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Interview of Bernard Saffran

Conducted by Robert L. Hetzel

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ROBERT HETZEL: Tell me when you joined the Nixon CEA.

BERNARD SAFFRAN: It would have been the summer of 1971.

ROBERT HETZEL: Hm-hmm [affirmative]. Where were you before then?

BERNARD SAFFRAN: I was teaching at Swarthmore and I had been at Berkeley before that.

ROBERT HETZEL: Did you replace someone who left?

BERNARD SAFFRAN: Rudy Tenner [phonetic], and we overlapped over the summer.

ROBERT HETZEL: So you came at the beginning of the summer?

BERNARD SAFFRAN: Right.

ROBERT HETZEL: Did you talk to anyone about what had gone on before --

BERNARD SAFFRAN: Yeah.

ROBERT HETZEL: --then? So would it be worthwhile talking a little bit about '69 and '70?

BERNARD SAFFRAN: No. I think the most interesting thing I could tell you, or which you probably already know, but I wasn't there, was what happened in terms of monetary policy, itself, in the spring of '71. Do you know that whole story? 1065, et cetera?

ROBERT HETZEL: Yeah. I want to--I'd like to talk about that. So, you know, I know some things, but, obviously, lots in bits and pieces and interesting things about people I don't know. The elections in November 1970 did not go well for Nixon; he had campaigned

on a social issues platform. It didn't work the way he thought it was. And after that it became clear that the economy was going to be very important. You couldn't campaign against antiwar protestors, and it became clear that, at least to Nixon, that the unemployment rate had to be down to 4 1/2 percent by summer of '72. So there's a change within the administration economics because much more important, Kennedy--Secretary Kennedy is sacrificed. Connally comes in and he's a --

BERNARD SAFFRAN: Right.

ROBERT HETZEL: --can-do guy. And he's drawn the conclusion from the elections and from talking to businessmen, the business community would support price controls.

BERNARD SAFFRAN: But before we get to that --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: --if I can move back?

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: Okay. That all happened after this 1065 story.

ROBERT HETZEL: Okay. Well, let's start with 1065. But 1065 comes out of this period. There's--the council is in danger of being --

BERNARD SAFFRAN: Of losing its power. But not with Connally, but with Shultz.

ROBERT HETZEL: Right. Right. I mean, the council is told--basically, led Nixon to believe that you can bring inflation down with a moderate rise in unemployment. And here you are two years into the administration with 6 percent inflation and, you know, whatever, almost 6 percent unemployment, and the council has egg on its face. So after the elections they come up with a figure that's going to, you know, a path that will bring the unemployment rate down to --

BERNARD SAFFRAN: Right. Right. But the capital opposed this number, that's what I'm trying to get to.

ROBERT HETZEL: Okay. So I'm doing all the talking. I'm just try to set --

BERNARD SAFFRAN: No. Let me tell you the story I heard when I got there --

ROBERT HETZEL: Okay.

BERNARD SAFFRAN: And then you can--Okay. Schultz needed--Schultz was running the budget, the OMB, or whatever it was called.

ROBERT HETZEL: Yes.

BERNARD SAFFRAN: Okay. George Shultz.

ROBERT HETZEL: Yeah.

[00:03:48]

BERNARD SAFFRAN: And he needed--in order to get the revenues that he wanted, he needed a GDP of 1065.

ROBERT HETZEL: So he came up with the 1065?

BERNARD SAFFRAN: Well, that's a little complicated. He then got Art Laffer to build him a monetarist model. See, this is what I was trying to get--your impressions on monetarism. Okay. These guys come in are not monetarists. Remember Stein writes his book basically about how Keynes comes to America, et cetera?

ROBERT HETZEL: Right.

BERNARD SAFFRAN: Okay. So that's kind of the soft Keynesian. Okay?

ROBERT HETZEL: Right.

BERNARD SAFFRAN: Schultz gets--this is the story I heard, and I don't know whether any of this is true. Okay?

ROBERT HETZEL: Sure.

BERNARD SAFFRAN: Let me just preference that--this with the--okay. The story is this: Schultz needs 1065. He gets Laffer to write him a two-equation model that gets him 1065. The council's forecast is 1045, but Schultz imposes 1065 on the council. The council then testifies before Congress--this is what I remembered--and they're asked what the forecast is, and they say 1065. And then they're asked, "What will C be?" They say, "We don't know." They say, "What will I be?" They say, "We don't know." "What will G be?" "We don't know. But it's a total of 1065."

So the council's kind of fighting for its independence, and so it's humiliated at the same time. And this--this is--would be the beginning of '71 or maybe--I have the dates better --

ROBERT HETZEL: No, that's right. That's right. I have quote from Maisel's book. Maisel did not like George Schultz for sure.

BERNARD SAFFRAN: Right.

ROBERT HETZEL: And he says, I can give you the quote, “The President’s economic staff was informed that the forecast for the economy for 1972 had to be higher. Overnight the estimate for GNP growth was raised from just over 70 billion to 88 billion, or by almost 25 percent, to reach a level of 1065 billion.”

BERNARD SAFFRAN: Right. Right. Right. So that’s the internal battle. The other part of this is--this is a sign--so, on the sociology of knowledge. I don’t know if this interests you --

ROBERT HETZEL: Oh, yeah. Yeah. Anything you say is interesting, because we’re 30 years away from it.

BERNARD SAFFRAN: Okay. Well, the question is--what then happened is how--so, in some sense, the council was defending sort of what was then professional--this is before I got there, so I’m not there. Okay?

ROBERT HETZEL: Sure.

BERNARD SAFFRAN: I’m just telling stories. Okay. But the council has to first defend--I mean, the council is basically trying to mainline soft Keynesianism that everybody believed in in those days.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: The monetarism gets imposed on them, and so the question is--and so the council is really representing the profession. And so the question is: How does the profession get even? And do you know this story or --

ROBERT HETZEL: No. Go on. So, but when you say, “This is the story you heard,” was this in conversations with Stein, for example?

BERNARD SAFFRAN: Well, no. This is in conversations--well, yeah, I’ll tell you the story and then you can hear it, you’ll --

ROBERT HETZEL: Okay.

BERNARD SAFFRAN: So the question is: How--so Laffer--well, what David said--I’ll going to tell you the story and you can --

ROBERT HETZEL: Sure.

BERNARD SAFFRAN: It’s a true story. Samuelson then goes out to Chicago to give a talk. And during the talk he says, “As Dr. Laffer--no, I mean Mr. Laffer, said.” Stiglitz--Stigler then comes over to Samuelson and says, “What do you mean, Paul? It’s Dr. Laffer, not Mr. Laffer.” Because Laffer, at that point, had been made the youngest full

professor in the history of the University of Chicago, and Stigler had been chairman of the committee that promoted him.

And Samuelson said, "No. No, you're wrong." And it turned out Laffer did not have a degree. And when Laffer returned to Chicago, he was told he'd never get another raise. And so it was the profession imposing its discipline. And how Samuelson knew all this or how all this happened, I don't know.

ROBERT HETZEL: Yeah. Well, I was a graduate student at Chicago then --

BERNARD SAFFRAN: Hm-hmm [affirmative].

ROBERT HETZEL: --and so, you know, I was just getting buzz. But what Laffer did was to run the St. Louis equation using not seasonally-adjusted data. So he picked up an enormous seasonal between M1 and GNP, which gave you a huge kick. And Friedman, for sure, you know, thought that was outrageous. And Friedman was no fan of using the St. Louis equation to fine-tune the economy. You know, he wanted 3 percent into growth and then walk away from it. So, I think the Friedman side of it sort of undercut Laffer in Chicago.

BERNARD SAFFRAN: Well--right. Right. Right. Because it was due to--right. But that was the beginning of the sort of monetarism movement, as far as I can tell, in the--it wasn't that McCracken and Stein were opposed to monetarism, I don't think, it was just that that is the way they were.

ROBERT HETZEL: Right. But it came down from Nixon that you had to have 4 1/2 percent unemployment by --

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: And so they used the St. Louis equation to see, "Well, how do we get that much now in GNP growth," and they made some assumption about what inflation would be, given what they thought the output gap was.

BERNARD SAFFRAN: Yeah.

ROBERT HETZEL: That was one of the equations. And they come up with this 1065. But then the debate is over how much money growth you need --

BERNARD SAFFRAN: To get that.

ROBERT HETZEL: --to get that, right? And it's all sort of strange, because the council doesn't control money growth.

BERNARD SAFFRAN: And I don't know what the number looks like right now, but there was a period when 1065 turned out to be the right number.

ROBERT HETZEL: Right. But that's not known until --

BERNARD SAFFRAN: Much later.

ROBERT HETZEL: Right.

BERNARD SAFFRAN: I mean, ten years later. I mean, a revision of a revision.

ROBERT HETZEL: Well, no, I think that going into '72 it was pretty clear that they would need it, although the question was, "Well, why are you needing it?" There's some--but the--we talked about the price controls.

BERNARD SAFFRAN: Okay.

ROBERT HETZEL: By July of 1971, it looks like you're not going to meet it.

BERNARD SAFFRAN: Right.

ROBERT HETZEL: You're not going to meet the 1065 and you're not going to get--unemployment is still hanging tough.

BERNARD SAFFRAN: Hm-hmm [affirmative].

ROBERT HETZEL: And so, at that point Schultz loses to --

BERNARD SAFFRAN: To Connally.

ROBERT HETZEL: --Connally.

BERNARD SAFFRAN: Right. And Connally's sort of along the lines of Stein and those other people who also wanted a more [unintelligible 00:11:25] policy.

ROBERT HETZEL: Yeah. So, I don't want to jump too far ahead --

BERNARD SAFFRAN: Yeah.

ROBERT HETZEL: --and miss things. When you come in, what do you start working on?

BERNARD SAFFRAN: Well, I started working with Rudy. There was--what the results of a temporary investment tax credit would be.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: And that's also a funny story because of--we got a number--I don't remember what it was--and then they put in a permanent one. And we kept getting compliments from everyone about what great forecasters we were, but, of course, it was not--it was all bogus because the temporary and the permanent one would be a very different number.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: But that's when I started working with [unintelligible 00:12:17]. And then what happened with--things were very slow and then suddenly I would say about, by the third week in July or so, everybody went crazy with stuff to do, and I discovered that all the people I used to have lunch with, no one was free.

ROBERT HETZEL: Well, that's the midyear review of the economy and the testimony before the JEC.

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: And Burns testifies at the same time, got this famous quote, "The laws of economics are no longer working." The council's got to defend its 1065 forecast and Nixon's looking for a new economic policy, and he's talking to Connally and Shultz.

BERNARD SAFFRAN: Right. Right. Right. And, you know, we were then given a task like, what would happen if there were a 10 percent export subsidy with a 10 percent import tariff?

ROBERT HETZEL: Oh. So you were asked that question in July, because the --

BERNARD SAFFRAN: That question in July or what--I can't tell you the exact date, but --

ROBERT HETZEL: Before --

BERNARD SAFFRAN: --whereas, suddenly there was this incredible flurry of activity when they were all getting ready for Camp David.

ROBERT HETZEL: Yeah. That must have been just as August gets started.

BERNARD SAFFRAN: That was the beginning of August and --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: --no one used the word "devaluation." We were given this symmetric thing to work on and, you know, looking back--actually, everyone's given essentially a piece of the package to do estimates with.

ROBERT HETZEL: Yeah. Connally puts together this package. He realizes that businessmen want wage controls --

BERNARD SAFFRAN: Hm-hmm [affirmative].

ROBERT HETZEL: --to deal with labor militancy. And, of course, if you're going to have wage controls, you have to have price controls. Then you need to do something for labor. Well, labor is protectionist. So the import surcharge is for labor and the whole thing is packaged --

BERNARD SAFFRAN: Well, it was a little more--well, it's a little more complicated there, but labor really wanted Nixon's profit.

ROBERT HETZEL: That I hadn't heard of.

BERNARD SAFFRAN: And Treasury refused--or, I should say, labor won--I mean, a big thing on the table was, how--if you're going to have an economics policy, why aren't you also dealing with profits? And what happened was, there was a memo from the Treasury saying that they were still trying to collect the excess profit taxes from World War II. And they did not want the bureaucratic influence. Then, as I remember it, the kind of White House wanted an excess profits tax, but the Treasury opposed it.

ROBERT HETZEL: That's interesting.

BERNARD SAFFRAN: I'm not saying--I don't--you know, this is a long time ago.

ROBERT HETZEL: Well, no, that sounds right. So then you get the committee on interest and dividends.

BERNARD SAFFRAN: Right. Right.

ROBERT HETZEL: And you can't increase your dividend payout rate and effectively banks are kept from raising rates on --

BERNARD SAFFRAN: Right.

ROBERT HETZEL: --things like loans to consumers, farmers, and so on. So it's handled informally, but it's part of the pressure on the Fed, because it gets tied up with interest rates. If you can't have a wage increase, how can a guy who goes out to get a mortgage be expected to pay higher mortgage payments?

BERNARD SAFFRAN: Right. Right. Right. So that was all part of the same thing, but then if you notice, the one thing that's not in there, the only income that's not controlled is profits.

ROBERT HETZEL: And interest rates.

BERNARD SAFFRAN: And interest rates, right.

ROBERT HETZEL: And they're sort of intended --

BERNARD SAFFRAN: Interest rates, presumably, for the same reason.

ROBERT HETZEL: Well, yeah. I mean, it's--Burns doesn't want controls in interest rates because he wants control over monetary policy. Plus, to be fair to the council, the council realizes that controls on interest rates are very easy to circumvent.

BERNARD SAFFRAN: Right.

ROBERT HETZEL: By this point you've got the euro dollar market, because of capital controls and regulation Q in the '60s, and the council realizes that lending's going to go offshore and --

BERNARD SAFFRAN: Right. As everyone said, all those guys during the wage and price controls really felt like prostitutes. You know, they said they were--well, you know. I mean, every year you had wage and price controls being run by the people who opposed wage and price controls. It was a little--

ROBERT HETZEL: Well, yes, except that it's a little more complicated than that because McCracken, in the beginning of '61, is pushing along with Mitchell at Justice--you remember him?

BERNARD SAFFRAN: Yeah.

ROBERT HETZEL: They're pushing for an economic crimes tribunal, a special court that can charge businesses with charging excess profits. And that doesn't go anywhere. The people at the White House, like Flanigan, are horrified by that sort of government intervention. So by June of '71, McCracken privately is recommending price controls to Nixon.

BERNARD SAFFRAN: Yeah. But they--but they--people like Stein and those guys--I mean, I know, I'm not even talking about McCracken, I'm talking about the array of people like Marvin Kusters.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: And he's not a man who was deeply committed to wage and price control, you know. He was there running a major part of it, you know. A whole bunch of--it was part of a later merge. AI was running wage and price control.

ROBERT HETZEL: Right. And it's really Connally.

BERNARD SAFFRAN: It's Connally who --

ROBERT HETZEL: He puts together what he --

BERNARD SAFFRAN: What suddenly happens is--I was on The Troika, you know, the forecasters.

ROBERT HETZEL: Okay.

BERNARD SAFFRAN: So we would meet--you know, it was quite clear that the Treasury was in charge. And that changed as the summer went along. You know, their numbers were the numbers. And Connally was clearly in charge. And he had the President's ear, and I don't think anyone else had any--I mean, Connally was the economic czar.

ROBERT HETZEL: Yeah. He replaced Shultz, so it must have been a terrible time for Shultz, until Connally leaves a year later.

BERNARD SAFFRAN: And Connally was a bully, you know. And he--you know, and Connally was not, you know, a free-marketeer. I mean, Connally was not a, you know, raised-in-Chicago type.

ROBERT HETZEL: Right.

BERNARD SAFFRAN: Do you know the famous story about when he got to battle about the value of a dollar he said something like, "You guys were winning and now we're winning." You know, it was kind of macho --

ROBERT HETZEL: I hadn't heard that, but the statement that I remember him saying was that, "It may be our dollar, but it's your problem."

BERNARD SAFFRAN: I mean, I don't know--it was even stronger. It was sort of--but, anyway, so that--but then the Iran--the sort of--one funny little thing happened, because when we did our forecast after the August 15th thing, McCracken said, "Well, I don't have the order of the magnitude of the numbers right anymore," you know, but he said, "Well, let's throw in X dollars for confidence." So he came in with the number--the number that came out was a lot larger.

ROBERT HETZEL: Well, that--but Arthur Burns --

BERNARD SAFFRAN: Had been wrong. I mean, hey, well --

ROBERT HETZEL: But Arthur Burns, that was his big thing, that confidence of the businessmen would power a recovery.

BERNARD SAFFRAN: Right. Right. Right. Can you just wait? I'll be back in one minute. If you have one second, okay?

ROBERT HETZEL: Oh, sure.

(Pause.)

BERNARD SAFFRAN: I know, it isn't widely known, but that--Arthur Burns gets this rap for, you know, raising money supply to get Nixon re-elected.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: The two things of it, that one is that what's not widely known is that first, a fiscal policy initiative was tried. What happened was that there was a-- they had gotten to Nixon--this is around October and November. Remember, I'm just a senior staff economist, so I don't--I'm just a--you know, I'm not a participant in any of this. Okay. Except the next part of the story, which is that if he had agreed that he would be willing to have an expansionary fiscal policy with an extra \$10 billion worth of deficits, if people could show him how it would help him get re-elected the following November. And there was a task force appointed to figure out how the--what to do with this \$10 billion. And it's a classical story that failed because you couldn't--the President wouldn't let you cut taxes because of --he was getting into all sorts of fights with Wilbur Mills and he just didn't want to deal with it anymore. And you could not raise a defense budget because Cap Weinberger--I don't know if you--at that point was the defense analyst at OMB, or whatever it was called then, and he had gotten the defense budget under control, and they were afraid of the defense budget getting unleashed.

So we were supposed to go and figure out how to spend another \$10 billion to have an effect by November, and it turned out it was really impossible to do. Because any programs you came up with would kind of, you know, besides the standard lags in fiscal policy all went through. And so, it was only--it was only, I think, after this fiscal policy leads fail that they turned to Burns, but I don't know if--I don't know that for certainty, but what I do know for certainty is that there was--there's a guy named Frank Ripley who was the forecaster, and he was in charge of an interagency group to try to figure out how to spend this \$10 billion for fiscal expansion.

ROBERT HETZEL: Well, there was a quote "problem" during this whole period, that even when amounts were legislated and appropriated, agencies were slow at spending them, so there was lots of panic. But how do you get these government agencies to, you know, speed up the way to which they're spending?

BERNARD SAFFRAN: Well, that was our problem. Right. That was our problem, is that, you know, we could go with building \$10 billion worth of day care centers, or given that the President had to put it in the State of the Union address, there's no way you were going to get them built by the following November, or even started. So, it would not be the first example I knew of where the advantages of monetary policy over fiscal policy became pretty clear. So, in those days people really thought monetary policies had long and variable lags of up to 18 months. So, I'm not even --

ROBERT HETZEL: Well, there were different schools. Again, the St. Louis --

BERNARD SAFFRAN: Well, the St. Louis --

ROBERT HETZEL:--people had this equation, and that's what they were--and that's what McCracken and Stein were using this regression of GNP on, lag money and --

BERNARD SAFFRAN: Right. And you know, the guy who was doing the money stuff you probably knew in Chicago. Did you know Bill Gibson?

ROBERT HETZEL: Yes, I did. He was gone when I was there, but I have met him. I did know him. And I think Phil Cagan was there a year before you came.

BERNARD SAFFRAN: Right. Right. Right. I mean, Gibson was--Edward Solomon was there, too, but Gibson was the staff monetary guy and they relied very heavily on him.

ROBERT HETZEL: That's interesting. I should talk to him. He's dropped out of sight --

BERNARD SAFFRAN: You know that story.

ROBERT HETZEL: He had an S and L problem.

BERNARD SAFFRAN: Yeah, that's--

ROBERT HETZEL: But I should --

BERNARD SAFFRAN: No, it wasn't an S and L problem. No. No. He made his money on S and L. No, it's a sad--it's a terrible story. He--what he did was he charged people for first-class tickets and then turned them in --

ROBERT HETZEL: Yeah, it was a silly little thing.

BERNARD SAFFRAN: Really silly.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: Yeah, it was just sort of greed, you know.

ROBERT HETZEL: But his S and L got audited in the --

BERNARD SAFFRAN: Oh, his S and L got--oh, that's how they found out?

ROBERT HETZEL: Yeah. That's when they needed--I think it went insolvent, and when the regulatory agencies took it over, they audited it and discovered this thing, which was just a trivial amount of money. And the guy had lots and lots of money, but it was just --

BERNARD SAFFRAN: Well, I don't even know why they went after him. But, in any case, he was a very smart guy and they were very dependent on him for monetary policy.

ROBERT HETZEL: That's very interesting. He still lives in Chicago someplace, so I think I can probably --

BERNARD SAFFRAN: I would say he was, you know, among senior staff economists, he really was much more one of the, you know, insiders.

ROBERT HETZEL: Well, he is--I assume still is, a very capable guy.

BERNARD SAFFRAN: Oh, he's a very smart guy. No. No. I'm very fond of him. No. No. They were right to depend on him. I was saying, to the extent to which he was--I sort of did monetary policy and forecasting--I mean, fiscal policy and forecasting --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: You know, I wasn't really--I would never have talked to anybody about monetary stuff at all, and Gibson would have. So he probably, you know, I mean --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: I have all these tidbits of gossip, but he probably knows exactly what they were doing --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: --and how they were doing it. He'd really be a --

ROBERT HETZEL: Okay. Yeah, I'll track him down. He lives someplace in a Chicago suburb.

BERNARD SAFFRAN: What's he doing, do you know or --

ROBERT HETZEL: Well, as far as I know, he's retired. I haven't anything--I haven't heard his name for ten years now.

BERNARD SAFFRAN: Yeah. Yeah. He's a very smart, talented guy. And you know, there were not--and people were--you know, it's all very early, and monetarism was not--I mean, you know, Nixon--remember, Nixon came out and declared himself a Keynesian, so --

ROBERT HETZEL: Well, that was the thing about the budget, about giving up the full employment in the budget.

BERNARD SAFFRAN: Right. When he did the full employment budget. Right. Right. Right.

ROBERT HETZEL: Was Ezra Solomon there doing international while you were --

BERNARD SAFFRAN: Ezra Solomon was there doing international. Well, of course, Marina was very influential.

ROBERT HETZEL: You mean, she came when Ezra left, right?

BERNARD SAFFRAN: I don't know, but she was on a senior staff before he came. She was the senior staff economist when I was there. But traditionally, the trade person is almost the fourth person, because traditionally, the three regular people didn't know anything about trade.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: And it was said to make, you know, exotic things. And she, I think she may have been there--I'm pretty sure she was there that July. I'm pretty--I'm certain she was--or, well, I can't--yes, I'm certain she was.

ROBERT HETZEL: That sounds right. Yeah, I think so.

BERNARD SAFFRAN: I'm certain she was. Yes, so she--you know, she was--they were very dependent on her, because I don't think either Stein nor McCracken really knew very much about trade. Now Houthakker had left--was--had left. Houthakker had been handing trade.

ROBERT HETZEL: Right. So, how did your responsibilities evolve? Did you continue to do--follow fiscal policy and --

BERNARD SAFFRAN: Follow fiscal policy and I was involved on the forecast. I was there that famous day, you know, which is when the Treasury discovered it had \$12 billion more revenue than it expected. Do you know that whole tale?

ROBERT HETZEL: No. No, I don't.

BERNARD SAFFRAN: Well, this is sort of the--this is part of the lure of whether you want permanent or temporary tax cuts. What happened was that we were--I can't tell you the exact date or anything, but, I mean, this has been written up in a number of places because it's so--well, what happened was that the guys in the Treasury come in and say that they had found an extra billion dollars that month. And this was in--I know when it had to be, it had to be in 1972.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: And every month there was this--first of all, who knew--you know, in those days that was real money.

ROBERT HETZEL: Sure. Oh, yeah.

BERNARD SAFFRAN: Okay. And so it turns out that on an annual basis there was \$12 billion extra coming in. And when you think of the fact that the deficit we're fighting about, you know, were \$10 billion--you know, I mean --

ROBERT HETZEL: Yep.

BERNARD SAFFRAN: And what had happened was that the Treasury had changed the withholding form, you know, from--see, I don't--I mean--I just don't remember. As a result of which, people were being over withheld. Okay. So the money --they would get the money back the following year, but it was over withheld the first year. And thank God, it was the Treasury that made the mistake or, I think, Connally would have, you know --

ROBERT HETZEL: Oh, I see. Because that made monetary policy more restrictive than it would have been --

BERNARD SAFFRAN: Right. Exactly. Right. Right. So it would be much more restrictive and so--I mean, in the mind--in the Keynesian mindset is in period, that would have been the perfect way to sabotage the economy, to get a recession before the election. And so they end up doing things like newspaper ads and getting on TV, telling people to go change their withholding, because they were so afraid, you know. And it turns out, as I remember, that consumption did not really--people sort of treated it like permanent income, in the sense that they knew that they were getting a refund back, I mean, to indicate their behavior. But then it sort of became one of the famous experiments, permanent versus temporary tax cuts. This was neither a permanent or a temporary tax cut. It was just a reshuffling of tax cuts at the time. But there's this--but in those days people were, you know, Keynesians, and so there --

ROBERT HETZEL: Sure.

BERNARD SAFFRAN: --was this great fear that Nixon would lose the election because the clerk in the Treasury Department had missed on the withholding stuff.

ROBERT HETZEL: How did you characterize yourself at this time? Were you soft Keynesian or --

BERNARD SAFFRAN: Oh, yeah. I was--we were all, I would say, yes, absolutely.

ROBERT HETZEL: That was your term?

BERNARD SAFFRAN: Maybe harder Keynesian.

ROBERT HETZEL: Sort of Republican Keynesianism, "I sort of, would have"?

BERNARD SAFFRAN: Yeah. Yeah. And I think that--yeah, I think--also, I remember the day Stein came in--this is a good quote--okay. He came in and he just been having lunch with Dennison and, you know, and [unintelligible 00:33:21] and he--and the productivity numbers started, you know, that just when the productivity numbers started turning bad --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: --was in 1972. And there was a--you know, the question was, was this--and Dennison was very upset [unintelligible 00:33:35]. And then the other story was Stein when, you know, when told about, you know, when people went to do--this shift the Bell curve downward said he just wanted to get on it. But I would say that I was certainly quite Keynesian. And I would say Stein--I mean, I--you know, I can't speak too easily, but remember he came out of the CED. He had written this stuff --

ROBERT HETZEL: Right.

BERNARD SAFFRAN: He was to the public, a man's man. He was Peckman's protégée.

ROBERT HETZEL: Oh, sure.

BERNARD SAFFRAN: I mean, they worked together. They were similar aged. And I would say that, you know, the general view was kind of main line Keynesianism of the 45-degree line, maybe IS-LM, you know. And I think the way the price control thing, also, in terms of--remember they inhabit in '52, but when they did the wage and price control they brought back Dick Nelson's father, who had worked in wage and price control during the second World War, too.

ROBERT HETZEL: I knew the name, but I didn't know it was any relation, so --

BERNARD SAFFRAN: I think it's his father. I'm pretty sure. You could check--I don't know, I could be wrong, but --

ROBERT HETZEL: I see him once in a while, so I'll ask him.

BERNARD SAFFRAN: You're going to see Dick or the father?

ROBERT HETZEL: Well, Richard Nelson.

BERNARD SAFFRAN: Richard, yeah. So, you know, I mean, that was the sort of thing I remember at the time. And they--but, I would say, you know, some of the people around--in the early days of the administration, for example, there were people like Gary Adams who was there who was a Klein person. They were left over from --

ROBERT HETZEL: The Okun --

BERNARD SAFFRAN: Okun administration, yeah. And I remember, for example, I had to write a memo for Stein where Klein had written something on wage and price controls and why they should happen, you know. So, I mean, to me they were really very much--I think they viewed themselves as sort of very professional. I think that McCracken, of course, did have the other part of the valuation, of course, was, it wasn't labor, it was the auto industry. And McCracken was from Michigan. And he was--now I'm being unfair. Okay.

It's just--I mean, we learned a lot more about autos than, it seemed, justified by that proportion of the economy.

ROBERT HETZEL: Yeah. Do you--it's one thing to be eclectic, it's another thing-- or maybe it's the same thing not to have very strong views. And I think that must have hurt McCracken and the council as time went on. Their forecast had been consistently wrong; unemployment had gone up; inflation had not gone down. And George Schultz had very strong views. He knew what he --

BERNARD SAFFRAN: He knew what he wanted.

ROBERT HETZEL: --wanted. Yeah. And McCracken was more the professional economist, you know, "I'll do the forecast, but they're contingent on this and this and this."

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: You know, the kind of things that politicians get driven up the wall on.

BERNARD SAFFRAN: Right. Right. Right. I think Stein was a--I mean, is McCracken still alive?

ROBERT HETZEL: Yes. Oh, sure.

BERNARD SAFFRAN: Oh, he is. So I better watch --

ROBERT HETZEL: Well, this is off --

BERNARD SAFFRAN: Off the record. Okay. I mean, there's no doubt that Stein was the intellectual power there.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: I mean, McCracken --

ROBERT HETZEL: Stein comes across as very aggressive, in terms of organizing the strategy for how to influence the Fed, and McCracken comes across, at least in reading the memos, more as the professional forecaster who's kind of basically giving you the consensus forecast in the community.

BERNARD SAFFRAN: That's what I--yeah. Now, I--when I came in it was sort of towards the tail end of McCracken, and I barely got to know him, but he certainly was--I mean, he was a very nice man.

ROBERT HETZEL: Oh, absolutely. No, I've been--I've talked to him a number of times.

BERNARD SAFFRAN: He was the loveliest man, but, you know, he certainly, you know, [unintelligible 00:38:18]. I mean, Stein, you read a memo to Stein, and he--you could expect to be ribbed. I mean, I don't mean unkindly --

ROBERT HETZEL: Hm-hmm [affirmative]

BERNARD SAFFRAN: But, you know, he really knew a lot and was very well informed and, you know, could out write any--you know, there was this time when he didn't like the last draft of the CEA report, so he just went home for a weekend and wrote it.

ROBERT HETZEL: Yeah. He was very capable and had a very forceful personality.

BERNARD SAFFRAN: Very--you know and he--my kind of very casual impression, was that he kind of drifted to the right over time.

ROBERT HETZEL: Yeah. I think that has to be right. I don't think the council has a lot of clout, in terms of determining what happened, but Stein was the one who mounted the, within the--organized the attack within the administration on the Fed. And he wrote memos before Camp David saying that, "Well, if Burns wants wage and price controls in return for an expansionary monetary policy, we ought to at least talk to him about that."

Later on he--when I showed him those memos and he said, "Well, I couldn't have written that," but of course he did.

BERNARD SAFFRAN: Of course he did.

ROBERT HETZEL: But then he really seems to kind of come into his own and sort of grow in stature as he becomes CEA head after McCracken leaves. I think he's very influential, along with George Shultz, and I think he was, from--once he becomes head of the CEA, he's a very important voice, along with Shultz, in terms of kind of always trying to think, "How are we going to get out from under these controls." Because at the time they could have become permanent. He didn't--that wasn't out of the question, but for Schultz and Stein, you know, it was out of the question. They were going to end them.

BERNARD SAFFRAN: Oh, yes. Well, as I say, I think that they--

ROBERT HETZEL: And Arnold Weber, too.

BERNARD SAFFRAN: Arnold Weber, that type of guy, you know--that's why I'm saying, all of these guys didn't really believe it. I think one thing they did in the beginning, which may have been part of it, in the beginning there was some council or something. Whereas the council had met with--that dealt with all the issues that arose, and it was the most senior people in the government was sitting and doing things. I actually have a memo which I always read to my class which was they had--this involved all the secretaries of media, okay, and they had a--there's this great discussion about what to do with Halloween candy.

ROBERT HETZEL: Oh.

BERNARD SAFFRAN: Okay. Because, you see, there was a freeze on --

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: So the question was, was Halloween candy, the chocolate witches, okay, would they last? Were they chocolate? In which case they were frozen. Okay. Or were they witches, in which case they were new--or the other way around. The freeze extended--and there's actually a memo on how to treat holiday candy.

ROBERT HETZEL: Yeah, it's probably the other way around, because commodity prices were not frozen because they were traded internationally.

BERNARD SAFFRAN: Oh, okay.

ROBERT HETZEL: But the price of candy would have been frozen.

BERNARD SAFFRAN: I can't even imagine--I think--and I always thought that that was done purposely just to waste the time of all these people, so they would want to get rid of it as soon as possible.

ROBERT HETZEL: Well, one of the issues that comes up right away is what to do about yard sale prices. It's the silliest thing in the world, you know, there's no base price --

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: --but they're trying to think about, you know, how is this going to play with the public and everybody's going to do their part. And you've got these housewives doing yard sales, and what are we going to tell them? Well --

BERNARD SAFFRAN: Well, no, as I say, I really felt--I was around then, and I was not--or, maybe, I may have left, but I was coming out of Washington a lot seeing people, and my impression was, you know, as I say, the people were running it really just were not happy doing it. I mean, they became increasingly unhappy. I think part of it may have been that they were attacked by their friends in Chicago. And so, you know, they really--they just--

ROBERT HETZEL: Well, I can remember George Schultz coming back to Chicago when I was a student there, and he gives a seminar. And you know privately how he felt about the controls. He opposed them to the end, but publicly, as Secretary of the Treasury, he had to defend, especially he was defending controls on hospitals and health care. And, you know, people really, really went after him, and he was a good soldier and he had no choice but to defend them, but he clearly was uncomfortable.

BERNARD SAFFRAN: Right. Right. Right. So I think these guys were out there and they were being attacked by everyone. I think Marina became one of the people running it, too, right?

ROBERT HETZEL: Right.

BERNARD SAFFRAN: I don't think she was a great fan of that.

ROBERT HETZEL: She was a great fan of?

BERNARD SAFFRAN: I don't think she was a great fan of the controls. I mean, none of them were.

ROBERT HETZEL: No. No. No.

BERNARD SAFFRAN: Though, in all fairness, the other way, for the first two or three months everything worked.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: And they were more than willing to take the credit.

ROBERT HETZEL: Yeah. And they were just so enormously popular politically --

BERNARD SAFFRAN: Right. They were very--everyone loved them. They were--right. Right. Right.

ROBERT HETZEL: The argument had always been that, well--Shultz's argument had always been, that, "Well, yeah, you can impose them, but they'll break down --

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: --very quickly, because you'll have strikes and the labor unions will, you know, view it as a challenge. And so if you're going to impose them, do them and then get rid of them right away." But they were so popular that everything was really --

BERNARD SAFFRAN: Right. Right. I remember sort of like being in Washington and saying where I worked and went--and people would just--it wasn't quite like, you know, being an economist in the '60s, but I think everyone was dying to be a '60s economist again, you know.

ROBERT HETZEL: Because of the prestige. I mean, everybody knew--

BERNARD SAFFRAN: There's a famous quote by Art Okun that--I don't remember--have it exactly, but I'll tell you right now, "The glory to have been an economist in the early '60s"--you know, you were great heroes, you know. I mean, the economy had

been [unintelligible 00:45:03] and you need to--you've got to give Walter Heller credit, he made it look like it was all his doing.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: I think that was one reason why they were with Stein. But Stein was a very impressive figure, but--and I think he had a good political sense about who to go with. He was incredibly loyal to Nixon.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: You know. But I think, you know, they were not happy with the end, but when it started, everyone was very enthused. I mean, I think there was a real--the other thing one has to say is that if you read the--I'll be back in--just give me one more minute. I'm sorry.

(Pause.)

BERNARD SAFFRAN: There were all these editorials in the Washington Post and Brookings and everyone was really pushing for a more stimulus policy.

ROBERT HETZEL: Oh, absolutely.

BERNARD SAFFRAN: You know, it wasn't--I mean, and that's why I think it wasn't as if this is all--I mean, everything's political on some level. Okay. But I don't think there was anyone--there weren't any people around saying, "We're on track, boys. Things are great. Let's not do anything." I mean, everyone wanted --

[END OF TAPE 41, SIDE A]

[BEGINNING OF TAPE 41, SIDE B]

[00:46:32]

BERNARD SAFFRAN: You know, he'd always use this example of political business cycle, but my feeling is if you go out there and read Brookings and they--I mean Burns listened to Brookings. So people shouldn't--you know, I think he really got a bad rap. I'm not saying he didn't do it all just to re-elect Nixon. I mean, but--

ROBERT HETZEL: Well, I don't think in his own mind he saw it that way. He wanted to maintain influence within the administration --

BERNARD SAFFRAN: Hm-hmm [affirmative].

ROBERT HETZEL: --so that he could help set the target for wage inflation. He really believed in the controls. And he really believed that if he set a low target for wage inflation, you could pull inflation down and still stimulate the economy. So he was never

willing to break with Nixon, because he wanted to run fiscal policy and wage and price controls. He wanted to run the whole --

BERNARD SAFFRAN: He wanted to run everything.

ROBERT HETZEL: That's right.

BERNARD SAFFRAN: So I don't--what he did was what the conventional wisdom was.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: And I--so I always thought he got, you know--I always--you know, for the last 30 years here we'd get speakers coming by who are always using Burns as this example of, you know, the--using monetary policy to--just for political purpose.

ROBERT HETZEL: Really?

BERNARD SAFFRAN: I just remember at the time if you--no matter what you picked up--I mean, no one is innocent, but I think he really got a bum rap in that he was just doing what everybody wanted to do and kept down the unemployment rate and--but the conventional wisdom certainly is that he's the villain in this.

ROBERT HETZEL: Yeah. No, I agree with you in that. As the Fed chairman, he allowed too much money growth. But there weren't very many people at the time --

BERNARD SAFFRAN: Well, part--

ROBERT HETZEL: --who were concerned about that.

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: They thought --

BERNARD SAFFRAN: That's what I'm saying. I'm not saying he did the right thing, but I don't--but, you know, you've got to put--it's like saying you shouldn't read Aristotle because he owned a slave. I mean, it's--that was the conventional wisdom at the time; that he did--he did the best he could, you know, given that. I mean, he was certainly put--I mean, because I think--part of your job was to read the newspapers and things, and clearly, everyone was pushing for an expansionary policy. And, you know, he gave it to them.

When I do think about that, there's a story, is that there was an attempt at fiscal policy that got aborted.

ROBERT HETZEL: Because of the difficulty --

BERNARD SAFFRAN: The difficulty --

ROBERT HETZEL: --getting the spending--yeah. Yeah. That's interesting. So how long were you in Washington?

BERNARD SAFFRAN: Just a year.

ROBERT HETZEL: Were you up all night times or was it a pretty reasonable sort of place to work?

BERNARD SAFFRAN: It was a pretty reasonable place. I think the only time it was really crazy was right about before August 15.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: The other story--do you know the Houthakker story on all of this?

ROBERT HETZEL: No, I never talked to him.

BERNARD SAFFRAN: Well, on that note about nighttime--well, he, even no matter what the crisis was, would never come in on Sunday. And his view was, "I need a day of rest. If there's a crisis on Sunday, there'll be a crisis on Monday. And if there's a crisis on Monday, I want to be awake." And it was kind of amazing, you know, in the most incredible--when people were coming in Sundays going crazy, et cetera, he would not appear. I'm sure the other members resented it, but it was an ironclad rule of his. And I think he may have also been religious and I think that may have also been part of it. But I would say that it was--it was not a council that went --the people who tended to have to put in the very, very long hours were the people in trade.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: Because during that period, you know, there was agreement after agreement on the--you know, remember there was the Waldorf Agreement, and this one and that one, and they were constantly rethinking the dollar. And those people were really --

ROBERT HETZEL: Well, all the Smithsonian --

BERNARD SAFFRAN: Yeah, the Smithsonian Accord. All--you know, one accord after another. And that was all Connally and--you know, and there really weren't that many people around who knew--who knew--I mean, in those days very few people get into international trade. It wasn't that major part of U.S. economy. And so those people went really very, very crazy, but I would say--and the other part, of course, was that Stein really did so much of his own writing.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: You know, I mean no one could write half as well. In a way it was absurd for someone to write a draft because--it was just silly because he would just--but I would say that--and Gibson, for example, never came in before 10:30. That was a matter of policy. Now, I don't know how late he stayed, but he was never there before 10:30 in the morning. He would saunter in at 10:30. And, you know, and in all fairness to all these people, they may have made a deal before they were hired. You know? I mean, Gibson probably worked well at night and not by day and--I would say it was not--it was--I think people worked very hard, but it was not a--except on August 15th there. Plus, the other thing that happens is the focus moves to the wage and price controls. So people like Stein are really much more preoccupied with the wage and price council during that period.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: You know, so the council begins to... But I would say that the council recently...I would say the council at that point was quite influential. I mean, in that, I remember--who was the secretary of HHS? I can't think of it now. Anyway, let's call him Mr. X. We were much more involved in, I think it was Social Security policy than he was, because his staff would always call us because they never knew what was going on. So I think the council was really quite involved, and I think Stein was very much--Stein and McCracken were much more involved, much more than let's say, what was his name at the council? The last guy--you know, I can't remember.

ROBERT HETZEL: You mean before Stein?

BERNARD SAFFRAN: What?

ROBERT HETZEL: You mean before Stein?

BERNARD SAFFRAN: No, I meant now, recently, you know.

ROBERT HETZEL: Oh, sure. Bailey.

BERNARD SAFFRAN: Bailey. There you are. Okay.

ROBERT HETZEL: People don't even know the name anymore.

BERNARD SAFFRAN: From what I hear they were just--

ROBERT HETZEL: Yellen before that, and then Stiglitz.

BERNARD SAFFRAN: Right. Right. And then they just weren't--you know, I think that, partially I think there were probably fewer people. And there was still this Troika tradition, which was--really worked on the staff. Like, for example, it longer is a Troika kind of thing at the staff level, with the forecasting, that I understand.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: So it really--people would really sit down and try to do these sorts of things. And often the council was sort of the lead in the forecasting stuff. And in those days people took forecasting very seriously.

ROBERT HETZEL: Yeah, right, that was the Keynesian environment.

BERNARD SAFFRAN: That was the Keynesian world, right. And so, you know, the forecast was the number on which everything else then hinged.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: It was a very Keynesian world. I mean, you know, I--it just wasn't that--you know, people just were not in the--I mean, as I say, Laffer was, you know, viewed as, you know, an asset. It's not even clear that Laffer would have done what he did if George Shultz didn't need those numbers.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: But it was a very Keynesian world and still sort of a world that kind of looked back at the early '60s as, you know, the right thing for everything to be. I think, you know, I sort of thought of Walter Heller in those--I mean, that was the image that everybody --

ROBERT HETZEL: Yeah. 4 percent unemployment and 4 percent real growth.

BERNARD SAFFRAN: 4 percent unemployment, right. Right.

ROBERT HETZEL: 2 percent inflation.

BERNARD SAFFRAN: You mentioned --

ROBERT HETZEL: And if it didn't work that day, then something was wrong and you need wage and price controls to bring it back to --

BERNARD SAFFRAN: You need to do something--right. Right. Or spend money. People still believed in fiscal policy in those days. And remember, they still believed in fiscal policy even through--remember, Charlie Schultz comes in with Carter.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: Remember the various attacks [unintelligible 00:56:32]. And the current administration believes in fiscal policy. So, in fact, the current administration in a way almost sounds sort of a--almost like a Keynesian version--not just similar, I mean [unintelligible 00:56:44].

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: It's a little bit like the people I knew in my youth. But I don't know, there was--you know, to some monetarism was almost like--I mean, I wouldn't--like the way in which Republicans have to believe in abortion. You know--the opposite, you know, the antiabortion. I mean, it's sort of--respectable people weren't doing this, but you're working for these guys and that's what you do.

ROBERT HETZEL: Respectable people weren't --

BERNARD SAFFRAN: Were not interested.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: And this one has a safe--you know, because remember way back then--the St. Louis Fed came out of nowhere, and in terms of what's in the sociology profession, these were the guys who came out of Minnesota who were not the top of the line. And they really--it really wasn't the--I don't want to sound like Stiglitz and making cracks, but they were really outside--really outside of the mainstream. They weren't even Chicago people, you know.

ROBERT HETZEL: Yeah. They came out of Los Angeles--UCLA, I think.

BERNARD SAFFRAN: No, it was Minnesota.

ROBERT HETZEL: The St. Louis people?

BERNARD SAFFRAN: Yeah, St. Louis Fed model was built--what was the guy who built it?

ROBERT HETZEL: Jordan and Anderson.

BERNARD SAFFRAN: Anderson, I was pretty--and I think he was from Minnesota--no, a lot of them were out of Minnesota--it doesn't matter. They were not out of Chicago.

ROBERT HETZEL: Right. They were not out of Chicago.

BERNARD SAFFRAN: So it was a kind of isolated place. And there was no place else that was really kind of doing that stuff. And you know, it was all IS-LM and --

ROBERT HETZEL: Yeah, fiscal policy.

BERNARD SAFFRAN: And I think in general, most of these people believed in fiscal policy.

ROBERT HETZEL: Yeah.

BERNARD SAFFRAN: You know, that would have been--Stein, remember, Stein's whole life was devoted to the history of fiscal policy.

ROBERT HETZEL: Yeah. I read --

BERNARD SAFFRAN: I don't think McCracken sort of had the theoretical depth to even--to do these things.

ROBERT HETZEL: Yeah. Stein writes in his book that the reason you got the 1960 recession, at least he seems to sign on to it, was because the Eisenhower people created a full employment surplus with their tax increases and unwillingness to cut taxes.

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: And then you get those --

BERNARD SAFFRAN: And there's also a quote in there about Burns talking to Nixon. You know that story?

ROBERT HETZEL: About the recession, yes.

BERNARD SAFFRAN: Yeah.

ROBERT HETZEL: And then you get the '64 tax cut and things --

BERNARD SAFFRAN: And then the world takes off, right.

ROBERT HETZEL: Right.

BERNARD SAFFRAN: And that's a great, glorious moment when we're all proud to be economists. I mean, that's--it's all about in a way how we learned enough to have a '64 tax. So, I think that they--but that's where the profession was. The question, was there anyone who was a monetarist who was not in Chicago?

ROBERT HETZEL: Well, there was Karl Brunner at UCLA.

BERNARD SAFFRAN: What?

ROBERT HETZEL: And Allan Meltzer.

BERNARD SAFFRAN: Allan Meltzer. Yeah, right. Right.

ROBERT HETZEL: But those are the ones who were--Milton Friedman was the guy with the disciples.

BERNARD SAFFRAN: Right. Friedman had his disciples, right. But Stein and McCracken are of an older generation.

ROBERT HETZEL: Yeah. Stein had been in the council on the Eisenhower administration.

BERNARD SAFFRAN: Right. Right. Right.

ROBERT HETZEL: I mean McCracken.

BERNARD SAFFRAN: McCracken was on the Eisenhower administration, right. And so had Burns.

ROBERT HETZEL: Oh, yeah, for sure, Burns was Eisenhower's first --

BERNARD SAFFRAN: First year of the council, right. And I think that they were just not in--I mean, I think that they cared about monetary policy, but in all fairness, I think Gibson was someone they really depended on.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: And he had come right out of the University of Chicago. Was he still teaching there? I don't really remember.

ROBERT HETZEL: Well, he was a student at Chicago and then he went to UCLA.

BERNARD SAFFRAN: He went to UCLA and then came to the council. Right. Okay. So he was really--he was a mainstream monetarist and he's sort of the influential person there.

ROBERT HETZEL: That's interesting.

BERNARD SAFFRAN: By "influential," I mean, he was often in their offices.

ROBERT HETZEL: Hm-hmm [affirmative].

BERNARD SAFFRAN: And they clearly respected him because he was able to get away with, as I say, marching in at 10:30. And he was not going to hang around until somebody needed him. I really liked him a lot, and I say this with a great deal of affection. He was a real character with a lot of independence. But I think if you want to know the monetary policy end, he's probably the guy to talk to.

ROBERT HETZEL: Okay. Well, I've got to run him down, but I can--somebody like Milton Friedman might have his phone number, so I'll work on that.

BERNARD SAFFRAN: Okay. Good. And I should thank you for hiring all of my students.

ROBERT HETZEL: Well, you know --

[END OF RECORDING]