L. Hetzel: Do you have any recollection of FOMC debates toward the end, with the recession and the kind of feelings that Martin expressed about, you know, what the Fed should be doing? Do you have any, you know, remembrances of those meetings?

Donald Miller: No, not specifically. It's interesting. Both, Martin and Riefler, had a certain aura of mysticism about them. And they were able to convey that or handle it in such a way that I think, looking back, that they accomplished some things in those days that now would have met with much more serious questioning and demand for more solid explanation in terms of theory and fact as to why this was the best approach or why this would work. But they—and I don't know whether Martin's position is a reflection of Riefler's training, so to speak, or Riefler's influence for many years, or just what, but it's kind of interesting that he—you know, Martin was not an economist thinker, policy-oriented person in the same sense that Riefler was, yet he was able to kind of present an aura or a position that would often carry the day.

[00:28:10]

Robert L. Hetzel: Mm-hmm. Well, he must have known, you know, where he wanted to come out, and he must have then gotten that from talking with—

Donald Miller: I think he did.

Robert L. Hetzel: Riefler and Woody Thomas. And then just an ability to—

Donald Miller: I think the three of them did, you know, they did do a lot of talking, a lot of discussion.

Robert L. Hetzel: Mm-hmm. And then Martin had the ability to deal with people.

Donald Miller: Yes.

Robert L. Hetzel: And the word people keep using is “charm.”

Donald Miller: Yeah.

Robert L. Hetzel: He had an ability to charm people and bring them around. So, kind of knowing where he wanted to go, he was effective in a committee meeting.

Donald Miller: Yes, he was very adept at running those Board meetings.

Robert L. Hetzel: Mm-hmm.

Donald Miller: One of his adeptnesses that affected me is that I happen to be a tennis player, as was Martin, and we used to play.

Robert L. Hetzel: Oh, you must have been very good.

Donald Miller: At noon we used to play, every noon. And I’ve never seen a man that could end a Board meeting or a meeting at 11:44 so we could be out on the courts at 11:55.

Robert L. Hetzel: You must have been very good.

Donald Miller: Yeah, he was great.

Robert L. Hetzel: Youngdahl played, too. Who else played?

Donald Miller: Leach.

Robert L. Hetzel: Leach played, too.

Donald Miller: Leach was a tennis player, too. That’s how I kind of snuck into that. You know, I kind of entered into a lot of things via Dick Youngdahl and Ralph Leach, really.

Robert L. Hetzel: Did you ever have any conversations with Martin through the tennis? Or did you simply play and then—

Donald Miller: Oh, no. No, when we played tennis, we played tennis, period.

Robert L. Hetzel: Mm-hmm, yeah.

Donald Miller: And Louis Robertson used to play with us, and we had some horrible pitched battles. Out on the course, there was no love lost.

Robert L. Hetzel: Yeah, Martin must have been a very competitive person underneath his—

Donald Miller: He—yes, in a quiet, basic sort of way, whereas, Louis Robertson was a bulldog, all-on-the-surface type competitor.

Robert L. Hetzel: Well, that's interesting.

Donald Miller: In fact, I can remember once we had—and in your bailiwick, we had—for planning and trading purposes, we moved—this was when we were, you know, scared that Washington was going to be bombed or something, in that cold war period. We moved an FOMC meeting to Richmond, and we went down to the Richmond Fed and had an FOMC meeting.

Robert L. Hetzel: Just for practice?

Donald Miller: And there was quite a problem finding a court at the right particular time so that we could do that, plus have the FOMC meeting.

Robert L. Hetzel: So, that was just kind of a drill in case there was an emergency?

Donald Miller: Yeah. Yeah, we met in Richmond instead of Washington. Got out of town and went through a drill at an alternate facility. I can't remember when that was, but it was an interesting exercise.

Robert L. Hetzel: I'd like to ask you a few questions about your later association with Secretary Kennedy, but do you have any other kind of recollections about the individuals you worked with or the kinds of things we've touched on in terms of relationships between the New York Fed and the Board, and...?

Donald Miller: Well, I guess I'd have to say, you know, in how much—as I look back on it in later years, how much, really, now, I'm impressed on the caliber of the people, both at the New York Fed and who I knew, quite a few, and even though I may have disagreed with them, I certainly—they were no dummies. And the Board staff, at least for the years I was there, was certainly topnotch, and it's interesting how many of them, you know, went on to become well-known professors at the University of Chicago or beginner other places. They were really some excellent people.

[00:32:51]

Robert L. Hetzel: Do you remember the names of any other individuals I should try to contact from that period you were there?

Donald Miller: Well, one of them was Irving Schweiger, who as at the University of Chicago. He's dead, has gone on now.

Robert L. Hetzel: Yeah.

Donald Miller: I'm trying to think who else. Well, I hired Nancy Teeters, for example, and she worked in my section for a number of years before she—she left and then came back later as a governor.

Robert L. Hetzel: Sure. So, what year did you hire her? Do you remember about when that would have been? Well, it would have been '58...?

Donald Miller: I would guess the middle '50s. She was a student someplace. And, again, I hired her to work on Treasury and budgetary matters, sort of the same thing when I went there, in the government finance section.

Robert L. Hetzel: Mm-hmm, I've met her. She's very capable and I hope to interview her sometime, too.

Donald Miller: Yeah, she... I can't remember when she left. I think I left before she did, as I recall, but I—

Robert L. Hetzel: Yeah, she left later, in the 1960s, late '60s, I think.

Donald Miller: Yeah. Is Jack Noyes still alive?

Robert L. Hetzel: I don't think so, but I don't actually know.

Donald Miller: Yeah, I'm afraid not, either. He succeeded Ralph Young and, you know, was excellent.

Robert L. Hetzel: Mm-hmm. I don't think so. Nobody's mentioned his name, but I'll—

Donald Miller: Yeah. I'm afraid that he—if he is, he would be a very good source in terms of a lot of this. Because I think he was a good observer of human nature.

Robert L. Hetzel: Okay. Well, so then when you left the Fed, you went to work for Continental?

Donald Miller: Mm-hmm.

Robert L. Hetzel: And what association did you have with Kennedy when you were there?

Donald Miller: Well, he hired me, and he'd gone to Continental two years before, and I guess—I don't know how. I don't know by what root he got a hold of me or whatever it was, but it just kind of came out of the blue, and he made me an offer and I went out there, and he was president at that time. And then a few years later he became chairman and CEO, so that I was with him during the years when he really expanded the international reach of the

bank, of which he was, you know, instrumental, and was, I think, quite a bit ahead of the times in terms of his appreciation what the foreign associations meant to US banking.

Robert L. Hetzel: So, he would have been conservative on issues having to do with the gold standard and Bretton Woods, and he would have been a very different secretary than John Connally was?

Donald Miller: Yeah.

Robert L. Hetzel: Do you have any sense of how he felt—

Donald Miller: Well, Connally was a politician first, I think, and then...

Robert L. Hetzel: Well, the governor of Texas.

Donald Miller: Yeah. I don't know if you've—you've probably run into this, you know, that this is more of a John Connally than Kennedy—

Robert L. Hetzel: Sure, but that's fine.

Donald Miller: But when Connally was chosen Secretary of Treasury, there was kind of a hue and cry from the banking community and investment community, you know, that this was pure and simple a political appointment and so on, and there were a lot of statements, you know, went out, and one of them with reference to him, was, "Can he add?" And he sat in—this committee that I was on, the American Bankers Association Government Borrowing Committee, would, you know, meet with each financing and make recommendations as to how the debt should be handled and what it should be. That's where I spent a lot of time with John Larkin. And at the first meeting after Connally was appointed, he came into the meeting and, you know, we were all prepared to sort of look down our nose at him, and all of this, and he put on the darnedest performance, and nobody asked after that, "Can he add?" He may not have been an economist, but...

Robert L. Hetzel: Yeah, he's very capable.

Donald Miller: He sure was, and he sure had a grasp of the—he had a little better grasp of what the questions were concerning the financing than a lot of the presidents of commercial banks sitting around the table had. Either he was—or somebody did a good briefing job, too, of course.

[00:37:58]

Robert L. Hetzel: Yeah, I think Paul Volcker, especially, was working with him. So, I think Connally was an apt pupil.

Donald Miller: Yeah. Well, he sure taught him.

Robert L. Hetzel: So, Nixon asked Kennedy to leave because he wanted someone who would offer him, kind of, political advice? Do you have any feeling about that? Why Kennedy left?

Donald Miller: Kennedy was, you know, I think, very capable in terms of a lot of the things required of a Secretary of the Treasury, but I don't think he was a great insider or a great politician, like apparently is one of the requirements. But he knew the business and he knew the fundamentals, but I guess maybe that wasn't enough for some people. But, you know, those of us who knew him fairly well, you know, certainly had no doubt as to his abilities or capabilities of handling at least the non-political parts of the job.

Robert L. Hetzel: Mm-hmm. Can you tell me anything about your impressions of him as an individual or what he was like to work with?

Donald Miller: Oh, he was just great. He was very straightforward, you know. As far as I'm concerned, never played games about anything. A very religious man, and very easy to work for. Just a very nice person.

(END OF RECORDING)