



Alan Greenspan

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Mr. & Mrs. Martin:

Thought you might like to have
a copy of this.

Catherine
Catherine Mallardi

The Legacy of Former Chairman Martin

Chairman William McChesney Martin's rise in the financial community was meteoric. After graduating from Yale in 1928 he took a job at the Federal Reserve Bank of St. Louis in the bank examination department. Two years later, he went to work for A.G. Edwards & Sons of St. Louis, heading their statistical department. He so impressed his bosses that they made him a partner after two years. Seven years later, he was elected President of the New York Stock Exchange.

But the start of the Second World War interrupted his career. Martin entered the army as a private, and emerged from the war a colonel. He received the Legion of Merit in 1945.

His Washington experience started with his appointment to the Board of Directors of the Export-Import Bank in 1945. He held the chairmanship and served as president until 1949. He was Assistant Secretary of the Treasury from 1949 to 1951. In this role, he helped negotiate an accord between the Department of the Treasury and the Board over a long-standing dispute over the "pegging" of interest rates on Treasury securities.

President Truman and members of his administration were trying to finance the Korean War by issuing long-term bonds sold by the Treasury Department at low interest rates. The Fed was supporting the bond market at lower rates than thought normal. Without such support, the bond sale would create inflationary pressure. Respect for the dollar and American prestige would falter.

The Fed's job was to correct any imbalance in the economy, but the job was tougher because of this "peg" on interest rates. Finally, the Treasury and the Fed came to agreement with a renewed commitment to the independence of the Fed.

Martin was subsequently appointed chairman of the Federal Reserve Board of Governors. He was 44 years old. He spent the next 19 years transforming the agency

into one of the most respected and powerful forces in the government.

Throughout his chairmanship, Bill Martin was known as a consensus builder who was flexible toward the economy and the Board's many constituents. "Martin is not

a crusader eager to do battle on issues in or out of his province. He does not invite controversy—even on monetary matters . . .," according to *Business Week* ("A Five-Year Balancing Act," February 18, 1956). "This does not mean that he is unwilling to take a position, but that he prefers workable compromises to deadlocks."

However, he often disagreed with Congress on issues of policy independence. His adversary was Wright Patman (D-Tex.). Patman believed, as did many other Congressmen, that the Federal Reserve Board should maintain the proper supply of money to foster economic growth. In other words, keep interest rates down. In March 1952, Patman led a Joint Economic Committee investigation to determine the meaning of Federal Reserve independence. He questioned the Fed's policy moves at every turn.

Chairman Martin, however, championed the full independence of his organization. A master of ambiguity, he said that the Fed's purpose was to insure that the money supply was "nei-

ther so large as to induce destructive inflationary forces nor so small as to stifle our great and growing economy." Indeed, Martin was so adept at turning a phrase that many classic statements about the nature of the Fed come from "Martinisms" (see sidebar).

During his 19-year tenure (he served under Presidents Truman, Eisenhower, Kennedy, Johnson and Nixon), the Federal Reserve weathered many storms, both economic and political. Perhaps his toughest times were dealing with the monetary responses to Johnson's Great Society and the ensuing buildup of the Vietnam War. His term ended in 1970, and President Nixon appointed Arthur Burns to be Chairman of the Board.

Upon leaving the Board, Martin launched a successful consulting business in Washington, D.C. Now 82, he still lives in the area with his wife Cynthia. ♦

At the Federal Reserve System's 75th anniversary it seems appropriate to honor the tenure of former Chairman William McChesney Martin, Jr.; the longest tenure served by any chairman of the Fed.

His distinguished record of public service will long be remembered for integrity, independence, and strength.

Fed Phrases Attributed to Chairman Martin

"Our purpose is to lean against the winds of deflation or inflation, whichever way they are blowing."

"The Fed is always the one who takes away the punch when the party's getting good."

"Credit is like a rubber band. A rubber band is there to be stretched. But if you stretch it too far, it snaps."

A Lifetime of Flexibility and Consensus-Building