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Interview of William Treiber

Conducted by Robert L. Hetzel

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Robert L. Hetzel: What about yourself, when you joined the New York Fed?

William Trieber: Oh, I graduated from Columbia College in 1927, Columbia Law School 1929. But you don't have to make notes, so go ahead -- I was taking, you can write it down. You're not making handwritten notes.

Robert L. Hetzel: No, no, I'm taping it.

William Trieber: No, no. Okay, well then, I'll keep on going. I said I graduated from Columbia Law School in 1929. I was in the general practice of the law in downtown New York until 1934. I joined the Federal Reserve Bank of New York in September 1934 as Assistant Council. I was in the legal department, I guess it was until 1945, in the title of Assistant Council. In the first years I was doing entirely legal work, but as time went on, I did get involved in a number of administrative matters, and I think it was 1945 that I gave up completely my position in the legal department, and I think the title after that was Assistant Vice President. But at any rate, I was in the personnel department for a while, in the -- called it open market, I think -- the name of it was Securities Department, which they say involves open market operations. And then in government bond operations, and I was Secretary of the Bank -- Assistant Secretary in 1940, and then I think it was '42 I became Secretary, and continued at that for maybe eight years. And 1950, I became a Vice President and Assistant to the President, and in 1952 became First Vice President of the bank, and of course, then from there on, I was also a member of the Federal Open Market Committee. And I retired from the bank as an officer, in 1973, when I was 65. But at the request of the Directors, I continued to serve the bank as a consultant through 1976. So, I guess that's my background.

Robert L. Hetzel: That's a summary. When did you first have contact with Allan Sproul?

William Trieber: Well, when I first got in the bank, I suppose, was in 1934. And I began to work closely with him a couple years after that, and in many of the -- well, I suppose after a few years I had been in the legal department, I also did odd jobs for Allan.

Robert L. Hetzel: So you had a good working relationship…

William Trieber: Indeed, I did.

Robert L. Hetzel: From the very beginning?

William Trieber: Yep.

Robert L. Hetzel: And that's especially interesting. You had close contact with Sproul and then Hayes. Sproul and Hayes had different sorts of personalities. Sproul had a personality where he needed to -- well, I don't want to say exactly dominate -- but he had very strong convictions, and he felt a compulsion to act on those convictions. Hayes, on the other hand, was more willing to work within the system, work with the chairman, and be part of a -- was that fair?

William Trieber: Well, who are you talking about? Sproul or Hayes?

Robert L. Hetzel: Well, I'm asking you to compare the two. What I'm asking you is that -- my impression is they had very different personalities.

William Trieber: Well all right, well now let me tell you a little bit. Go back to when I said I became First Vice President. That was in '52. In '56, Allan decided to retire, and he recommended and the Board of Directors in the Federal Reserve Bank chose me as President of the bank in 1956. But the Federal Reserve Board, they would not approve that, and I was told by Directors that the reason the Federal Reserve Board declined to approve that was it was what you call an antagonistic posture of Allan's power, and Bill Martin, who was Chairman of the Board.

[00:05:02]

Robert L. Hetzel: Yes, I'd heard that story, but I hadn't heard it confirmed.

William Trieber: Bob Black is fully familiar of it, with that and my case, and you know his own case?

Robert L. Hetzel: Yes, it was…

William Trieber: The Board refused for a long time to approve the appointment of Bob as President, and his Directors just sat on it, and then the Board finally came around and did it. In New York, the Board didn't want to give an appearance of showing a rupture within the system, and bowed down to a Federal Reserve Board decision.

Robert L. Hetzel: Yes, that's the story I had heard. And was Bob -- this…

William Trieber: Bob Locke. So, with that decision, then the Board had its own proposed candidate, and the Federal Reserve Board and the Board of Directors New York Bank presenting. And then when that didn't work, the New York Board chose Alfred Hayes as the President. Now, Alfred Hayes was a very competent, very pleasant person, and throughout our entire relationship from then on, he consulted me on every matter. We worked together very, very well indeed, and I participated actively in all decisions of the bank, including monetary policy and so forth.

Robert L. Hetzel: Let me ask you about Sproul and the Board. There were two main institutional changes that effectively gave Martin control over monetary policy. One was the abolition of the Executive Committee…

William Trieber: No, no wait. I don't -- what, you're saying that Martin was given complete control over monetary policy?

Robert L. Hetzel: No, but there was a shift…

William Trieber: I don't buy that.

Robert L. Hetzel: There was a shift in power from -- well, New York and the Board had competed for a long time over which was going to be the dominant…

William Trieber: Oh, right. Yes, that's right. Well, here was a growing antagonism between Allan and Bill Martin. And that, you might say the end, when it finally spelled out as it did, since I was Sproul's man, I was kaput as far as the Board was concerned.

Robert L. Hetzel: There were two basic institutional issues. One was up until '55, I guess, that monetary policy had basically been made within an executive committee.

William Trieber: That is correct.

Robert L. Hetzel: And by changing to a format which met every three weeks, and which included all the regional bank presidents, that was a more -- that was a form where Martin could exercise more influence.

William Trieber: Well, let's say it this way. It took the power -- there was no longer any executive committee, and the whole committee met, and the whole committee made the decision, to the extent that any member of the committee felt he had a particular view, he expressed it.

Robert L. Hetzel: That's right, but Martin had much more influence with the regional bank presidents.

William Trieber: That is correct.

Robert L. Hetzel: So that gave him a degree of influence that he didn't exercise, so…

William Trieber: That's correct.

Robert L. Hetzel: And the other issue is whether the system open market account manager was going to report directly to the New York president, or whether he was going to report to the FOMC -- that is, Bill Martin -- that was the other key issue/

William Trieber: That was another issue. Now, the Federal Reserve Bank conducted the open market operations, and it seemed intolerable to us that the person who is intending to take that out was going to report to somebody else, whereas the Federal Reserve Bank of New York had the power and the responsibility. It was delegated responsibility by the Open Market Committee into those transactions.

Robert L. Hetzel: So, Sproul also -- there were certain, beyond those institutional arrangements, which determine the relative influence of New York, and there are also certain matters of principle that Sproul felt very strongly about. The most famous one, of course, is bills only.

William Trieber: Oh, yes, yes. And then the Board -- and that was a big point on the part of the board, the Bills Only, but, you know, when push came to shove, they had to abandon it.

[00:10:03]

Robert L. Hetzel: You mean Operation Twist in the -- has been the…

William Trieber: Operation what?

Robert L. Hetzel: You mean, in 1960, they abandoned it with Operation Twist. Is that what…

William Trieber: Whatever it was. I've forgotten what it was called.

Robert L. Hetzel: Were there other issues, beyond Bills Only?

William Trieber: Those were the principle issues. But I think the basic issue was to reduce the power of the Federal Reserve Bank of New York and to increase the power of the Federal Reserve Board.

Robert L. Hetzel: Purely in terms of economics, and kind of how these individuals looked at the world, do you think that it would have made a difference to monetary policy if Sproul had been the dominant player, as opposed to Martin?

William Trieber: Well, now I don't like this talk about A dominant to B and so forth. I don't know what would have happened. I mean, I don't -- well, I think it is clear that if the Open Market Committee rejected the concept of Bills Only, and if Allan thought it had been in practice before that doctrine became such a hot issue, and made purchases where it thought that purchases were most desirable, I think it would have come out the same. It was just a delay in the system from that period of time.

Robert L. Hetzel: Okay, I think what I'm trying to do is to see if I can get some insight into how Sproul looked at the world. Because we know a lot about Martin, because he was Fed Chairman for a long time.

William Trieber: Yes he was.

Robert L. Hetzel: When Sproul was head of the New York Bank, for most of the period you had the interest rate peg. So, you know, the Fed…

William Trieber: Oh, that's right, yeah. When, of course, for the long-term 2.5%, yep.

Robert L. Hetzel: So it's harder to get a sense, you know, an understanding of how Sproul looked at the Fed's responsibility for monetary policy. So I think what I'm trying to do is just to see if you have any insight.

William Trieber: Well, I think Sproul was flexible. But in his mind, his concept was to be flexible. And of course he was bound by this 2.5% long-term rate, and John Snyder's fear that he would have to finance a war in the Korean peninsula, and wanted to keep his interest rates low for that.

Robert L. Hetzel: Sproul, after some initial opposition, Sproul supported the Breton Wood system strongly, so he would…

William Trieber: Wait a minute, repeat what you said.

Robert L. Hetzel: After some initial opposition, Sproul supposed the Breton Wood system strongly. Is that correct?

William Trieber: Well, I guess it is, but check out the actors of the opposition. Now, I'll give you a little bit of background of the New York position on the Breton Woods. I don't know whether it was '43 or when it was, but people got talking, what was the monetary system likely to be after the war?

Robert L. Hetzel: Yeah, '45.

William Trieber: And they had a one-week series of meetings on the Board of Directors Committee on Foreign Relations, or whatever it was, the Foreign Committee of the Board of Directors. And I was Secretary of the bank at the time, and I attended all those meetings. Well, we had to have meetings first, with James. And I must say, James was a very polished gentlemen, because he had his bank horse, his unit, and these discussions, I think, took a couple of days. And then Harry White, from the Treasury, he had his ideas, and I must say that Harry White was the most irritating person I think I have ever met. And certainly the directors of the Federal Reserve Bank of New York were very much bothered by him, and I don't know to what extent Harry White's attitude and personality made the leap -- but it didn’t made a good effect on the directors of the Federal Reserve Bank. Now I don't remember the details of that, but the directors were -- I think in these discussions, the big concentration was on monetary policies, which became the IMF, after Breton Woods. But there was much talk about the loans, in the sense that the IBR -- the International Bank for Reconstruction Development -- and our directors were emphasizing the point that there was a great need for reconstruction loans, and don't just get involved with the IMF. But then it's -- that, I think, was a part of a feeling on the Directors' part that there is more to be done than what White wanted to do. And that, I know, that concept was important in the Directors' mind, that they should have reconstruction and development loans as well as this monetary fund idea. But then, of course, it came out that they hid one institution from one and one and the other.

[00:15:34]

Robert L. Hetzel: That's right, and later on Sproul was offered the chief position at the International Bank for Reconstruction Development.

William Trieber: Who was?

Robert L. Hetzel: Sproul.

William Trieber: I don't know.

Robert L. Hetzel: I read that someplace. He turned it down.

William Trieber: Well I don't think went ahead -- I didn't know, maybe I knew it at the time, but I'm sure he wasn't interested in it.

Robert L. Hetzel: How did Sproul get along with Marriner Eccles?

William Trieber: Well. Very well.

Robert L. Hetzel: And what about…

William Trieber: If you read Eccles's autobiography, you may remember he said in there that Sproul was the smartest man in the Federal Reserve. He didn't say this, but of course I would say parentheses, except me, Eccles. You never saw that. Not Eccles, of course. He was a very domineering person, but he recognized Sproul's capacity, and they worked well together.

Robert L. Hetzel: So basically they had the same kind of outlook on issues, in particular what was depressing economic activity, the causes of the depression, the major…

William Trieber: Well, I don't know they had all the background. But as far as what should be done, they worked together.

Robert L. Hetzel: What about…

William Trieber: Well, there was one thing, I think, Eccles had the impression that front-end economic pop of a situation was a lot of problems, you could open the spigot and make credit available. And then when you got over that hump, you could turn the spigot off. Sproul felt here, you could open the spigot, but then when the time came to turn the spigot off or to turn it down, there were so many other factors that didn't make -- that facilitated against turning it down adequately.

Robert L. Hetzel: You know, you wouldn't happen to remember the debate over raising Reserve requirements in '36, '37, would you, and how Sproul felt about that? You remember that excess reserves were very large at the time, and the Fed raised reserve requirements sharply. Eccles thought that they would be tender for inflation later one. But you don't…

William Trieber: I don't remember that, no. I mean, I remember that there were terrible excess reserves. But I don't remember opinions as to what to do about it.

Robert L. Hetzel: And of course Eccles and Sproul worked together to get the accord with that, so they must have -- even though Eccles wasn't Chairman any longer at that point, they still must have…

William Trieber: Oh, they did. And Eccles would come up and -- he would talk to Eccles even after Eccles would off the board. They were good friends. I mean, I used to meet them there. I'd meet Eccles when he came up to New York.

Robert L. Hetzel: What about McCabe? Did McCabe play any role in that? Or was it primarily Eccles and Sproul who took the lead within the system on that?

William Trieber: Well, when Eccles and McCabe were both on the Board, Allan clearly recognized that McCabe was the Chairman. He participated very deftly with McCabe. He didn't want to, in any -- he recognized the importance of working well with McCabe, and he did work well with McCabe.

Robert L. Hetzel: What -- McCabe didn't stay for a long time as Chairman. Do you have any impression of him as a leader, as a Chairman? People say different things. Some people say he was a weak Chairman…

William Trieber: Well, I don't think he was a weak Chairman. He was trying to -- in a system that was boiling with problems and so forth, he was trying to get consensus developed. And those that disagreed with I'll say his pleasant way of trying to do that may have thought he was a weak Chairman. But I would not call him a weak Chairman.

Robert L. Hetzel: Do you have any knowledge about why he left the system when he did?

[00:20:02]

William Trieber: No.

Robert L. Hetzel: Do you have any -- before we kind of go on to, you know, post-'56, do you have any personal recollections of Sproul? Did you ever socialize with him? Or you know, you obviously worked with him a lot. Any anecdotes or anything you can tell me about him before we go on?

William Trieber: I don't know.

Robert L. Hetzel: Okay, well, these are the kind of things that just disappear if, you know, if they aren't noted. So if there's anything that strikes you about it.

William Trieber: Well, let's see. I don't think that he was a socializer in any great way, or was palsy-walsy with the officers of the bank. But we had a very pleasant relationship in the bank, and he was very much concerned about the welfare of everybody in the bank.

Robert L. Hetzel: So he was a very good person to work for, then

William Trieber: Oh, he was excellent. Excellent.

Robert L. Hetzel: Okay. Okay, let's talk a little bit more about Sproul's succession. Was Bob Roosa ever considered? Or after the difference between your board and the Board of Governors, did…

William Trieber: You mean, considered to be Head of the Federal Reserve Bank?

Robert L. Hetzel: Yes, after your nomination was vetoed.

William Trieber: Not at that time, no.

Robert L. Hetzel: He was too young, at that point, I suppose.

William Trieber: I don't know whether he was too young or he was just -- I would say, he was not -- well I don't know what all the private discussions that went on about it. But it would be my conclusion, he would be considered as a junior, and not in the running for that.

Robert L. Hetzel: Sure. When did you begin to attend FOMC?

William Trieber: Well, let's see. Well, certainly I attended them from '52 on. The -- I'm trying to think about this. I was Secretary of the President's Conference. Allan was Chairman of that, and I was Secretary of the President's Conference for a few years, and I attended meetings in Washington, and I may have attended meetings of the FOMC, but certainly not many. And after I became First Vice President, I attended some meetings of the Executive Committee when Allan was not available. But when the normal rule, as you probably know is, that the First Vice President of New York as alternate member, doesn't attend there when the member's there. And whereas when the President of the Federal Reserve Bank of Richmond in office, which is two years out of three, he attends the meeting. But the First Vice President of New York doesn't attend, because New York is already represented by the President. Now, when Al Hayes was President, he was involved a bit in many other -- in somewhat in foreign things, he usually took a -- it's a whole system of foreign relation and so forth was changing, and there was greater communication with the other central banks, and Al Hayes spent more time, I think, involved with Foreign Central Banks than Allan did. And there were many times when Al did not attend the FOMC meetings, and I suppose over that period of time, I attended maybe a quarter of them, maybe a fifth of them. That is, from 1956 to 1973.

Robert L. Hetzel: Let me ask you a question about the Fed's relationship with other central banks, and foreign exchange interventions.

William Trieber: The Fed's relationship with that?

Robert L. Hetzel: Other central banks.

William Trieber: Yeah, okay.

Robert L. Hetzel: In 1961, the FOMC engaged in a vigorous debate over whether it should engage in foreign exchange intervention. Up to that time, the Treasury's Exchange Stabilization Fund had purchased foreign currencies. But the Fed itself hadn't held foreign currencies in its own portfolio. There was a vigorous debate within the FOMC over whether the FOMC should get authorization from Congress to intervene in the foreign exchange markets. Do you remember that debate at all?

[00:24:59]

William Trieber: Well, no. No I don't.

Robert L. Hetzel: Okay. I've read some of those minutes, and you were involved in those debates, so -- in general, do you remember anything about the beginning of the swap arrangements with other central banks?

William Trieber: Oh yes. Well, I remember -- of course, Charlie Kovis [phonetic 00:25:22] was very much involved in setting them up.

Robert L. Hetzel: That's right. You don't remember why the full FOM -- why Chairman Martin didn't want to go to Congress to get authorization for swaps?

William Trieber: Well, I don't know, but I have this recollection in my whole life of the Federal Reserve, was that there was a reluctance to go to the Congress to get authority to do this or do that, or the other thing, because if some [inaudible 00:25:55] with Congress, or some funders there in the Congress that would like to -- they'd inject some other amendments, which would be considered very deleterious by the Federal Reserve System. So there was a very great reluctance to go to Congress for legislation.

Robert L. Hetzel: Yeah, sure, sure. That's understandable. 1959 was a…

William Trieber: 1959?

Robert L. Hetzel: 1959 was a difficult year for the Fed. There was an economic recovery, but the Fed had a balance of -- there was a balance of payments problem. The Treasury was looking gold.

William Trieber: Yeah, was losing gold, and we were creating the money to take that up, yeah.

Robert L. Hetzel: The interest rates went up -- I've read the FOMC minutes for that year. I've not read them for every year, but I read them for a few years, but that's one of the years…

William Trieber: Tell me, were you about to stay awake?

Robert L. Hetzel: Not at all -- I didn't sit down and read them all at one -- but what was interesting to me in that year in particular, formally there seemed to be two ways of giving instructions to the desk. One was through the directive, and on was through Martin's consensus statement, and the FOMC voted on each of those. The first time interest rates rose, there was a change in the directive, and that was clearly something the full FOMC intended to have happen. But the second time interest rates rose, in late August, and then again in early December of that year, there was no change in the directive, there was no change in the consensus statement, and in general there was no sentiment within the FOMC for raising rates. I'm just curious how that happens. The desk at New York would have had a target for free reserves, and then on the morning call, the head of the system of market account would have said interest rates are rising with our free reserves target, and you know, Martin would have said, "Well, that's okay." So basically, that would have been his choice. Did…

William Trieber: I really don't remember that, that I can give an intelligent comment.

Robert L. Hetzel: In general, Martin's -- I'm curious about your evaluation of Martin's interaction with the FOMC, the full FOMC, and in particular how it changed over time. As of the early '60s, it was a very sympathetic FOMC, right? Mitchell was the only one who ever challenged the Chairman? In general, I mean, you don't -- do you remember any meetings you attended where there was significant disagreement?

William Trieber: Well, no, it was more of a variant of a degree. Of course, I suppose when people would generally say that -- well, you must bear this in mind, that the

Board is in Washington. The Board is subject to all kinds of pressures by the Executive and by the Congress. And therefore -- this is my view -- therefore they have a -- it's common doctrine, aided in that, and they recognize they must give very close attention to the views they hear from the executive and from the Congress. And when you add that all up, Washington is more inclined to go slowly on any pressure of restraint than is New York, which is in the market and sees the direct effect of pressures.

[00:30:15]

Robert L. Hetzel: Yes, I read the minutes for '61 also. And in the fall of '61, you are arguing vigorously for an increase in interest rates because of the balance of payments problem, and Martin wanted to go slow, so that's an example.

William Trieber: Yeah, well I think it's quite understandable. And just the nature of the system, as I said, and the same thing is going on today, you know. I mean, the Board is very bothered at any administration that doesn't want us to claim credit for anything that happens. It's good when an administration is involved, and it doesn't want to see something happen that may cause the public to feel concern about the administration. That's human nature.

Robert L. Hetzel: Sure. Over time, the character of the Governors changed with the appointees by Kennedy and then Johnson. The governors became much more liberal. Of course, Robertson had been around…

William Trieber: For a long time.

Robert L. Hetzel: For a long time, since '52, I guess. And he was a strong personality, right? I mean, he had strong opinions.

William Trieber: Oh, yes.

Robert L. Hetzel: And he generally supported the Chairman. They generally worked well together.

William Trieber: I think that's so.

Robert L. Hetzel: But then Mitchell was appointed by Kennedy, and then…

William Trieber: Well, you know, Mitchell is involved with Chicago. Now, I shouldn't be trying to say as to how Mitchell -- no, I haven't anything further to say.

Robert L. Hetzel: Okay. You get -- it's your choice, you can add this thing, throw it away, if you want.

William Trieber: I don't know enough that I can state anything positive, so I shouldn't say anything. But having said all that, I think that in the political system of the country, there was some indication that the -- re-refresh me. When did Matt Szymczak leave the Board?

Robert L. Hetzel: Oh, gosh. '59, maybe? '58?

William Trieber: Well you know, Matt was from the Chicago area. And I think there was a feeling in Chicago that the Chicago area ought to be represented. And I think that was all I was going to say about Mitchell.

Robert L. Hetzel: Okay. Then what I was saying was that then, later on, there was a group of liberal governors.

William Trieber: Maisel?

Robert L. Hetzel: Maisel, Brimmer.

William Trieber: Yep.

Robert L. Hetzel: There were individuals that could go either way, like Dewey Daane. Over time, did it become more difficult for Martin to handle the FOMC, or did he, given his personal skills, his personal charm, did he always manage to, kind of get what he wanted?

William Trieber: Well, he was a very persuasive person. And then pleasant, in his discussions, and gentle. And I'd say he continued to have a great influence, but I guess Maisel and others would stalk, and they might dissent, but it wasn't a big dissent.

Robert L. Hetzel: Things became -- well, as long as Kennedy was President, the Treasury was pretty sympathetic with the Fed. The Treasury was concerned about balance of payments, and of course you had a lot of kind of sympathetic people in the Treasury, you know, Dewey Daane was in the Treasury, and Peter Sternlight, and Bob Roosa. But after Kennedy, then it became a much more difficult environment, [inaudible 00:34:16]

William Trieber: Well yeah. And then Johnson wanted to have guns and butter and not set off an whole inflationary binge. And he opposed an increase in the discount rate. You must know that story, where the Federal Reserve Banks would keep voting to raise the rate, and Bill would talk with the President, he was opposed to it, and then Bill would recognize that they had to do something. And I remember -- that Bill recognized that they had to do something, and I think the President recognized that logically, something ought to be done, but he didn't want it -- he'd keep postponing it, he'd keep postponing it. And then finally, the Board took the position that it's better to approve those increases at the Federal Reserve Bank, as voted.

[00:35:13]

Robert L. Hetzel: That must have been a long year for Martin. The other thing wasn't just increasing interest rates, but the banks were under pressure from the Johnson Administration not the raise the prime rate. And yet market rates were going up above the prime rate. The rate on CDs was going above the prime rate. And the bond rate was going above the prime rate. So banks were under a lot of pressure. Corporations wanted to borrow from them. At the same time, their funding costs were rising above the prime, so New York must have been pushing pretty hard at that time…

William Trieber: Pushing hard, what do you mean?

Robert L. Hetzel: For an increase in the discount rate.

William Trieber: For the discount rate. Well, that's so, yes. Now, as far as the prime rate is concerned, there was an awful lot of hassle about that. And as people in Washington had the -- knew that there was a conspiracy among the banks in New York. Maybe a conspiracy -- I think that was their attitude. But they were thinking that the banks were really getting together and deciding that they were going to increase the prime rate. Well now, as we saw it, we thought the banks weren't stupid enough to want to agree to increase the prime rate. But as conditions developed, it was obvious to the banks, and same to us in New York, that the prime rate couldn't stay at the low point it was. And in just a matter of time, some commercial bank would raise the rate, and that was -- others would pack right after it. And I remember, when that happened, the first bank that -- the first one to raise the rate would generally give us a call and tell us that. And certainly my position was, "Thank you very much," and may I not make any argument whether it was a good thing to do, or whether it was not a good thing to do. And then we point up to the Secretary of the Treasury.

Robert L. Hetzel: But the first bank that tried that, I think, in the spring of '65, got called in to talk to the White House.

William Trieber: Oh, yes. And then there was a big investigation. I know whether -- Justice got into it, I think, trying to find out if there was, if this was concerted action, and violated the Scherner Act [phonetic 00:37:43].

Robert L. Hetzel: Okay, so the Fed raised the discount rate, and it raised Regulation Q so banks could attract funds more easily. But then it turned out to be, that created a whole separate set of pressures. The thrift industry, the S&Ls came under pressure, as rates rose. So really maybe for the first time, the Fed came under enormous Congressional pressure. Do you remember anything at the time about Wright Patman and legislation to set a ceiling on interest rates?

William Trieber: Oh, yes. I remember that. Did you ever know Patman?

Robert L. Hetzel: Well, he died before I came to work for the Fed…

William Trieber: Well, if you've ever heard him talk -- at less rounds than the Federal Reserve Bank in New York used to say, well, he sounds like a Methodist minister when he talks. But you read something, and it would sound very vitriolic. But you'll hear him say it in a very calm, soft way. But of course, he was making a career out of denigrating the Federal Reserve System. My own opinion is he was a populist. He wanted free money and so forth, and to denigrate the Federal Reserve System would make it easier to have the free money.

Robert L. Hetzel: He actually came up to the New York Fed a couple of times…

William Trieber: Oh, yes, yes. As a matter of fact, one time -- it was certainly, I guess, after an election. There must have been a number of new people on his committee, then the Banking Currency Committee of the House. And we set up a day in which he had some presentations by the people in Research Department and Open Market Operations and so forth, and then I made some general remarks about the operations, and then we took to the desk and saw that, and had a whole day with him. Following that, a couple of the people who were members of this committee -- Morehouse of the Pittsburgh area, and Joe Barr were two of those fellows. And they were very much interested in how the system ran, and they came up several times and took a look, so they would know for themselves and not just hear what Patman had to say about it. You know, Joe Barr later became Secretary of the Treasury.

[00:40:29]

Robert L. Hetzel: He took the position that Volcker had. I think when Volcker left, I guess it was in '66, Joe Barr took his position, I think that's…

William Trieber: Oh, Barr was Secretary of the Treasury before. Volcker left as deputy. But Barr was there -- I don't remember this. Joe Barr -- wasn't Joe Barr Secretary of the Treasury?

Robert L. Hetzel: Fowler was Secretary of the Treasury, and Joe Barr was the Undersecretary…

William Trieber: And then he followed Joe?

Robert L. Hetzel: No, I think Fowler stayed until Johnson left, and then Kennedy became Secretary of the Treasury under Nixon.

William Trieber: Oh, okay, okay. Well, I don't know. I forget those things, I guess.

Robert L. Hetzel: Barr was basically what Volcker was before. He was the Undersecretary. He handled domestic and national -- so the Fed would have been, you know, Barr would have been the one who would have been calling up to the New York desk and trying to find out why the, you know, interest rates were so high, that kind of thing. So he would have been the one who would have had the direct contact.

William Trieber: Hey, I think he was a very understanding person, Barr.

Robert L. Hetzel: That's interesting. Did you have any impressions of any other people at the Treasury? Fowler, or…

William Trieber: Fowler was good, I thought.

Robert L. Hetzel: Okay, let me ask you -- let's go on. '66, that was Johnson's -- Johnson was unwilling to raise taxes. He wanted both guns and butter. And so at that point, the Council under Ackley was willing to defend the Fed, and the Fed raised interest rates in the summer of '66. Do you remember that, and the problems in the financial markets?

William Trieber: Well, that's what I was talking about. That Johnson resisted a small increase in the discount rate at that time.

Robert L. Hetzel: Right, but the Fed -- that was in '65, and then the Fed did raise the discount rate in December '65, and then pushed rates up, especially in late summer of '66.

William Trieber: I don't really recall whether something happened in '65 or '66. Those dates -- it's just kind of a period, I don't have -- I have no occasion to look back to know what years they came in.

Robert L. Hetzel: There's no reason you should, but what I'm looking for is just kind of any insights and recollections you have as to what moved monetary policy in those days.

William Trieber: Well I had this feeling, that when the escalation of the Vietnam War went on, and there were -- and pressures obviously, there are inflationary pressures. The administration resisted and resisted, and it changed that. And this increase, this inflation then built up, and we're still paying for it.

Robert L. Hetzel: Yeah. '68 was an especially difficult year for the Fed. Do you remember the surcharge, and the Johnson Administration wanted the 10% surcharge on income taxes? Martin held off raising interest rates, as long as there was, the surcharge was hung in the balancing Congress. Do you remember?

William Trieber: No, I don't remember that.

Robert L. Hetzel: What about early '68, when the dollar was under attack, and the Fed moved to a two-tier gold standard arrangement, where it would buy and sell only among central banks?

William Trieber: Yeah, I know.

Robert L. Hetzel: Do you have any sense of kind of what Martin was…

William Trieber: Tell me. When -- you're talking about the gold -- when did Burns become Chairman?

Robert L. Hetzel: February '70. So this is…

William Trieber: I mean, the big problem of gold is after that.

[00:44:50]

Robert L. Hetzel: Yeah, yeah. Okay, do you have -- I think what I'm asking, partly, is just a general perception of to what extent your feeling is that Martin got the monetary policy he wanted in this period, and to what extent he was being pushed into a position by political pressures from Congress and from the Administration. Do you think he basically got the monetary policy he wanted throughout this period? Or do you feel like he was pushed?

William Trieber: I think he was pushed. Well, the same reasons that I said before about the Washington atmosphere.

Robert L. Hetzel: And you think what he -- you think he did what he could?

William Trieber: I do, I do.

Robert L. Hetzel: And you think he resisted as hard as he could?

William Trieber: I think so.

Robert L. Hetzel: I think that's probably a fair summary. Burns became Chairman in February, 1970. Did you go to any FOMC meetings when Burns was Chairman?

William Trieber: Yes, I did.

Robert L. Hetzel: Do you remember the first one?

William Trieber: Well, I…

[END OF TAPE 81, SIDE B]

[BEGINNING OF TAPE 43, SIDE 1]

William Treiber: –would go around the table clockwise, and I was commenting on the conditions, and thought that we ought to be a bit restraining, and he, I think, was very much irritated by that. I had the impression he was trying to, that he was highly influenced by the administration at that time. I'll give you this anecdote. I haven't told anybody else this. But when I said – I've forgotten the details I gave – but I said in essence I thought they were showing some increasing pressures in the market, and he said to me, 'Who says that?' And I said, 'Well, I said it. You asked for my opinion, and I said it.' So I suppose I had difficulty with Burns.

Robert Hetzel: When Burns came in as Chairman, the Fed was following a very restrictive monetary policy. It was trying to get the inflation rate down from its 4% level in '69. When Burns came in, he moved the Fed away from that policy. He moved it to, if not a restrictive policy, you know, at least a moderately expansionary policy. Initially there was a big fight between Al Hayes and Chairman Burns over policy.

William Treiber: Yes.

Robert Hetzel: The first meeting was very contentious. Do you remember any discussion at that initial FOMC meeting where Hayes and Burns basically went head to head on whether monetary policy should become less restrictive?

William Treiber: Well of course I was not present–

Robert Hetzel: Yes.

William Treiber: –but it was clear to me that Burns took a delight– He did not like Al. I mean, Al resisted him and I think that annoyed him very much, and that was evident throughout the time thereafter that Al was at the bank. And it was very definitely shown in various relationships between the bank and the board.

Robert Hetzel: Burns was basically rude to–

William Treiber: Yes.

Robert Hetzel: –Hayes at FOMC meetings, and cut him off and, well, didn't want to listen, basically.

William Treiber: He didn't want to listen to different views, that's right. And this was shown in relationship between the Bank and the board on the proposed building of a new building, but I'm not going to get into that.

Robert Hetzel: Yeah, New York never did get the building, did they?

William Treiber: Never did.

Robert Hetzel: They got the land, but then they didn't–

William Treiber: They sold it. Well, I'm not going to comment on it. It was a sad situation.

Robert Hetzel: Yeah. Yeah. I think I understand. (break in recording) …and then again in '71 when the dollar was under attack, in the spring of '71, the New York Fed tried to prod the full FOMC into pushing interest rates up by recommending discount rate increases. Do you remember any of that period? This would have been before Camp David and the wage and price controls.

William Treiber: Well, I don't remember anything specific. I mean, the pressure is there, yeah.

Robert Hetzel: Okay, we've pretty much worked through this whole period. You said you retired in–

William Treiber: '73.

Robert Hetzel: –in ’73. Do you think the Fed could have done anything differently over this period, or the Fed basically did what it could do to resist inflation? Do you think it would have been different if there had been different personalities involved, and–

William Treiber: Well, I think that it would be safe to say that one might be expected, that if there were different personalities, things might have been different, but I’m not in any position to comment on– (break in recording) –Alan’s time. And a week before, there was an Open Market Committee, we spent an afternoon, besides Alan and me, there was Bob Rouse, who was running the Open Market system, and Harold Roelse, and maybe some – no, not John Williams, he wasn’t at those – Harold Roelse, research, and then other fellows who Harold was in charge of, and other fellows– Some would report on economic conditions, on the balance of payments problems. The fellow in charge of discount operations would report. And we’d get that whole gamut of thought. As that expanded, then we’re getting charts that were prepared on Ektachrome and they could project them, and so we got a very good review of what things were. And then Alan prepared what he was going to say, or Al prepared what he was going to say, and I prepared what I was going to say.

Robert Hetzel: Do– (break in recording)

William Treiber: And we were looking for someone as advisor. I tried to hire (unintelligible) but he was teaching up at Columbia. And he reacted very nicely. He was pleased with the suggestion, but then he turned it down.

Robert Hetzel: That’s– (break in recording)

(END OF RECORDING)