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NOMINATION OF MARTHA ROMAYNE SEGER

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

NOMINATION OF MARTHA ROMAYNE SEGER TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM FOR THE TERM OF 14 YEARS FROM FEBRUARY 1, 1984

MARCH 27, 1985

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WEDNESDAY, MARCH 27, 1985

NOMINEE

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

NOMINATION OF MARTHA ROMAYNE SEGER TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WEDNESDAY, MARCH 27, 1985

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 9 a.m., in room SD-538, Dirksen Senate Office Building, Senator Jake Garn (chairman of the committee) presiding.

Present: Senators Garn, Gorton, Mattingly, Hecht, Gramm, Proxmire, Cranston, Riegle, Sarbanes, Dodd, Dixon, and Sasser.

Also present, William S. Broomfield, U.S. Representative in Congress from the State of Michigan.

OPENING STATEMENT OF CHAIRMAN GARN

The CHAIRMAN. The Banking Committee will come to order.

Dr. Seger, last year in 4 days of hearings before this committee we had one of the most thorough examinations of a Federal Reserve Board nominee in recent memory, certainly since I have been on this committee in the last 10 years. That nominee, of course, was you to be a member of the Board of Governors of the Federal Reserve System. Questions were asked about your qualifications to be a Governor of the Federal Reserve System, on your views on monetary policy, the importance of deficit reduction, the independence of the Fed, the situation with Continental Illinois, international lending, and banking legislation. The hearing record spanned 345 pages.

I said last year that I think the President made an excellent nomination, that you have a fine background and experience, that you have been an excellent member of the Federal Reserve Board since your appointment last summer. I again support your nomination.

At this time we are happy to turn to Congressman Bill Broomfield. We are happy and honored to have you here this morning for any purpose that you would like, and I would assume it is to make a recommendation and an introduction.

Senator PROXMIRE. Mr. Chairman, I have an opening statement. I will make it any time you wish, but go ahead.

The CHAIRMAN. Excuse me. I didn't intend to, but I ignored my distinguished colleague from Wisconsin, and I will turn to him for his opening statement. I was getting ahead of myself in order to

accommodate Senator Hecht who has to run off to the Intelligence Committee.

OPENING STATEMENT OF SENATOR PROXMIRE

Senator PROXMIRE. I understand he has to run off and he's a very faithful member of this committee.

Mr. Chairman, this marks the second hearing of the Senate Banking Committee on the nomination of Martha Seger to the Federal Reserve Board. Last June, our hearings were concerned with whether Dr. Seger was qualified for the job. Her appearance today raises a new issue that goes well beyond her qualifications—and that is the growing misuse of the recess appointment authority by President Reagan.

According to a study prepared by the Library of Congress, Ronald Reagan is the champion recess appointer of any President in recent history. During his first term, he averaged 28 recess appointments per year, breaking the old record of 25 held by President Harry Truman during his almost two terms. Jimmy Carter averaged 15 recess appointments per year during his tenure, Gerald Ford averaged only 3, and both Richard Nixon and Lyndon Johnson averaged only 7.

The tendency of President Reagan to use recess appointments seems to have accelerated sharply in 1984 when he made 58 recess appointments. This breaks the all-time 1-year record previously set by President Eisenhower in 1953. Mr. Chairman, I ask that this report be made part of today's hearing record.

[See p. 65.]

What are the facts in the case of Dr. Seger? On June 4, 1984, her nomination was submitted to the Senate. The Banking Committee promptly held hearings on June 19, 20, 21, and 22. The committee then met on June 28 and ordered her nomination reported to the Senate on a straight party line vote of 10 to 8. The next day, a Friday, the Senate adjourned for 3 weeks for the Democratic National Convention.

As soon as the Senate adjourned, President Reagan moved swiftly to take advantage of our absence. On Monday, he gave Dr. Seger a recess appointment to the Board before the full Senate even had an opportunity to consider the nomination. There was no official explanation of his actions.

The Constitution gives the President the power to make recess appointments. However, the Constitution was drafted nearly 200 years ago at a time when Congress was expected to be in recess for as long as 8 or 9 consecutive months. Obviously, under those circumstances, a President must be able to make appointments to keep the Government running. But there is no evidence the Founding Fathers ever contemplated recess appointments would be used during a 3-week recess. Nor was there any emergency in the Federal Reserve System that required Dr. Seger's immediate appointment. Paul Volcker has testified that he did not ask for a recess appointment and saw no need for it.

Why then the big rush? In the absence of any explanation by the President, this Senator can only surmise that he wanted to avoid a difficult floor debate over her nomination. In effect, the President

misused his recess appointment authority to frustrate the ability of a Senate minority, acting under the rules of the Senate, to challenge and possibly defeat a Presidential nomination. Once Dr. Seger was a sitting Board member it became far more difficult to persuade a majority of the Senate that she was not qualified.

Some Members of the majority party profess to see no wrong in the President using his recess appointment authority to slip a controversial appointment through the Senate in order to circumvent the opposition political party. But this issue far transcends partisan politics. This President has shown an increasing contempt for the constitutional prerogative of the Senate and is setting precedents that will one day come back to haunt the Members of the majority party.

Every Member of the Senate must look to his or her own conscience to determine what is right in this case. All I can say is that had the shoe been on the other foot when I was chairman of this committee and had President Carter tried to slip a controversial nominee through the Senate through a bogus recess appointment, I would have raised the roof, both privately and publicly, regardless of whether I supported the nominee or not. It is not simply the minority party's rights that are being trampled, it is the rights of the Senate under our Constitution that are being infringed. Pushed to its logical extreme, recess appointments can render the Senate's power to advise and consent on nominations a virtual nullity.

I have not talked to any of my Democratic colleagues about this nomination. But I for one intend to oppose it—not only because I believe Dr. Seger is not qualified, but more importantly, because I strongly believe a vote for her nomination will make the Senate a willing accomplice to President Reagan's outrageous misuse of his authority. If we want the respect that is due to us under the Constitution, then we must begin acting like Senators. We must say no to the President when he is wrong. And we must not let political expediency cloud our judgment about upholding the proper role of the Senate.

The CHAIRMAN. Senator Hecht.

OPENING STATEMENT OF SENATOR HECHT

Senator HECHT. Thank you, Mr. Chairman. I am pleased today to endorse the nomination of Martha Seger to be a member of the Board of Governors of the Federal Reserve and urge quick approval so that she can get on with the job for which she came to Washington.

Mr. Chairman, from the first time I met Dr. Seger I was deeply impressed by her straightforward attitude and practical experience. She has been a State banking commissioner, has hands-on banking experience, taught at a variety of institutions of higher education, worked for General Motors, worked in the capital markets division of the Federal Reserve here in Washington, and the Federal Reserve of Chicago.

These types of practical experiences should be prerequisites for a job at the Federal Reserve. It is far too often the people in such positions lack this necessary exposure to the real world outside of Washington's Hallowed Halls. One might say that she has got a

Ph.D. suma cum laude from the school of hard knocks and has an understanding and sensitivity to the economic needs of the business community.

As I stated last year during her nomination hearing, Dr. Seger definitely bridges the gap between the coldness of economics and the reality that is the business world. Over these past several months during which she has been exercising her duties at the Federal Reserve on a temporary basis she has strengthened my faith in her ability to serve this Nation with dignity, honor, and accomplishment.

Again, I endorse this nomination unconditionally and urge my colleagues on the committee to do the same.

Dr. Seger, I look forward to working with you in the future.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dixon.

Senator DIXON. Mr. Chairman, I would like to advise you that I have two other meetings right now pending—the Agriculture Committee meeting and the Armed Services Committee meeting—so with the leave of the Chair, I am going to put a statement in the record.

The CHAIRMAN. Without objection, so ordered.

STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning to hear from Martha Seger, who has been nominated by the President to serve as a Governor of the Federal Reserve Board.

As everyone knows, Martha Seger is currently serving on the Federal Reserve Board; she was given a recess appointment by President Reagan after the Senate failed to act on her nomination last year.

It is, for me, therefore, a rather unusual nomination. I have not run across any other situation since I came to the Senate where the Senate is being asked to advise and consent to the nomination of a person who is currently holding the office, but who has never been previously confirmed by the Senate. This nomination, therefore, raises additional issues unrelated to the qualifications of the nominee.

On the other hand, this fact gives the committee additional evidence regarding how Dr. Seger would perform in office if confirmed that is not ordinarily available.

I have to confess that, when the committee considered this nomination last year, I did not believe that the Senate should give its advice and consent. However, as I stated earlier, the committee now has the additional evidence of Martha Seger's actual performance in office. I am not closeminded on this nomination, therefore, I will say to the nominee, I look forward to her testimony before the committee.

The CHAIRMAN. Congressman Broomfield.

STATEMENT OF WILLIAM S. BROOMFIELD, U.S. REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Representative BROOMFIELD. Thank you very much, Mr. Chairman.

I want to thank you for the opportunity to appear before you for a second time in support of my constituent and good friend, Federal Reserve Board member Martha Seger.

In view of the hearings this committee conducted last summer on Dr. Seger's nomination, I certainly won't take the time to repeat her outstanding qualifications which are well known to all of you.

Since those hearings were held, Dr. Seger has demonstrated her credentials by serving very ably as a voting member of the Federal Reserve.

In addition, the problems which have surfaced recently in some of our State banking systems makes Dr. Seger an especially important and timely addition to the Federal Reserve. Her experience as Michigan State Banking Commissioner gives Dr. Seger a unique insight and certainly understanding of those problems and makes her confirmation even more urgent.

Mr. Chairman, in view of all these considerations, I respectfully urge that these hearings be completed as quickly as possible so that Dr. Seger can focus her talents and energy on the important work she is now doing as a member of the Federal Reserve.

I thank you very much for this opportunity to appear this morning.

The CHAIRMAN. Thank you. We appreciate your attendance here.

Dr. Seger, do you have a statement?

Dr. SEGER. I do have a short statement to make.

The CHAIRMAN. Please proceed with your statement.

STATEMENT OF MARTHA SEGER, NOMINATED FOR MEMBER OF THE BOARD OF GOVERNORS, FEDERAL RESERVE SYSTEM

Dr. SEGER. Chairman Garn, Senator Proxmire, and other members of the committee, thanks so much for giving me a chance to take a few minutes to share with you my views on the economy, monetary policy, and some regulatory matters.

BUSINESS STRENGTHENED IN LATE 1984

After a slowdown in overall economic activity last summer and early fall, business strengthened in late 1984, wrapping up the second year of our Nation's recovery. To be specific, growth in real GNP picked up to an annual rate of 4¼ percent from about 1½ percent in the third quarter. Although this pattern was influenced by the auto strike in September and the resumption of output in October, the reduction in the current account deficit with foreign countries had a greater impact. Other measures of performance—such as the industrial production index, housing starts, and retail sales—also showed a pause followed by a rebound.

Today, a cursory view of the American scene suggests that things look quite good. Total employment, personal income, and retail sales are all—using February data—at record high levels while popular price indices suggest that inflation remains rather subdued. And on the financial side, interest rates are far below their 1981–82 record highs.

But as March draws to a close, new signs are appearing that the growth of domestic output is slowing once again. The flash estimate of real GNP growth for the first quarter was a modest 2.1

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percent, roughly half that of the previous quarter. While flash estimates are very tentative and subject to substantial revision over the next few months, recent behavior of the industrial production index also suggests some weakness. Indeed, output of the Nation's factories and mines declined one-half percent in February, following three small monthly gains, and now is below the levels of last summer. Unemployment also is no better than its June 1984 rate. Domestic spending, especially by consumers, has not shown a comparable slowdown but has continued robust as foreign imports replace more and more domestically produced goods. Monetary policymakers must carefully monitor the economy's overall performance to detect further signs of deterioration and to prevent a slowdown from becoming a downturn.

THRIFT INDUSTRY IS FRAGILE

There are, however, some specific sectors of the economy already faced with big problems, and I want to assure you that I am not only aware of them but also concerned about them. First, the Nation's thrift industry is very fragile. Although the news from Ohio the last few weeks concerned some 71 small institutions in a single State, the plight of the thrifts is far more general and widespread. In 1981 and 1982, most U.S. thrifts lost money because of a mismatch between maturities of assets and liabilities, the so-called gap problem. As interest rates and cost of funds fell, the institutions that survived that period experienced some turnaround. But not enough time has been allowed for the healing process to be completed; net worth positions are on average very skimpy; some gap problems still exist; and, for the first time in decades, problems with credit quality are cropping up. As the No. 1 provider of funds to our Nation's housing industry, S&L's are worth preserving in a viable form.

Another sector I am deeply concerned about is agriculture. Farmers with heavy indebtedness are having a difficult time meeting their obligations in the face of depressed commodity prices, weak export demand, and a deflation in farm real estate values. As more and more default on their debt obligations, small towns in rural areas feel the tremors and farm lenders are weakened. In fact, about a dozen agricultural banks have failed so far this year.

Numerous nonagricultural banks are also experiencing asset quality problems. Those who had been active lenders to energy-related companies, real estate, and Third World nations have reported surges in nonperforming loans and big loan writeoffs.

THIRD WORLD DEBT

Speaking of Third World debt, significant progress has been made by commercial banks during the past year in restructuring a large chunk of this debt, but the job is not yet finished, and the IMF is still working with individual countries to get their financial houses in order. The numbers are huge and, since the rates tend to float, even a 1-percentage point rise in interest rates has a tremendous effect on borrowers. In the case of Brazil, that uptick would add roughly $1 billion a year to debt service requirements.

Moreover, the so-called American superdollar is challenging policymakers and making life difficult for numerous companies in various industries. The cumulative rise of the dollar—roughly 75 percent—over the past 4 years has priced more and more American exporters out of the world markets. The group includes such diverse entities as farmers, machine tool builders, auto parts makers, construction machinery producers, and others. At the same time, the strong dollar has led to a surge of imports and tremendous competition for American firms in domestic markets. I have heard these stories first hand from people in Cincinnnati, OH; Racine, WI; Detroit, Kalamazoo, and Muskegon, MI; Louisville, KY; Pittsburgh, PA; and Peoria, IL.

Given the economic conditions mentioned earlier and the long list of specific challenges, what has been going on in the realm of monetary policy? Monetary policy was eased late last summer following a dramatic slowdown in monetary growth and substantial evidence of weakness in economic activity. Interest rates declined rather generally from summer until January, with the drop in short rates a significant 2 to 3 percentage points and in long rates a more moderate 1-plus points.

By November, monetary aggregates were expanding rapidly once again and the economic pause seemed to be coming to an end. Thus, as Chairman Volcker reported to Congress last month, the Fed's easing moves ceased in late January. The Chairman also reported on the Fed's monetary targets for 1985—a set not much different from those for 1984 and designed to be consistent with further sustainable economic growth and progress toward reasonable price stability over time.

It is my personal view that the Fed must strive to keep the recovery going at a reasonable pace of 3 to 4 percent—because a recession at this time would make our already gigantic budget deficits even more gigantic; because the serious problems of our financial institutions could reach crisis proportions; because the Third World nations would experience trade deterioration as their major market becomes weak and this in turn would impair their ability to service their outstanding debt; and, because protectionist actions would become all the more likely, risking retaliatory moves and a worldwide recession.

At the same time, the Fed certainly has to be on the lookout for signs of a resurgence of inflation. But we also cannot overlook signs of deflation today. Most industrial commodity prices are actually below 1 year ago by an average of nearly 15 percent. Other commodity prices are also down: lumber by 24 percent; soybeans and broilers by 23 percent; farmland has dropped 25 to 40 percent; and there are reports of selected deflation in housing. This is a rather new challenge to policymakers because we have to go back many decades to find a period of declining prices. Also, most of today's businessmen and financiers have not had experience doing business without inflation to influence decisionmaking. Therefore, it is imperative that we proceed cautiously and weigh carefully the potential impact of higher interest rates on the value of the dollar and the other special trouble spots I described earlier.

Finally, let me say a few words about regulatory matters. Because of my interest in supervision and regulation of financial in-

stitutions and my 2-year experience as a regulator of all State-chartered institutions in Michigan, Chairman Volcker selected me for the Board's Supervision and Regulation Committee. In this role, I have tried to increase contact with the Examination Council and to improve cooperation among the Federal regulatory agencies. The problems today are so critical that we have to cooperate and coordinate our activities better in order to get prompt solutions.

NEED TO STREAMLINE REGULATORY STRUCTURE

This reminds me of the need for legislation to simplify and streamline the whole regulatory structure to reduce overlap and make accountability more clear.

Since I am a supporter of the dual banking system, I have made an effort to meet with some State regulators and to work on ways to increase Fed cooperation with them—primarily in areas of examination and training. This is a part of a bigger interest—namely, studying the whole approach to supervision in order to more promptly discover problems in financial institutions and to deal with them swiftly and smoothly. As a member of the Board's Committee on Federal Reserve Bank Activities, I have pushed for additional resources for supervision and regulation primarily for hiring, training, and equipping examiners for today's challenges.

Thank you very much for giving me time to present some of my views on issues and recent activities, and now I would be glad to try to answer your questions.

The CHAIRMAN. Thank you.

Senator Hecht.

Senator HECHT. Thank you, Mr. Chairman.

Governor Seger, we are all interested in our insurance system right now because of the recent failures and closings. How would you improve our insurance system?

Dr. SEGER. To begin with, we have a Federal system of deposit insurance for banks that is handled by the FDIC. We have a separate one for deposits in savings and loans that is handled by the FSLIC. Let me just talk about FDIC to shorten the answer.

I think the best thing that we can do is to make a careful study of the whole deposit system and to think through how we assess premiums on the banks whose deposits are insured to see if there is a better way, a more efficient way, to relate the premiums that are charged to bank behavior. In this way, we could get higher premiums out of those banks that want to do more risky things, and yet not penalize the banks who choose to run more conservatively. This way, we would not only add to the reserves of the system through collecting premiums, which is what's done now, but also provide an opportunity to influence behavior. And we would hope that this would have an impact on the number of bank failures and ultimately the number of taps on the deposit insurance system.

END OF VOLUNTARY QUOTAS

Senator HECHT. Governor Seger, do you agree with the President's decision not to extend the voluntary quotas on import of autos?

Dr. SEGER. Yes, I do. I am a resident of a major auto-producing State and lived a long time in Detroit, which is certainly motor city. But at the same time, I believe in open markets and free trade. We have had these limits on auto imports for 4 years and, in that period, I think that the domestic auto industry was given time to get their act together, so to speak, and to alter the lines of cars that they are offering to produce more energy-efficient or fuel-efficient cars, and to improve the quality of cars, which I think was very important. By the way, the American auto industry has done a tremendous job in these 4 years in making these adjustments and trying to change their way of producing autos, trying to do it more efficiently. They have really pushed for productivity.

I visited a General Motors plant in Lake Orion near where Congressman Broomfield and I live and this plant uses state of the art manufacturing techniques. It was very impressive, and I think that the domestic auto industry should now be able to make it on its own.

But I will quickly add that I still think we should put pressure on the Japanese to make trade a two-way street; we have our markets open, and they should be pushed very very strongly to get their markets wide open.

Senator HECHT. Governor Seger, how much is the dollar overvalued today and could the Fed take action to lower the value of the dollar?

Dr. SEGER. In a very technical sense, an economist would argue that the dollar is not overvalued today because exchange rates are prices of currency, and if these prices are established in markets that are freely functioning, and the participants in those markets are acting independently and are well informed, then one would assume—as I said, using a strict economic argument—that the currency—in other words, the exchange rate—is reflecting market conditions and therefore the value of the dollar is what the market says it is. That's the narrow, technical argument.

There are other ways of looking at this. If you look at the fundamental things that textbooks used to tell us were supposed to influence values of currency, we—or any number of economists—can look at these old relationships and they suggest that in fact what's going on in the markets today is departing from those old, expected numbers. Looking at it this way, I have seen numbers in a band from 20 percent overvalued up to 40 percent overvalued. It just depends on whose numbers you use and what technique you use in your calculations.

Senator HECHT. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Proxmire.

Senator PROXMIRE. Dr. Seger, last October you gave a talk to the Women's Round Table. The American Banker asked many of the participants what they thought about your speech. According to the American Banker, here's what they said:

> She gave a brief history of the deregulation but I don't think the importance of business was covered at all. She was not responsive to questions and I heard the same comments from people nearby.

One woman who asked that she not be identified said:

I was surprised she didn't have a better overall understanding of finance and the economy.

Do you think those comments are a fair characterization of your speech to that group?

Dr. SEGER. I don't think it's fair at all, sir.

Senator PROXMIRE. Why?

Dr. SEGER. First of all, the talk was to a general women's group in New York, as you identified. Their approach was to ask the speaker—not just me but any speaker—to give a short statement of about 10 minutes and then respond to questions from the crowd. I did talk about, what I called the revolution in the financial services industry, all these exotic changes that are going on, and then two or three people who sat right next to me asked questions. Frankly, the questions that were posed were so technical that I thought for a general audience of women—these were not banking women in the audience, they were a mixture of professions—it did not seem appropriate to be giving very bank-like answers, or the kind of answers I would give if I were talking to, say, a banking seminar or giving a lecture at banking schools—which I have done numerous times—because it was a broad-based group.

Senator PROXMIRE. On January 10, the Wall Street Journal reported on a private talk you gave to a group of businessmen. A representative from Manufacturers Hanover said, "She made it clear she regarded herself and Mr. Martin unmistakably, as she put it, on the Reagan team."

Do you regard yourself and Mr. Martin as being on the Reagan team and, if so, what does being on the Reagan team mean to you?

Dr. SEGER. To begin with, I have not called myself part of the Reagan team. This has been said of the two of us because we were both appointed by President Reagan, as was Chairman Volcker, he was reappointed by President Reagan.

This has been said of us, but it's not a term that I coined.

Senator PROXMIRE. Do you think that's an unfair characterization?

Dr. SEGER. I think it is; yes.

Senator PROXMIRE. Do you disagree with President Reagan on some policies? Can you tell me one or two or three important policies on which you disagree with the President?

Dr. SEGER. As I said, there were actually three of us appointed by President Reagan. But in the context, Mr. Martin and I have been called the Reagan team because we are the two appointed by President Reagan, and I guess the sort of expectation is that we would take a different stand on monetary policy than the others and that we would sort of act as rubber stamps.

Senator PROXMIRE. I understand that, but can you cite one instance, one area, in which you disagree with the President?

Dr. SEGER. I don't know what his specific views on monetary policy are now on a day-to-day basis. I haven't talked to him about it.

Senator PROXMIRE. Well, on economic policy?

Dr. SEGER. Just in general?

Senator PROXMIRE. Or on the effect of the deficit on monetary policy, for instance, or the effect of the Reagan fiscal policy on monetary policy, let me put it that way?

Dr. SEGER. As I think I said last summer, I am very much in favor of bringing the deficit under control. I was in favor of it before I came to town and I still am in support of it.

Senator PROXMIRE. Everybody is. The President is, too, but his policies obviously aren't doing it. Where do you think his policies ought to be changed?

Dr. SEGER. I think the debate involves which specific programs are going to be the ones to cut on the expenditure side and, as I said, I have not discussed that with the President personally but as I read the papers and hear in press conferences, I think his preference is to take more on the domestic spending side and take less from defense.

Senator PROXMIRE. Do you agree with that or disagree with it?

EQUALITY OF SACRIFICE

Dr. SEGER. I am not a defense expert. I think if you made me God and said I could do anything to the budget I wanted to, I would say there should be equality of sacrifice, which means that everybody gives something in the process of solving this great problem and, therefore, that all programs and all expenditure categories would give some dollars back.

Senator PROXMIRE. Let me ask you something about how fast the economy could grow. Mr. Blaustein of the Wall Street Journal quoted you as saying the economy could grow at 4 to 5 percent over the next 10 years. Now that would seem to put you far out of line with mainstream economists at the Fed, which was the comment Mr. Blaustein at the Wall Street Journal implied.

How do you account for your extreme views?

Dr. SEGER. A lot of people don't report accurately and the discussion involved—he was in for a story on the Federal Open Market Committee [FOMC] and we were talking about that and we got going on productivity and this is one of my interests and I was talking about some of the exciting things I saw going on out in the private sector and the auto industry and other kinds of industries where they are really making great strides to become more efficient, trying to imitate some of the Japanese manufacturing techniques, for example, so that they can get their productivity up, and I said that as this kind of action takes place, then I think we are going to see this in our overall productivity performance in this country and that productivity—if you're talking about our economy's potential for growth—and this is what he missed——

Senator PROXMIRE. Let me just get back to the one question I wanted to ask you with respect to this. You saw no reason why the economy could not grow at a real annual rate of 4 to 5 percent over the next 10 years. Is that your position?

POTENTIAL GROWTH OF 4 TO 5 PERCENT

Dr. SEGER. This is what I'm saying. I said that if you get productivity growth back to what we used to think of as normal—I've been around a long time so 3 percent per year was not considered a way-out view—it was sort of a normal or a typical estimate of productivity—I said if we got back to that because of these exciting

things going on, then that would mean that our economy's growth potential would be somewhere between 4 and 5 percent per year.

Senator PROXMIRE. You're talking about 10 years without any kind of recession so that we would repeal the business cycle?

Dr. SEGER. Sir, I didn't say that. I'm talking about long-range potential and this is an average. We talked on these matters you're talking about as trend lines. You can have a trend line and still have cyclical movements around the trend line.

Senator PROXMIRE. If the economy should grow 4 to 5 percent for 10 years, what are the implications for monetary policy? Doesn't that mean that we can and should have a far more expansive monetary policy than the Fed has been willing to follow, if that's a feasible possibility?

Dr. SEGER. Well, the Fed determines monetary policy on an ongoing basis, so what we have announced and Chairman Volcker testified on for our plans for this year—our broad plans for this year—it is to provide sufficient monetary—I mean, credit growth for real output growth for somewhere—again using a wide range of 4 to 5 percent this year—and we think we are supplying enough for that.

Senator PROXMIRE. Now let me remind you that this is the third year of an economic recovery and so this 3 to 4 percent we are talking about follows on the heels of about 6-percent growth last year and a little above 6-percent in 1983 as we were just coming out of the recession. So this is a point where we talk about——

Dr. SEGER. Well, real growth in 1984 was higher than it had been in 3 or 4 years.

Senator PROXMIRE. It was higher than 1983?

Dr. SEGER. We were calculating it from fourth quarter to fourth quarter and it was 5.9 percent, and in 1983, again calculating it fourth quarter to fourth quarter, it came out to roughly 6.5 percent.

Senator PROXMIRE. Now in the same interview with Mr. Blaustein you were quoted as saying, "I didn't choose the questions," making me feel and the rest of us feel as if we didn't—in spite of the fact that the chairman said it was a very thorough investigation—we weren't as thorough as we should have been. So let me ask you about the implication. You feel you have no obligation to reveal to this committee your economic philosophy, that the burden is on us to ask the questions as precisely as possible to elicit your real economic philosophy? The burden is on us to elicit it and if we don't ask the questions there's no reason to reveal it?

Dr. SEGER. No, I don't feel that way at all. I just was not given that specific question last year. I certainly would have answered any question that you asked me.

Senator PROXMIRE. My time is up, but let me just say that it seems to this Senator that if you have a philosophy that we can grow and should grow at a 4- to 5-percent rate that we shouldn't have to pull it out, that you should tell us that that's your view. It's a view we might respect or object to, but we should know it if we are going to act on your confirmation with full knowledge of your attitude.

Dr. SEGER. But again, I think you misinterpreted what I said. I didn't say we would grow 4 to 5 percent a year. I didn't say we

should grow 4 to 5 percent a year. I was just talking about potential for growth, which is a little different.

Senator PROXMIRE. My time is up, Mr. Chairman. Thank you.

The CHAIRMAN. Governor Seger, Senator Hecht had to get to the Intelligence Committee because of his work there and I failed to have you sworn.

[Whereupon the witness was duly sworn.]

The CHAIRMAN. Governor Seger, will you make every effort in your service at the Federal Reserve Board not only to avoid any conflict of interest but avoid even the appearance of any conflict of interest?

Dr. SEGER. Yes, sir.

The CHAIRMAN. Do you agree to appear and testify before this committee and other duly constituted committees of Congress when requested to do so?

Dr. SEGER. Yes, sir, I would.

RECESS APPOINTMENTS

The CHAIRMAN. Governor Seger, I will have some additional questions for you but I think I'll leave the rest of my first questioning period to go over part of the controversy over your nomination which has nothing to do with you personally. That is the issue of the so-called recess appointment which Senator Proxmire and other members of the committee have brought up and I think it would be interesting just from a factual standpoint to have for the record some of the history of recess appointments.

It is one that is certainly not going to be determined by this committee or by the Congress. What is a fair recess appointment is going to have to be determined in the court. I don't know whether my colleagues wish to pursue that and file a suit, but not being an attorney, it's still very clear to me from the legal history of the situation that we are not going to determine whether 23, or 31, or 16 days is proper. The Constitution does say that the President can fill up vacancies which may happen during a recess of the Senate, period.

And over the history of this, how you determine exactly how many days or what purpose that is, I don't know. However, there is some history of recess appointments, mostly in the form of Attorney Generals' opinions, and the only one that is really clear is that the recess must probably be longer than 2 to 10 days. Dr. Seger was appointed in a 23-day recess.

In 1904, President Theodore Roosevelt attempted to make 168 appointments in a 1-second recess. The Senate officially adjourned and the second session immediately began a special session of Congress and the President asserted the right to appoint during this constructive recess. The Senate instructed the Judiciary Committee to examine the constructive recess and the Judiciary Committee in a report which was adopted and cited later by the Attorney Generals' opinions, rejected the constructive recess notion. The committee report defined the recess as the:

* * * period of time when the Senate is not sitting in regular or extraordinary session as a branch of the Congress or an extraordinary session for the discharge of executive functions, when its Members owe no duty to attend, when its Chamber is

empty, when because of its absence it cannot receive communications from the President or participate as a body in making appointments.

Well, if that 1904 opinion of the Senate Judiciary Committee means anything, we were not in session for those 23 days. We were not here. We were off at conventions. The Senate Chamber was empty. I suppose we can play legal niceties and say that there's no mention of days, but those conditions arise.

Subsequent Attorney Generals' opinions elaborated on this definition recognizing the recess term had to be given practical construction and doubting whether recesses of 2 or even 10 days would constitute a recess for constitutional purposes. That's where we come up with 2 or 10 days. That is the only reference of days in these Attorney Generals' opinions.

The validity of the recess appointment of Martha Seger to the Federal Reserve Board depends upon whether the 23-day recess of the Senate over the Fourth of July holiday and Democratic Convention is a recess for purposes of the constitutional recess appointment clause. The constitutional provision was adopted without debate. Most of the legal authority on the interpretations of the recess-appointment clause is contained in Attorney Generals' opinions. These opinions have approved of recess appointments during comparable summer recesses of the Senate of 29, 33, and 36 days.

So my colleagues might think that 29 days is all right, but 23 days is not. I think we're playing games and I can't make a distinction of whether 29 days is all right and 23 days is wrong.

EXAMPLES OF RECESS APPOINTMENTS

Now let me give some examples. My good friend and respected colleague from Wisconsin said that he would vigorously oppose these types of recess appointments. It is interesting that under President Nixon, there were six appointments in a 31-day period. I have found no one on the Democratic side who thought that was terrible. I realize that is 8 days longer than Dr. Seger's.

On June 30 to July 17, 1972, one appointment was made during a 16-day recess. There is also no record of violent opposition to that 16 days and that is 7 days shorter than yours.

So if the argument is simply on the basis of the President's right to do this, I would suggest it should have been challenged with President Nixon. It was certainly challenged with President Roosevelt in his 1-second recess.

All recess appointments of President Ford were sine die. Obviously, there would be no objection there. He did not make any during intra-session.

President Carter made one appointment in a 31-day recess. That is 8 days longer and I guess that is all right. If it were 23, I don't know whether it would have been opposed or not, but that was an appointment that happened to be a rather important one for the Secretary of Transportation, Neil Goldsmith, an old friend of mine, former mayor of Portland. Nevertheless, if the principle applies, I would wonder why my colleagues did not object because we have had situations where we have had Cabinet Secretaries when there have been vacancies, but I happened to be serving at that time and I did not object to Neil. I thought he was a good appointment.

But the point of it is there was no necessity for him to be appointed during that recess that I could see. The Transportation Department was running when we got back from our August recess. That was the statutory August recess in 1979 and only 8 days longer.

The only point I'm trying to make here is that if my colleagues have objections to you and your qualifications, that is what this process is all about. I pointed that out last fall. They are entitled to ask you all the questions they want to about your views and your qualifications for the office. But I really think talking about recess appointments, in light of the legal history and in light of recess appointments by other Presidents—if this principle is incorrect—if the President should not be allowed to do this, it should have been taken up in court and every one of these appointments during short-term recesses from 16 to 33 days should have been challenged on the same basis.

There are two different issues here that we are talking about—your qualifications versus the right of a President to appoint you during a recess. That is a legal question that needs to be answered and we're not going to answer it here politically.

President Carter also happened to make 16 appointments intrasession from October 2 to November 12, a period of 39 days. That's an extra couple weeks, but looking over the list of appointments—and I have all the names here and I'm not going to take the time to go through them—there isn't 1 of those 16 who was necessary to be appointed during that period of time, simply no real necessity that they couldn't have waited until we got back into session after the 1980 election.

Under President Reagan, there are a list of recess appointments and that has already been mentioned by Senator Proxmire. Two of them were for shorter periods of time. The others were longer, 35, 39 days. There was one of 18 and one of 20 days which were shorter than yours. Again, I am aware of no objections to those.

I want to make the point that this is something I believe would have to be determined in court, to have a legal interpretation of what is a President's right, whether it is this President or not, and whether there is a length of time other than that 2- to 10-day period which a previous Judiciary Committee decided was probably not long enough. Other than that, there is no legal precedent in anything that I've been able to find. If we apply the principle in your case it should have been applied uniformly to all of these other short-term appointments through three different Presidents, President Ford being the only totally clean President in exploring this gray area.

Senator PROXMIRE. Would the chairman yield?

The CHAIRMAN. Certainly.

Senator PROXMIRE. Mr. Chairman, you have made a very powerful case, but you have hung the whole case on my argument that there was only a 23-day recess here and there were several other points that I made. The principal one was that this was a highly controversial appointment in which the minority members of the committee unanimously opposed the appointment—a 10-to-8 vote. These other appointments, I would ask if you could document any other appointments that were this controversial, where the Demo-

crats on the committee unanimously opposed the nomination. There were only 23 intervening days and yet the President made a recess appointment. This is an extraordinary kind of situation that does seem to override our rights. We were prepared to contest the nomination on the floor and it seems to me that if we had only one or two objections that would be one thing, but we had every single member of the committee on the Democratic side opposed to the nomination. I think that's quite a different context.

The CHAIRMAN. Senator, you nor I, neither one of us are attorneys, but you can always find a reason for what you want to do, but if we play the attorney game, which my colleagues are over here, the record I cited is very clear and no court is going to get involved in making a decision over the principle of what is a recess appointment whether a nomination is controversial or not.

QUALIFICATION MATTER

Now we're getting into the other side of the argument that I said is clearly a different argument, of whether you believe she is qualified or not or any other nominee is not. There were plenty of times after the recess for you to make your case on the floor of the Senate and I offered to bring this nomination up and grant as much time as the minority wanted on the floor, which is the normal process of the Senate. And I accommodated this committee as long as anyone wanted to ask questions. I never once tried to shorten that period of time last year. Every one of my colleagues would have to agree with that. I allowed as much time as was necessary to do that and offered the same thing on the floor.

Senator PROXMIRE. Mr. Chairman, I'm not talking about your fairness. I think you're very fair. I'm talking about the President who made a recess appointment during a relatively brief recess when we had unanimous opposition by every minority member of the committee. It was a clear partisan action on his part.

Senator SARBANES. Would the Senator yield at that point?

The CHAIRMAN. I have the floor at the moment. I will turn to you in just a minute. I am trying to make a distinction between the controversy over the qualifications of the nominee and making a legal point that the President is right during a recess to make the appointment. Those are two different issues, and the only point of my fairness in trying to accommodate this is willingness to give all the time this committee and the Senate wanted to debate the nominee's qualifications. So I'm clearly separating the issues, Senator, and I don't think it makes a difference unless I as chairman was trying to limit debate or your opportunity to question the appointment on the qualifications, which I clearly at no point was attempting to do. We cannot solve this legal problem of whether it's more than 10 days or 23. We're really looking at two different issues.

Senator Sarbanes.

Senator SARBANES. Mr. Chairman, no one is accusing you of making the recess appointment. The recess apppointment was made by the President.

The CHAIRMAN. No; I have no right to make appointments of any kind.

Senator SARBANES. The issue that we take is with the President. The other point I want to make here—and I don't know whether any of those appointments were included here, but this was a recess appointment for a term that extends to 14 years. That's a significant difference aside from the time period which you cited of a recess appointment that is for a position that runs with the President's term. This was an appointment that runs not only beyond this President's term but would run beyond the term of a subsequent President and the reelection of that subsequent President. In other words, it would extend into 1998, almost to the very end of the century, and it seems to me that fact underscores an even larger question with respect to this appointment.

The CHAIRMAN. If the Senator would allow me—and my time is up—the Senator would be correct and I would agree with him if this were an appointment, but no recess appointment under the Constitution is good except until the end of the next session, so the President could not, under any circumstances, appoint someone for a 14-year term on a recess basis. She would have had to reappear for confirmation during this session of the Congress.

Senator SARBANES. Well, that's true, but they appear as a sitting member and not as a nominee.

The CHAIRMAN. Well, there may be some advantages that come of that. It isn't correct that the President made a 14-year appointment. A recess appointment for anybody is made only until the end of the next session. My time is up.

Senator Riegle.

OPENING STATEMENT OF SENATOR RIEGLE

Senator RIEGLE. Thank you, Mr. Chairman.

Let me welcome both Dr. Seger and Congressman Broomfield to the table here. We are also meeting in the Commerce Committee this morning when I serve as the ranking member on the Science and Space Subcommittee. We are hearing the NASA budget today and I want to make sure, for the chairman's sake, that as we listen to the NASA budget request over in the Commerce Committee that we have enough money in there to take him out and bring him back safely. Therefore, if I have to leave at different times this morning to be present at both committee hearings——

The CHAIRMAN. May I say that I would appreciate it if you would make sure of it. [Laughter.]

Senator RIEGLE. That hearing is over in the Russell Building and we are in the Dirksen Building, so I may have to leave at some point.

Senator PROXMIRE. If the Senator from Michigan would yield, we'll provide enough money to take him out, but bringing him back is something else. [Laughter.]

The CHAIRMAN. That reminds me, once—and we won't take this out of your time—when I was mayor of Salt Lake City I went to a National League of Cities Convention in Houston and my board of city commissioners passed a resolution wishing me Godspeed and a safe return. The only thing that bothered me is it only passed 3 to 2.

Senator RIEGLE. Mr. Chairman, you have my wish that you both go out safely and come back safely because we have been friends for many years.

I want to particularly welcome the senior Republican in the House of Representatives, Bill Broomfield, who's here with us today and an outstanding Member of the House and a good personal friend. He's been here before and we are delighted to acknowledge him and his patience as you sit here and listen to the cross-examination discussion.

Governor Seger, I welcome you also this morning. We've had some occasions to talk as recently as last evening, at least in passing, and other occasions in my office recently and previously, so we have had some opportunity to discuss some of the things that we will touch on today.

I think it's important, particularly because of the circumstances that surround your nomination and what's already been said this morning about the recess appointment, that I take just a minute to review what took place last year in addition to what's been said here.

I think a major point of controversy, one which is important for everybody to understand is the issue of any appointment by any sitting President to a 14-year term 4 months before a Presidential election. You happen to have been in that situation but it is extraordinary. It is very unusual and I don't know of another occasion in our modern history where any President has attempted to lock in a major appointment, which certainly the Federal Reserve Board membership is, for such a long period of time right on the eve of a national election. Even the people who are being submitted for Federal judgeships that are held over then until the election is settled and brought back up as is going to happen this spring, so, understandably, there was a concern on the part of many as to whether it was appropriate to take that step at that time.

The recess appointment activity of the President has been discussed. I will not get into that here right at the present time, but that may come up again a little later.

PREPARED STATEMENT SUBMITTED

When we went through the discussions with you before, some of the problems that arose concerned—and I just want to go down the list here—the fact that when you came before the committee the first time you did not have a prepared statement to offer. Today you have a statement and I listened to you deliver it, and I've read it, and I think it's a good statement. I think that's a very helpful step.

I think that not having a statement of any sort for the previous hearing left everybody wondering what kind of a beginning point to make.

In addition, as you know and we discussed this both here in the committee and privately, when the committee asked you if you had any written material that you had done yourself over the years on any aspect of monetary policy, financial policy, economic theory, during the time that you were in academic life or in business life, anything that would reflect upon your views, there were no such

writings of any sort. So we did not have that either as a basis for understanding better your views and what expertise they might represent that you would be bringing to the Federal Reserve Board.

I think, too, that it's important to say that I have watched the Congress now over a period of years come to view Federal Reserve appointments as being more and more important and being separate from appointments to other areas of Government service such as the FCC, the Consumer Product Safety Commission or other agencies. The Federal Reserve Board has really become a critical linchpin in the financial system and as I have said before, Paul Volcker now as the Chairman has taken on enormous importance in people's mind as a figure whose conduct, expertise, and the confidence which people have in him provides a very important component to international confidence today in U.S. monetary policy. Frankly, if something were to suddenly happen to him—and God forbid that it would—it seems to me that we would see a lot of anxiety in a hurry.

So whoever else serves on that Board I think serves in an enormously important capacity. I view the Federal Reserve Board decisions today as being just as important to our future as decisions made over at the Defense Department or any other agency of the Government. I think it's that key.

So I think, as well, you were looked at in that context far more carefully than you might have been if you were appointed to virtually any other assignment in Government, including a Cabinet job that would only run for the length of the Presidential term rather than for 14 years—nearly to the year 2000.

Finally, one other point that I think is worth noting, just to sort of bring us up to date as to where we are today, and that is there was some concern about the way the selection was made at the time by the administration for the seat that you now occupy. We learned in the course of the discussion with you here in the committee that you had not had a chance to be interviewed by Chairman Volcker, which is the normal practice, but instead had been interviewed by people at the White House which, correctly or not, gave the impression of politicizing the nomination process. Because people are very concerned about not seeing the Fed's decisions politicized also added importantly to the questions about your views, your independence, and whether or not you would in fact somehow be beholden to the White House as opposed to being an independent person in your own right in trying to make independent decisions for the Federal Reserve Board.

So briefly, those were some of the issues that are the background of this nomination which I'm sure you recall. When you and I had the occasion to meet before your first hearing, I'm sure you remember that we met in my office for certainly longer than 1 hour and I would think it was probably closer to 2 hours. Would that square with your recollection?

Dr. SEGER. Yes, something longer than 1 hour.

Senator RIEGLE. And I recall that conversation as being what I felt was friendly and constructive in which we talked about a number of things and I certainly made an effort to try to indicate to you some of the areas that I have a concern about and that I

might in fact be asking you questions about—the auto industry and other issues. I'm sure you recall that.

In any event, you mentioned the auto industry today in your statement and you touched on it in terms of your concern about the economy and, as I say, I think it's very helpful to us to have that statement. I want to go directly to the situation that faces the auto industry today because you are a regional appointee and therefore your purpose of being a regional appointee is to try to reflect the unique circumstances going on in our part of the country and that's a very valuable aspect of Fed membership. It's something important that you must bring for our region, the entire region, and the needs we have there.

So I would like to reflect just for a minute on the industrial base problems that we're facing and your comments a minute ago that you feel that the removing of the import limitations on the Japanese cars is probably appropriate at this time, that the industry has had its time to adjust. We had talked about this before so this will not be unfamiliar to you, but are you informed at the moment in terms of how General Motors, Chrysler, and Ford are doing with relation to their market price and multipliers, the price-earnings ratios that they're selling presently at on the New York Stock Exchange?

Dr. SEGER. I haven't checked them out recently. I know they had good profit rebounds in 1984.

Senator RIEGLE. That's right.

Dr. SEGER. And the prices of their stocks did not rebound accordingly. So the price/earnings are relatively low. I would be lying if I said I knew what they were.

PRICES OF AUTO STOCK EXTRAORDINARILY LOW

Senator RIEGLE. Well, let me tell you where they are because they are not only low, they are extraordinarily low. They are lower than I have ever seen them be in comparable economic conditions when as you were just saying, the sales and their profits have been good and the economy is relatively strong. One would assume that if the auto industry is out of the woods that it would be reflected in the market price of the shares of the stock and the multipliers.

But at the present time, the closing prices yesterday on the New York Stock Exchange, General Motors—over half the industry—was selling at five times earnings; Chrysler and Ford, also showing impressive profits and sales figures, selling at three times earnings. Now other Michigan companies, just by comparison, Dow Chemical selling at 9 times earnings yesterday; Kellogg at 15 times earnings; even Detroit Edison, which is a troubled sector, selling at 7 times earnings; Burroughs 11 times earnings; K-Mart 9 times earnings—I can't find any other sector of the economy that is selling anything like the depressed multipliers that we're seeing in the auto industry.

It concerns me because I see the market prices being a composite of national opinion essentially worldwide because anybody can buy in the U.S. market, and I'm wondering, knowing now what those multipliers are today in light of the fact that you feel the auto industry is pretty much back and able to compete with the Japanese

and so forth, what do you think accounts for the fact that the auto stocks are selling at these all-time low price/earnings ratios in light of their general performance and the performance of the economy?

What are we to make of this and what do you make of this?

Dr. SEGER. After our discussion last summer, I did make a point of talking to a couple of security analysts to see how my veiw on the price/earnings matter compared with that of people really influencing the decisions of major investors. The message I got was that the typical analyst of the auto industry was impressed by the strong profit rebound during the first half of 1984. However, he was not convinced that this was indicative of the long-term earning power of the industry. Rather, a big reason for the tremendous rebound was the emergence from the severe recession which generated cyclical profitability, something that he could not count on over the next 3 years or so. And we know that professional or institutional investors typically make their value judgments on expectations of future behavior or profitability rather than acting to that of the past.

So I think that if you look at today's price relative to profit expectations—which are below last year's earning—then the resultant price/earnings would look better than those published in the Wall Street Journal. But clearly, the institutional investor has not identified the auto industry as one of this Nation's industries with high potential for future growth, unlike, say, computers or high technology.

Senator RIEGLE. Don't you think it perhaps goes a little deeper than that? If they were not expected to see large growth, I would think we would still see multipliers higher than these. When a major company stock, say Ford Motor Co., selling at three times earnings, or Chrysler with Lee Iacocca on the front of Time magazine this week, selling at three times earnings, that means for 3 years they can maintain their earning record and the person would earn back the price of the stock just in earnings alone, not to think about residual book value and so forth.

I think those numbers are so extraordinarily low that it would seem to me that the market is expressing a kind of pessimism—it's not a neutrality—and that's why I gave you the other price/earnings ratios for other stocks that are not in the glamour stock category with an extraordinarily high multiplier.

It seems to me what the financial markets are saying is they are pessimistic about the future. Do you disagree with that? That's what I want to try to establish, how you see it and where you think the industry is heading?

Dr. SEGER. Even going back 10 years ago when I was still in banking and working with people in trust departments in Detroit, there was the typical view then—and things in general for the auto industry were very different than they are today—that the auto industry had seen its major expansion, that that was behind us, and that if you were going to buy those stocks in an institutional portfolio, that you bought them for what we call the cyclical play; that is, you would buy them when business was disastrous and the prices were even more depressed than what we're talking about, you would hope to identify the low point of the cycle, and then,

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hopefully, you could establish a position such that as prices rebounded in the cyclical fashion you would sell at something you think is near the top of the cycle. That was in 1973-74 that I remember having had those discussions. I think that the basic assessment of the auto industry as a mature industry, one whose major growth spurt was behind it, goes back a while. Furthermore, in an industry that is very cyclical—and we all know that that certainly is one—the investors are, for example, less willing to pay a high price/earnings than they would be for a stock that sort of year after year sort of plugs away and shows——

Senator RIEGLE. Detroit Edison at seven times earnings. That's 50-percent better than the multiplier on General Motors.

Dr. SEGER. Electric utilities, almost by definition, are a more stable kind of business to be in than manufacturing cars.

Senator RIEGLE. Well, let me ask you this.

Dr. SEGER. I'm not minimizing this.

Senator RIEGLE. That's what I want to get to, as to how serious you think the problems are or if the problem is over in the auto industry. You have followed financial trends over the years as I have. Do you recall a time when the multipliers, the price/earnings ratios, on the automobile stocks at a time of high sales, high profits, strong economy, have ever been this low?

Dr. SEGER. I think they have been on the low end.

Senator RIEGLE. Three times earnings for Ford or Chrysler?

Dr. SEGER. I do not remember them being exactly this low, but when——

Senator RIEGLE. They just haven't been. You don't recall them being that low?

Dr. SEGER. I don't remember them being this low. I remember them being on the low end of a range of industry performance, but on an absolute scale I do not remember.

Senator RIEGLE. I can't take the time right now because I'm imposing on other colleagues, so I will just pose a point and then take it up with you in our next round. That is, it seems to me what we have to try to figure out here is what the financial markets are saying about their apprehensions about the industry and try to understand whether those apprehensions are well founded because if they are, then it plays back into some of the financial policy decisions we are going to have to make and some of the decisions the Fed is going to have to make.

My concern is that if you think the industry is back, and solid, and squared away, and that it's sort of clear sailing ahead, that seems to be quite at odds with what the financial markets are saying and I would want to try to reconcile those two things because if we go off in different directions and the financial markets turn out to be right—and I hope they are not—and your view turns out to be wrong, we could find ourselves in a far more serious condition in Michigan and it would affect everybody, including banks, individuals, other businesses, you name it.

So maybe we can come back to that.

Dr. SEGER. I just want to say that I'm not taking a utopian view of this. I am only saying that in the 4 years that we are talking about, the last 4 years, they have made dramatic strides. That's not the same as saying they have reached their goal.

The CHAIRMAN. If I could ask my colleagues and the witness to confine themselves to 10 minutes, we will have as many 10-minute periods as necessary, but in trying to accommodate Senators and their other committee schedules I would appreciate it if we could stick to the 10-minute rule and, again, I will stay as long as necessary.

Senator Mattingly.

Senator MATTINGLY. Thank you, Mr. Chairman.

I welcome you to the committee, Dr. Seger.

Dr. SEGER. Thank you.

Senator MATTINGLY. And I hope you get confirmed soon. I hope the vote is not as close as the MX. It probably will be unfortunately.

JOINT VENTURES OF AUTO INDUSTRY

I would just like to follow up on what Senator Riegle was mentioning and then I have to leave. He was referring to the impact of financial markets on this in reference to the auto industry. I'm not sure we can say how the automobile industry is doing. Obviously, the salaries they have been paying their management must mean that the industry must be doing pretty well. I think that may be something that they may want to call in question. I understand they have got problems in Michigan as far as unemployment is concerned. But you may want to consider in that automobile industry question that he's talking about what impact the imports that are really joint ventures by General Motors and Chrysler are having on the industry.

Sometimes they refer to this automobile industry in an isolated case when they start talking about the automobile industry in Michigan. They act like General Motors and Chrysler are not involved in joint ventures. I think it's sort of a bad misrepresentation that I think is coming about in our country when they keep talking about all the cars coming from Japan and really a lot of cars that come in are via a joint venture by those same companies. So maybe the financial markets take that into consideration. We in Congress are not economic specialists—if we were economic specialists we would probably already have a balanced budget. If Senator Garn and I could run the country for 30 days we could solve its problems, but I don't think that's going to happen.

Anyhow, I do welcome you to the hearing once again and I really do hope you a speedy confirmation because I know it's sort of a laborious type process you've got to go through, but at the same time I guess it's the best process we have.

Dr. SEGER. Thank you.

The CHAIRMAN. Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Dr. Seger, I want to pursue the question of the recess appointment thing for just a moment. Were you involved in any way in the recess appointment? Were you consulted about it or did it simply happen?

Dr. SEGER. This is the first Presidential appointment I've ever had. I have had a political appointment in Michigan, which is a far different system to go through. I was contacted on the Friday

before the decision asking if I would take the recess appointment. At that point, I had to ask: "What is a recess appointment?" Again, I'm not an expert on this, and I have not been through this before. I just assumed there were jobs the President nominates people for, and there are Presidential appointments; and the nomination process occurs; and the Senate confirms; I didn't understand the process and I probably still don't. I was asked if I would accept such an appointment. Then, the following Monday, the next business day, late in the afternoon, I got a call saying the President gave me a recess appointment.

Senator SARBANES. So you were simply told late on a Friday that they were considering giving you an appointment?

Dr. SEGER. At least if I would consider one and, as I said, I needed to have explained to me what it was.

Senator SARBANES. I take it that was by the White House personnel official?

Dr. SEGER. Yes; there is a White House personnel office.

Senator SARBANES. And that's who contacted you?

Dr. SEGER. Yes, sir.

AMERICAN BANK ARTICLE

Senator SARBANES. I wanted to pursue the article from the American Banker that Senator Proxmire was asking you about. As I understood your response to him, you didn't answer some of these questions because you thought they were highly technical. Is that correct?

Dr. SEGER. Yes.

Senator SARBANES. Now that same article says, for instance, when asked if regulators should have taken steps earlier to hold down the level of international lending to countries that are now threatening to default, you replied that you didn't tend to have an answer to that. That seems to me not to be a highly technical question and one that's very much on the point.

I wondered why you felt you couldn't respond to that question.

Dr. SEGER. I think that question covers a lot of different specific cases; not all banks are alike, not all international loans are alike, and——

Senator SARBANES. Let me put the question to you. Do you think that regulators should have taken steps earlier to hold down the level of international lending in countries that are now in serious potential default?

Dr. SEGER. I think that smacks of credit controls, where you give individual banks directions on how many loans they can make in any certain industry or of a certain type. Philosophically, I'm opposed to that. The regulators are in these banks on an ongoing basis as examiners, checking many things, and one of the key items that they always consider is asset quality. They look at various kinds of loans, not just loans to foreign countries or to so-called Third World nations, but also at the quality of consumer loans, at the mortgage loan portfolio, at loans to domestic business. There is a real effort made to determine quality, because they are interested in an overall assessment of the safety and soundness of the institution. This is just a portion of that assessment.

Now, as part of good management, the people who run those banks should be looking at things like diversification, and they should be wanting to avoid heavy concentrations or overconcentrations in any specific area.

Senator SARBANES. But you think the regulators have no role to play here, as I understand the answer you're giving me.

Dr. SEGER. It's one thing to be a Monday morning quarterback and, after there's a big problem, to go back and say, "Obviously, they made too many loans to foreign countries." But on an ongoing basis, as the examiners were in these institutions, I think that their main approach was to assess the quality of these individual loans. Certainly in their writeups and the reports that come out when the examiners finish the onsite visit they take great pains to comment on various appearances of weakness or policies that should be changed or tightened. Again, I haven't seen all those examination reports during those years; that's why it's a little hard to discuss this in a general way. But I would imagine that in the case of some of these institutions that were very, very heavily involved in foreign lending that the examiners may have noted that and said—which is basically a message to the top management and ultimately to the directors—that they had a very hefty concentration of loans of this particular area, but the process——

Senator SARBANES. How much money did the Federal Reserve put out in the Continental Illinois Bank case to keep it going?

HIGH POINT AT $7 BILLION

Dr. SEGER. I just want to make sure I understand what you mean by the term "put out." If you mean the lending that the Fed did to Continental through the traditional use of the discount window, I think at the high point that was something in the neighborhood of $7 billion.

Senator SARBANES. $7 billion?

Dr. SEGER. I think that was the high point, sir. It's now down way below that.

Senator SARBANES. Do you feel as a member of the Board of the Fed that you have any responsibility to take action to preclude a situation arising in which the Fed will have to put out $7 billion, at its high point, to an institution in order to keep it going?

Dr. SEGER. I guess I didn't say it eloquently enough, but the regulators, including the Fed, use this approach of examining financial institutions to look at a multiplicity of factors. Certainly, the objective at that time is to assess the safety and soundness of any institution, whether it's a giant one, such as Continental Illinois—which I think at the time was the seventh or eighth largest bank holding company in the country—or whether it's some little bank in rural Michigan that has $5 million in deposits or assets. There is an effort made to go in and to look at the various aspects of the institution and to assess the safety and soundness and, as a matter of fact, actually to give them a rating. They have identified five factors that they think are key ones to look at in any institution; it's called the camel rating. They look at things such as capital adequacy, and they look at asset quality, and they look at what kind of management they have—are they competent, do they have backup,

et cetera—what's happening to their earnings and what their liquidity situation is. Those are the key factors that they look at, and they actually dig into this and try to assign numerical grades to each one of those indicators and then give them a composite rating.

Senator SARBANES. So it's your view that the role of the regulators is after the fact to rate the institution on the basis of what it's doing, not to seek to take any preventive action ahead of time to preclude a difficult situation from arising?

Dr. SEGER. I don't think that the regulators are either able to or authorized to manage these various institutions. Now there is a broad set of laws, rules, and regulations that banks and other financial institutions abide by. If you have a State charter, the States are involved with their laws; if you have a charter from the Federal Government, if you're a national bank, in other words, you have a different set of rules and regulations. There are a tremendous number of laws that apply, and that's the overall framework in which these institutions operate.

Senator SARBANES. I must say, in light of these responses, the statement on page 4 of your opening presentation to the committee, where you say that the serious problems of our financial institutions could reach crisis proportions—that's your language—takes on an added significance.

Let me ask you, what are the serious problems which could reach crisis proportions?

Dr. SEGER. One of the things I was referring to is, again, the asset quality, looking specifically at some of the loans that the banks have on their books that today are of good quality. But banks do not operate in a vacuum; they operate in the real world. They make loans to businesses who are operating in the real world. They make loans to individuals who may or may not keep their jobs, et cetera.

I didn't lay this all out, but what I was alluding to was if we had a severe recession—and the typical fallout of that is that you have rising unemployment—then people whose loans now look very good, may at some point have problems meeting these monthly payments if they're laid off. Therefore, good loans now become bad loans, in that kind of a recession environment. The same would go for loans to businesses that today look fine, but can turn bad if we went into a recession and these individual businesses started losing money or maybe going bankrupt. The other end of that transaction is the lender, the bank that has lent the money.

HEAVY ON ENERGY LOANS

If you want to get back to Continental, they made a lot of energy loans. I can remember back in the late 1970's that practically every communique out of Washington was talking about the tremendous shortage of energy and that we should take all the steps necessary to provide sources of energy so that we wouldn't be so dependent on OPEC and other countries. The way that some of these domestic sources were developed was through American firms down in Texas and Oklahoma, and other places borrowing money from their banks to go and drill for new oil and to process it.

I don't think at the time that many of those loans were made in the late 1970's or early 1980's that that was viewed even by people in Washington as reckless behavior. It was viewed as being tuned in to addressing the key problem of that era, which seemed to be energy shortages and establishing American energy independence.

Senator SARBANES. In the speech that Senator Proxmire made reference to, you were also asked to explain statements attributed to you that economic growth in excess of 3.5 percent should be maintained and the article said that you flatly declined to answer that question.

Do you regard that as a highly technical question to which, as I understand it, a general audience of businesswomen would not be able to understand the response?

Dr. SEGER. As I recall the date of that speech—I'm trying to remember——

Senator SARBANES. I'm not playing games with you. The article appeared in the October 20 issue of the American Banker, so it would have been the Friday predating October 20.

Dr. SEGER. Just prior to FOMC——

Senator SARBANES. The 20th was a Saturday, so it would have been the day before, October 19.

Dr. SEGER. Just prior to FOMC meetings and for a week after FOMC meetings at the Fed, there are numerous matters you are not supposed to discuss with the media nor with the public and, in my judgment, that fell into that category, because I felt that any comments I made on that specific question that day would have or could have been interpreted as being a lead to some monetary policy move; and that's why I just said I preferred not to answer it.

Senator SARBANES. So your response then to Senator Proxmire, at least to the extent it runs to that question, was incomplete. It wasn't that you didn't think that the audience would understand your answer; is that correct?

Dr. SEGER. In general, that was the reason that I did not fully answer a number of very technical questions, which I thought were inappropriate for the group; there were other questions I did not answer because these are matters we don't discuss after FOMC.

Senator SARBANES. Did you regard either of the unanswered two questions cited in this article as being technical?

Dr. SEGER. I'm referring back to Senator Proxmire's comments, and I'm saying that a large number of the questions that came to me were too technical for a general audience of women.

Senator SARBANES. I'm quoting the same article; I'm quoting the questions cited in the article; with respect to your declining to answer; I'm suggesting to you that those questions certainly do not strike me as technical. My guess is that this audience probably could have digested any answer that you gave to the question, that they had the capacity to understand and digest your response, would be my guess. But leaving that to one side, since I don't know all of the questions that were put——

Dr. SEGER. That was going to be my point, that there was half an hour worth of questions.

Senator SARBANES. I'm asking you whether you regard either one of the two examples cited as being highly technical, questions to which I take it an intelligent businesswoman would not be able to

understand the answer. These are the two questions: Should regulators have taken steps earlier to hold down the level of international lending in countries that are now threatening to default; and the other question: explain statements attributed to you that economic growth in excess of 3.5 percent should be maintained. Do you regard either of those as a highly technical question?

Dr. SEGER. I think the first one gets into technical matters of bank supervision and regulation. I explained my answer to the second question.

Senator SARBANES. Now in the fall of last year you, along with two of your colleagues, dissented from a majority decision of the Fed to ease monetary policy.

Dr. SEGER. Three of us dissented in the October 2 meeting.

Senator SARBANES. At the October 2 meeting; is that correct?

Dr. SEGER. That was the FOMC meeting on October 2.

Senator SARBANES. And is that the date of the meeting that you were using to justify——

Dr. SEGER. No, sir; what I was referring to was being within the ban of the upcoming meeting, not the one that we had just completed.

DISSENTING OPINION

Senator SARBANES. Now it was your view then that on October 2 that we did not need to ease monetary policy?

Dr. SEGER. No, sir; my dissent was published and my position was that, given the slowdown in monetary growth that we were seeing at that time, given the slowdown in the economy—again I'm particularly conscious of business in the Midwest—it seemed to me that it was appropriate to ease, and I thought we ought to ease more and more rapidly than we were doing. That was the reason for my dissent. I also——

Senator SARBANES. So your dissent from the Board's decision to ease monetary policy was because you felt that they didn't ease it enough?

Dr. SEGER. Yes, sir.

Senator SARBANES. That they should have done even more?

Dr. SEGER. Yes, sir; and those minutes are published. Those minutes are out.

Senator SARBANES. Then in December, very shortly thereafter, you stated that high-interest rates and the high value of the dollar could not be alleviated over any meaningful time period by unrestrained money creation. Relief would be short lived at best, would heighten inflationary expectation; and greater actual inflation would be reflected in irresistible pressure on interest rates. I'm quoting you.

Would you please explain how you reconcile your October dissent and the reasons given with your December statement?

Dr. SEGER. I think the reconciliation is that they involve two different matters. In early October, as I indicated, we were looking at an economy that was experiencing a rather significant slowdown. In fact, we looked at M1 and it had actually declined last July and grown slowly in August and September, and it looked as if in October we were either going to have extremely slow growth or possibly

a decline—it turns out, after the fact to have been a decline—and I felt it was appropriate to ease monetary conditions to prevent that slowdown from carrying on and becoming a full-fledged recession. There were some economists in some of these Wall Street firms, as a matter of fact, that had a recession forecast.

That's what I was talking about then, and I also discussed some of the special problems that we had; again, I mentioned the plight of the thrift institutions, and some of the same points I just made in my prepared statement this morning; I mentioned the Third World debt matter, and all these special issues that I felt we had to be conscious of.

In early December, what I was referring to—if you had heard the whole talk, I think this would maybe make more sense in context—was the impropriety of the Fed just sort of gunning the monetary engine to artificially depress interest rates. That's what we were talking about then because——

Senator SARBANES. So in October you thought they should be easing monetary policy significantly more than a majority of the Board was prepared to do.

Dr. SEGER. Somewhat more.

Senator SARBANES. And in December you were sounding warnings about gunning the monetary accelerator. Is that correct?

Dr. SEGER. You're misunderstanding what I'm saying. I was talking about some of the suggestions that had been made that the Fed could solve our balance-of-payments problems, could bring down the value of the dollar by some sort of dramatic and rapid move toward pushing down interest rates. In other words, that the objective would be to push down interest rates and that would be designed to weaken the dollar and ultimately to reduce imports and stimulate exports.

I disapproved of that then, and I disapprove of it today, to just gun the engines to push down interest rates.

That's not the same as saying that in a certain period, when the overall economy is slowing down and the monetary aggregates that we monitor are showing not only slow growth but actual declines, that it seemed to me appropriate to change course. I'm not talking about 180 degrees. I'm talking about changing a few degree but a little more than the majority thought was appropriate that day.

Senator SARBANES. Do you think the Fed is on the right course now?

The CHAIRMAN. Senator Sarbanes, you're more than double over unless Senator Sasser wishes to yield.

Senator SARBANES. I don't want to impose on Senator Sasser.

The CHAIRMAN. Senator Sasser. Again, if you will hold to 10 minutes, I will repeat as many sessions as you want, but out of courtesy to our colleagues, Senator Sasser.

Senator SASSER. Thank you very much, Mr. Chairman.

A number of issues that we discussed in this committee last year with regard to the nomination of Dr. Seger are still very current I believe, and I don't anticipate that we will get into these issues in the same degree of detail as we did last June, but the fact remains that we have a nominee for the Board of Governors of the Federal Reserve System who has no background in small business and no background in agriculture.

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There are some new and very troublesome issues that we've gotten into earlier today involving the question of recess appointments. After 4 days of rather contentious hearings, during which some doubt developed—at least on the part of eight members of this committee—as to whether the nominee was prepared to assume the responsibilities of a Governor of the Federal Reserve Board, after 4 days of hearings, the President chose to take advantage of the Fourth of July recess to make the appointment.

Now, I would expect that the nominee has had an excellent opportunity in these intervening months to make good use of the staff resources of the Fed and I would anticipate that the answers we receive today would show a new appreciation of regulatory and policy functions of the Fed.

But my concern over the failure of this administration to appoint an individual with a small business or agricultural background, remains and I might say doubly so since this is the second time in less than 1 year that a nomination has come forward that fails to fill the gap in the Federal Reserve Board with regard to there being no member with an agricultural background and no member with a small business background as required by a resolution passed by an overwhelming vote here in the U.S. Senate not too long ago.

Dr. Seger, in your opening statement you alluded to problems in the economy and you indicate that a dozen agricultural banks have failed so far this year. We're hearing reports from various and sundry individuals, including the banking superintendent of one Midwestern State, a farm State, that many, many more agricultural banks may fail before this year is out.

HEALTH OF FARM BANKS

Do you have any information which would indicate how many additional agricultural-related banks or agricultural-lending-related banks we might expect to experience failure this year?

Dr. SEGER. I don't have exact numbers because I don't think that even our staff in supervision and regulation can come up with a specific hit list, or say that this one, and this one, and this one are doomed for 1985, and this other group is doomed for 1986.

The comments I made earlier were about the factors that we look at when we evaluate the health of a bank. Once those determinations are made and these institutions are rated, we have a healthy end of the scale and we have a not so healthy end of the scale, the so-called problems. On our problem list, some will go on to fail and others—whether they're agricultural or nonagricultural banks—can be merged into other institutions before failure; some of them can be righted about by capital infusion and maybe get some new management and change their ways of doing things and can be rescued.

There are a large number of institutions—in fact, I think I read an FDIC number that there were close to 1,000 banks in this country, both agricultural and nonagricultural—that are on the problem list, and some of those would be agricultural banks.

Senator SASSER. What role do you perceive the Fed to have in assisting with what many are coming to call a crisis now in agricultural credit and in the agricultural banking system?

Yesterday, we heard testimony before one of the subcommittees on appropriations from the Governor of the Farm Credit Administration that indicated that some 15 percent of their loans are now nonperforming and I don't think it's a stretch of his testimony to say that he was indicating rather a profound concern about what may be in the future, in the near-term future, with regard to many of the agricultural lending institutions across the country.

What role can the Fed play, in your judgment, if any, to assist during this crisis in the farm credit economy, particularly the crisis as it deals with lending institutions that lend to agriculture?

Dr. SEGER. There are a couple of areas that I would like to mention in response to this question. One is that the Fed for years has had what we call a seasonal borrowing program, meaning that banks in areas that are primarily agriculture, whose business tends to be very seasonal in nature, can come to the Fed and borrow at the discount window, taking advantage of this seasonal facility. This allows them to get the liquidity to meet the demands from the farmers in that area, whose needs are, again, very seasonal, to get the liquidity to make those loans to the farmers with the assumption that at the end of the growing season or after the harvest is done in the fall the farmers will presumably be paying off some of these loans, and then the bank can turn funds into the Fed and pay those borrowings off.

That's been a regular seasonal program we have had. In early March, the Fed liberalized that program to make it easier for small- and medium-size banks to qualify for it, to take advantage of it, and then the Fed put together a special program that would apply this year only and would die, I think, at the end of September that offers still different kinds of short-term accommodation, again, to these small banks, to help supply them with funds which would take care of about half of their expected increase in farm loan demand for this summer.

Senator SASSER. Would you agree that there is a severe problem in the farm credit system, particularly with the farm banks or banks that lend to farmers? I think they become an agricultural bank when 25 percent of their loans or more are lent to farmers.

Dr. SEGER. Yes; I certainly do think there is a problem.

A 75-PERCENT INCREASE IN THE VALUE OF THE DOLLAR

Senator SASSER. Dr. Seger, you indicated that there's been about a 75-percent increase in the value of the dollar over the past 4 years in your opening statement, and also detailed some of the problems that's caused not just to agriculture but in other sectors of our economy.

Now I understand that there's going to be an economic summit in Bonn in May of this year and our major partners in the international monetary system feel that the problem of the very high U.S. dollar is something that should be addressed in very earnest terms. As a matter of fact, I think it's one of the most serious problems that we presently have, the problem of the overvalued American

dollar and how it's affecting our exporters and also how it is affecting imports.

Now, has the administration indicated any pattern of attempting to deal with this overvalued dollar from your vantage point as a member of the Board of Governors of the Federal Reserve and have you gotten any clues or signals from the administration as to how they would wish the Fed to deal with the problems of the overvalued dollar?

Dr. SEGER. I personally have not dealt with this because the way the Fed is organized, the Chairman—Mr. Volcker—is the one who works individually with the Treasury on this.

Senator SASSER. I thought, with your special relationship with the administration, that they might have sent you some signal that others did not get.

Dr. SEGER. I'm sorry. That's an improper assumption. Mr. Volcker has breakfast, I think once a week with the Secretary of the Treasury; I don't. They communicate with each other on a very regular basis. There was also a big meeting back in January by the Americans and four other major industrial nations to address this whole matter of the value of the dollar. Anything that we do from the American side would be a joint effort between the Federal Reserve and the Treasury.

As I said, I personally have not been involved with it.

Senator SASSER. Well, my time is up. Mr. Chairman, I've got a Defense Appropriations Subcommittee and I'm going to have to go to that meeting.

The CHAIRMAN. Certainly. I have to go to the Defense Appropriations, too, but as chairman I can't leave.

Senator SASSER. Well, I'll tell them that you'll get there as soon as you can.

The CHAIRMAN. Governor Seger, as you're well aware, in the national news the last few weeks have been the problems experienced by the Ohio savings and loan institutions that are State insured and some people are suggesting that we eliminate State insurance funds as a result of that and a great deal of discussion about revising the entire Federal Deposit Insurance System as well as the FSLIC.

IMPLICATION OF STATE INSURED FUNDS

Do you have any comments—you're a former State regulator—do you have any comments on not so much that particular situation in Ohio but the implication for State insured funds and the implications for the Federal insurance funds?

Dr. SEGER. Just to get the facts on the table, Michigan did not have a State fund, but Ohio, which was our neighbor, did, and so I was very much aware of the fund. The sad thing to me about this whole matter is that many institutions could just call themselves insured and the innocent person in the street who went in to make a deposit did not distinguish between an organization that was insured by this private fund in Ohio—the State-chartered fund there—and thought, since these were savings and loans, the FSLIC would be the Federal agency that would deal with that. There were many individuals who got the shocks of their lives to find out that

the deposits that they had left—and that they thought were very safe, because they had this insurance by the Federal Government—were not safe, and I think that that's very tragic.

There are five or six States that have an alternative system; this is, for some States, tied into a States rights issue, because they want to have the opportunity to charter financial institutions, which of course they all do. What has been discovered is that many times the additional latitude that a State would give State-chartered institutions is diluted when they get insurance from the Federal Government, because along with the insurance comes a whole raft of rules and regulations. Therefore, States rights to the fullest extent would mean setting up some sort of a State fund to allow State-chartered institutions to escape those rules and regulations that are imposed or would have been imposed by the Federal insurance organizations.

I don't want to sit here and propose automatically doing away with these State funds, but I think it is important that if the States are going to offer this alternative that they be required first, to divulge very clearly on the doors and on their literature very clearly who the insurer is; and second, I think that there has to be an effort made to strengthen the State insurance funds so that they would be adequate to handle a major failure. If they cannot do that, if they cannot provide that strengthening and provide a reasonable alternative to Federal insurance, then I think that you in Congress should force a conversion to Federal insurance, whether it's FDIC or FSLIC. But there should be the opportunity given to the States to improve their situations.

The CHAIRMAN. My next question is: Do you have any recommendations or ideas on what we should do with the Federal insurance as far as revisions there? Specifically, as an example, this committee is going to be looking into risk-related premiums. I can't buy life insurance at my age at the same premium my 27-year-old son can. Obviously, he's going to live longer. I certainly can buy automobile insurance a great deal cheaper than my 18-year-old son. The whole principle of insurance is based on risk and yet here we have an entire system of financial institutions that pay the same premium regardless of whether they are the old-line, staid, conservative banking institution that couldn't get in trouble in the worst recession or the go-go operators.

Dr. SEGER. Right.

The CHAIRMAN. What are your feelings? I don't expect you to have a detailed itemization, but do you feel we need to go in the direction of revising the Federal system as well?

Dr. SEGER. In a nutshell, yes, I certainly do think we have to look at this whole thing and come up with some revisions. I just want to mention, too, that astronauts have higher insurance premiums than State school teachers.

The CHAIRMAN. Not if you buy your insurance before they know you're going. [Laughter.]

There is no astronaut waiver provision in my life insurance. My wife checked that out.

Dr. SEGER. To be serious about this whole thing, I think that there has to be some notice of difference in risks because, as you say, not all institutions are alike. Some managements have been

described as kamikaze pilots, which also is a rather high-risk occupation. And then you have the other extreme which, are the fuddy-duddies. I think that some effort to relate premiums to risk is a good idea. Yet when I sit down and think about the specifics of how you would do it and what you would use as a measure of risk and how much of a differential you would have to introduce between the premiums you charge the fuddy-duddies and premiums you charge the institutions headed by kamikaze pilots, I'm not content with my ability to put a figure on it.

I think that you have to make a higher premium charge to the riskier ones, but again, the specifics have not yet been worked out in my mind. I think it's a great, general idea, and I think it's something we need to work on.

DISINCENTIVES TO THE HIGH FLYERS

Another point that came up while I was trying to put some of this on paper was that so many of the ways that regulators have of evaluating institutions and giving them these so-called camel ratings are after the fact, and it seems to me that if this is going to work—if the risk-related premium is going to work to influence the behavior of the management of financial institutions, which I think is what we want to do, so that ultimately we do not have as many failures and so many taps on the insurance system—then I think we've got to get that disincentive put into the system for the high flyers. We've got to get that put into the system before they get into trouble and before they have made all these risky loans. Otherwise, all we do is just push them down the hill faster because they will have the higher premiums to pay and they are already in trouble, and I think that would be counterproductive.

While I certainly think it's a great idea, I haven't worked out the details in my own mind, nor have I seen a proposal from anybody else that has come up with the details on how we should do this.

The CHAIRMAN. There's no doubt there's problems in working out the mechanics of it, but money is a very powerful tool. I have often felt that in pollution control, having worked with EPA for a long, long time as a mayor and chairman of EPA's subcommittee, that when we impose arbitrary standards which everybody has to meet, regardless of their individual circumstances, we often waste a great deal of money in those control strategies without producing the environmental result we want.

I have always been sorry that we didn't go to penalties on polluters. In other words, saying, "We don't care how you do it, whether it's a temporary shutdown or what kind of control strategy you use, but if you violate the air standards that are set up or whatever they are, you will pay a very heavy price." It's an incredible incentive for people to stay below those standards without making it arbitrary. I think you might find it is worth looking to and trying to work out the details of that, and I think you would find that it would have a prospective benefit even if it came after the fact as a result of examinations, operations, diminished capital or whatever standards you use, that they would consider some of the loans they make more carefully before they make them.

So I certainly have not made up my mind on exactly how it should work, but it's certainly something the committee will pursue to see if we can improve that insurance system and put even more confidence in it than there is already in the national system.

Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman. I want to report to you that over in the NASA hearing in the Commerce Committee I was able to secure an understanding that you will be given a deluxe parachute for the space ride and on the parachute will be written the words: "When this man is found, return him to the United States Senate." So I want you to know that we have taken care of your interests over there.

The CHAIRMAN. It's going to be an interesting parachute because parachutes don't work too well where there's no atmosphere.

Senator RIEGLE. Well, that's why I thought we'd better have a return address on there.

The CHAIRMAN. It's going to be a long free fall before it opens up.

Senator RIEGLE. Well, I promise to join the search party if that's needed.

In any case, Dr. Seger, we have many mutual friends in the audience today. We have many people from Michigan here today that are interested in your confirmation that happen to be in town and I'm delighted that that is the case and that they're here I think generally to show their support for you, but it gives them a chance to see how this process works.

It's now a little after 11 o'clock and we started at 9——

Dr. SEGER. It seems like only 5 minutes.

Senator RIEGLE. Yes, I'm sure. You've been in the chair all that time and you and I have had an opportunity to talk for 10 minutes, half of which I felt I needed to use to review where we were before, so it's difficult to carry out a line of discussion in any meaningful way back and forth within the time constraints, as people are having a chance to see here.

I might just say, Mr. Chairman——

The CHAIRMAN. If I could interrupt, I understand that none of your colleagues will be coming back, so rather than imposing a 10-minute rule on you, please finish your line of questioning in the time you feel is necessary.

Senator RIEGLE. I thank the chairman. I might also say that what I'm going to get into is fairly routine. I don't want to suggest that the chairman leave, but I know he needs to be somewhere else and if he felt he needed to, I'm going to finish up in due course, so he may want to play that by ear because I'm reluctant to keep him from getting to his other assignment.

I found myself, as you might imagine, in a situation where many of my colleagues have come to me to ask about you and, because you and I were not professionally or personally acquainted prior to your nomination, I had not been able to say much until we went through our hearings the last time. I might say that in reviewing those hearings today—and I've got the hearing book here—I would say that anybody, including those in the audience who are really interested in the detailed discussions that went on which are far more detailed than they will be able to be today really ought to get

this and read this because I think it's instructive of the kinds of issues that were raised and the questions on people's minds, your responses, and so forth.

So I want to touch on three or four more areas here to give you an opportunity to sort of build a record here where you have the chance to pick up some additional votes so that you're not just going to be confirmed on the basis of pretty much a straight party line vote. I don't think that's a good thing to have happen and so I think to the extent that you can go out of this committee with a committee record that other members can read and find reassuring to them I think helps you, and so I want to touch on some areas along that line.

I might say further, while we received a number of letters in your behalf and some from people in the room today, the person who appointed you banking commissioner in Michigan, Governor Milliken, has not sent such a letter. That's not appeared part of the record and if it were I think that would be something that would help you. So there's a lot to consider in terms of where we find ourselves today in light of everything that was said in the earlier rounds of discussion as well about the nature of recess appointments and so forth.

STATE-INSURED S&L'S

I want to follow up where the Chairman left off a minute ago on the State-insured S&L's, such as the case in Ohio.

Do you think maybe we're at a point where we ought to, either by Federal law or by very powerful requirement, bring those other States in under the Federal insurance system?

Dr. SEGER. My suggestion was, because there are very strong feelings on States' rights, that we give the States an opportunity to beef up their own funds, so to speak, and if they cannot do that—cannot raise the capital or are not willing to—then you should follow through with what you're saying.

Senator RIEGLE. Are you particularly concerned one way or the other about how solid the other five or six States are other than Ohio? Do you have any particular concerns about the strength of their insurance fund situation at the moment?

Dr. SEGER. I have not talked to any of the other State regulators, but the reports I get on activity at savings and loans in these various States suggests that all is calm.

Senator RIEGLE. There have been no runs, but I'm wondering about it in terms of their insurance fund capability. When things like this ESM goes off it goes off without warning in the bank and it has an impact that people would never have been able to anticipate, partly because I think our monitoring system is very incomplete.

Dr. SEGER. I suspect that any of the private funds, just looking at numbers, are not of the size of the Federal funds; therefore, the bigger the casualty, the less likely a State fund would be able to handle it.

Senator RIEGLE. But I take it that you feel that there is no pressing urgency in these other States right now that you're aware of and that you have time to sort of take a measured approach to this

rather than move quickly to try to get them into a Federal insurance system.

Dr. SEGER. That's the impression I get.

ESM SITUATION

Senator RIEGLE. OK. How about any further Government regulation of the government securities market to try to get at the situations like ESM Government Securities, Inc. [ESM]? Do you feel that we need something more in that area and, if so, who might have that regulatory authority in your view?

Dr. SEGER. This is something which the Fed is very interested in, as you might imagine, because, for reasons of monetary policy and also as official agent for the U.S. Treasury, we have a lot of dealings with the government securities markets, and we have a very close relationship with the seven so-called primary dealers; these are the Solomon Bros. of the world, and they're the ones that the Fed does most of its market operations with. We collect very extensive information from that handful on an ongoing basis, and our concern there is that they are in fact big enough, and well enough run, and well enough capitalized to handle the volume of transactions that we're doing with them.

The problem has been the smaller government securities dealers, the ones that are not called primary, the ones that are not one which we deal with; these are the Drysdale's and the ESM's.

Senator RIEGLE. Do we need to fence them in somehow?

Dr. SEGER. I think we have to look at these two layers differently. I think with the primary dealers it is working well. The issue is how do we deal with these peanuts that are getting into trouble.

As I understand it—and I'm not a lawyer—the SEC has the authority now to go in and look for things like fraud and criminal behavior in the institution, but we are not regulating them on ordinary transactions and on ordinary behavior. And I think that probably ESM was the straw that broke the camel's back, because if it had just been a small government securities firm in Fort Lauderdale, FL, that went under, then I think you could say: "Well, that's unfortunate but it's a statistic." But when you see the ripple effects, which I think have been tremendous——

Senator RIEGLE. Yes, they have been. They are of concern to me as well.

Dr. SEGER. Exactly. Even though the nucleus of the disaster was a little pinpoint down here, when it could go to a major industrial area in the Midwest and close down a major State-chartered institution there and then have the followup on the other savings and loans and finally produce a bank holiday, I think it was sufficiently severe that we have to look at this.

Senator RIEGLE. And is it your thought then that the SEC has some authority now? Does it look like that's sufficient, or are we going to have to increase that authority, or are we going to have to get somebody else in the act to run down these secondary folks to make sure that they are not behaving in an illegal fashion or that they've got adequate security for the commitments that they have made?

Dr. SEGER. As I say, I have not studied this carefully since this is a rather recent problem, but my gut reaction is to say that if I believe in the function of regulation, which I do, then the SEC would be the logical one to do this, because they do have fundamental regulatory power in the securities area and there are laws that give the SEC authority to go in and deal with corporate securities dealers or people who deal with equities. They haven't talked to me nor I to them, but they might be at least a starting place for dealing with this problem.

I suspect that because there are a lot more of these tiny institutions than there are the giants that it would probably mean more resources than they now have. I'm not saying that they can do it at the moment. I don't know what their staffing situation is. But I think my initial reaction would be to say, first, that we do need to pay more attention to these smaller firms because of the potential fallout of their getting into trouble and, second, that the SEC is maybe at least the place to start.

Senator RIEGLE. I've been told informally by people who would seem to have the proximity to know that there have been some certain quiet runs on some of these State-insured S&L's in other States of big depositors, not the little depositors but the $100,000 plus deposits apparently are beginning to sort of disappear. And the reason I heard this is that they are reappearing in FDIC- and FSLIC-insured institutions.

Have you seen anything like that and are you in a position to monitor that at all?

Dr. SEGER. As you know, we have these 12 Federal Reserve banks that are strategically located around the country and they have been carefully monitoring the events in their respective districts. Yesterday, I happened to have occasion to speak with presidents of two of the Federal Reserve banks from two areas that have these other private insurance funds, and the word from them—and I don't know how thorough a study they have done, so I'm just reporting what I heard—was that things seem to be under control, and that in one State—Massachusetts—there apparently has been a savings bank, at least one I can think of that they mentioned, that had applied to FDIC for Federal insurance. That was the extent of what I was told.

Senator RIEGLE. Senator Dodd has come in. I want to get into a couple more areas and my 10-minute time period has expired.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you very much. I won't take a great deal of time and I apologize to Dr. Seger and the chairman for being late in getting here. I haven't had the opportunity to read your testimony so if I ask you questions that have already been asked I will just defer to the chairman and get the information.

DEFICIT REDUCTION

When you appeared before this committee on a previous occasion and were asked about deficit reduction, you indicated that deficit reduction should include both spending cuts and tax increases.

In a speech last December before the Economic Club of my home State of Connecticut—and I'm quoting you here if I may—you said

that the raise in taxes is an idea "of limited economic appeal" and that a tax increase would "work against both efficient resource allocation and strong economic growth."

I have two questions in relationship to this. One, the President and the Chairman of the Fed have indicated that a $50 billion deficit reduction should be the target for this budget cycle.

If we are incapable of achieving the $50 billion reduction through spending cuts alone, which would you recommend as a preferable decision on the part of Congress: to accept a $30 to $35 billion reduction in spending cuts or a $50 billion deficit reduction if that included some tax increases to make up the remaining $15 to $20 billion gap that would not be achieved through just spending cuts?

Dr. SEGER. I have been committed to fiscal responsibility for a long time, and I am supportive of bringing the deficit under control. My preference is that we hit the expenditure side first and, to the extent that that doesn't come up with enough, if it takes a tax hike to make up that difference, then I would be in favor of it. This is a sequential matter.

And I think that in the testimony I've read by Chairman Volcker, he was talking about $50 billion as sort of the absolute bare minimum. I don't want to put words in his mouth, but that's what I recall from my reading of his words. I know he feels very strongly about that. We all feel very strongly about it, but I just think you have to start someplace—expenditures first and then, to get a reasonable total impact, beefing up taxes.

Senator DODD. In other words, you wouldn't necessarily praise the President's statement about "Make my day" when it comes to tax increases, that we need that?

Dr. SEGER. I guess I didn't hear his statement.

Senator DODD. I appreciate your statement and that's an accurate reflection of what many of us feel.

In January 1984, the Vice President completed his work on a task force on the revisions in the regulatory practices with regard to financial services. One of the recommendations there was to move the day-to-day operations of the FDIC to State nonmember banks to the Fed. I don't know if you're familiar with that recommendation or not, but I would be very interested in your appraisal of that recommendation.

Is this something the Fed would welcome in addition to its already significant responsibilities?

CENTRALIZING THE SUPERVISORY SYSTEM

Dr. SEGER. I'm very much in favor of getting the whole regulatory, supervisory system pulled together to function better. That's my ultimate goal. I think the Bush task group had a similar goal.

One of the problems is that this responsibility is diffused and in little pieces in various areas, and when you get into a crisis or near crisis, then it gets complicated dealing with it just because there are so many people involved.

The State-chartered banks are now split: The Fed has those that are members in the Federal Reserve System, and the FDIC is the Federal regulator for the nonmembers. These institutions also all

have supervisory and regulatory instructions coming from their individual State banking commissions.

It is very, very complicated. In order to pull it together, you could either go one way or the other. You could either take what the Fed now has—the State-member banks—and pull them into the FDIC, or you could take what the FDIC now has and pull them over to the Fed.

I am not viewing this as a turf thing at all. My interest is to simplify things and get the job going and get it going well, so that we can deal promptly with all of these problems of financial institutions that we were talking about a few minutes before you came in.

I didn't sit in on the Bush task force meetings, but as I understand it, the feeling was that the FDIC should be left doing the insurance business, dealing with the deposit insurance, and the immediate things that surround that, and that, with the exception of the problem institutions—which the FDIC might be having to deal with if they reach a failure stage and which the FDIC would still have freedom to examine—that the responsibility would be given to the Fed. That was the way the proposal finally came out.

Frankly, as an individual, I could go either way, with the objective of doing the whole thing better.

Senator DODD. I appreciate that response. Part of the issue—simplification is clearly something that again I think there's unanimity of thought of, but there are a couple of words that are not that often mentioned in a discussion of regulation of financial institutions that I think should be the first words we talk about. Simplification is obviously a very desired goal, but safety and soundness are the pillars really that are the underpinnings of much of what was decided sometime back—in fact, it was decided sometime back under the guise of safety and soundness, but the common denominator that ought to determine these issues is safety and soundness more than simplification. I assume you would agree with that.

Dr. SEGER. Although I did not use the words, that was behind my first sentence, which was that my main interest is to do it better, meaning that we deal more competently with problems of safety and soundness which is our ultimate goal certainly in supervision. We want to get into these institutions quickly and find out what the problems are, and we want to deal with them swiftly and effectively.

Senator DODD. I agree with that. I was just telling you that during the last year or so those aren't words you often hear—simplification and so forth is much more common.

Dr. SEGER. That's why I said I don't want this to be a turf fight, because I think our objective ought to be just to improve the way the whole financial system works.

Senator DODD. Do you have any opinion, if safety and soundness are the primary objectives, which institution the FDIC or the Fed is a better guarantor of the perpetuation of those two principles with regard to the nonmember banks?

Dr. SEGER. It's hard to answer this without looking like I'm selfserving, which I'm not.

Senator DODD. There's nothing wrong with being a little selfserving.

Dr. SEGER. I think there is a certain advantage from a safety and soundness perspective, which is what you're driving at, in having the Fed have a larger say in this, because the Fed, in wearing its other hat—the central banking hat or its monetary policy hat—does have something known as the discount window. We do have this role as lender of last resort and that ties in rather neatly with dealing with these institutions on a supervisory basis, because if they are going to come in and use the discount window, come in and borrow, to the extent that we have been dealing with that on an ongoing basis we know what shape they're in, we have the records. This may sound like very technical stuff, but it does turn out to be rather helpful. We know what their collateral is because these loans at the discount window are collateralized. They don't just come in and sign a paper note without leaving anything there. So, practically speaking, I think that there are advantages to having the Fed have that additional access to them so that in a time of real need, when these institutions would want to come in and use the Fed's discount window—again in a liquidity crunch or something like that—that we would be sort of all set to go.

Senator DODD. So you would opt for the Fed.

Let me just ask one last question and it relates to this last question. There's also been a recommendation with regard to the interpretation of the Bank Holding Company Act's limitations on limited activities that that power go to a new agency or person within the executive branch directly accountable to the President, and I presume based upon what I've seen that this responsibility in addition to developing regulations would include defining the manner in which activities could be conducted.

How do you feel about that, again, on the grounds of safety and soundness? Do you think that ought to be a goal of the executive branch directly on the President or should it remain where it is?

RECOMMENDATION OF BUSH TASK GROUP

Dr. SEGER. The ultimate responsibility for regulating and supervising bank holding companies was given to the Fed, as you said. Again, from what I have seen, based on the 10 months I have been there, based on the safety and soundness perspective, I think the overlap in responsibilities can interfere in that if, let's say, the lead bank of a small bank holding company or even a big bank holding company has a national charter under the control of the Comptroller of the Currency, but we, as the regulatory supervisor of all holding companies, have the responsibility for the umbrella above the holding company, and if you get into a problem situation—if things are going well, nobody cares—then it complicates matters having the split authority and the split responsibility. Who should move first? Should it be the holding company regulator or should it be the regulator of the bank? These are some of the problems I have.

I think that the Bush task group, other than for maybe the top 50 international class banks, would give the responsibility for the bank holding companies to whomever the regulator is of the lead bank, so that you would get rid of this problem that we now have. I

think that would be important from a safety and soundness standpoint.

On the veto power, which is the second part of your question, again the Fed has had the authority to publish this so-called laundry list of activities which are related to banking and are ones that make sense for bank holding companies to engage in. The Bush group, as I recall the proposal, wanted to give that authority to this new Federal banking agency, because they wanted the consideration of these new powers to be more reflective of, let's say, sentiment out in the real world; they wanted to be able to bring some pressure to bear from the political side, from Congress or whoever, on these appropriate activities. And they left the Fed with the right to veto those proposed powers that they felt would impair the safety and soundness of the institution.

Senator DODD. My time has expired. I thank you.

The CHAIRMAN. Senator Gramm.

Senator GRAMM. Dr. Seger, as I look at your resume, I guess there's one thing that I see in it that I find appealing above anything else, and that is that you were commissioner of financial institutions of the State of Michigan.

At a time when we face problems related to working with the States as financial institutions go through economic stress, it seems to me that that experience could be a valuable addition to the Federal Reserve Board. And I'd like to give you an opportunity to tell us your experiences there as they related to financial difficulties that institutions had and how you dealt with them.

Dr. SEGER. Thank you. I personally feel that that experience was relevant and to the extent that we at the Fed do deal with regulation and supervision that there is some carryover from that experience.

The first thing I would point out is that I did have to, shall we say, put away one bank. We had one bank failure in that period, and I must say that it taught me that it is possible through some careful planning to work things out together. In this case, it was the FDIC, we also had people from the Fed in Chicago, and we had people from the Comptroller's office. At the time, we were trying to determine a pain-free, or nearly pain-free, way of dealing with this, because in 1981–82 in Michigan we didn't need any more bad news on the front page of the newspapers. We didn't want to set off one of these runs like we've just seen in Ohio. We were trying to think of a way to get the bank closed but, to assure no negative impact on the individuals who had funds in that bank, and we did work it out. We had these Federal regulators in, and we were able to meet with about 30 banks in the area and lay out what the situation was at this institution that was going to be closed. To make a long story short, on a Saturday we got the bids for the particular assets that the FDIC put in this package and one of the Michigan holding companies chose to acquire these selected assets and assume the liabilities, and on Monday morning, as far as the depositors knew, nothing had happened. Their checks were honored.

I think that convinced me that these failures can be handled smoothly if you do some planning and if you cooperate with these other institutions.

We also had several savings and loans in Michigan that were in deep trouble in 1981–82. One of them we were able to get merged into a healthier—that doesn't sound too accurate for those days—a less sick institution, and we did it so that we didn't have to have this fallout on the individual citizens of a State that was taking plenty of hard knocks already.

Then there was a federally chartered savings and loan, which of course I wouldn't have had responsibility for, that was failing. It got in the media that there was a problem, and I remember actually getting a call from a reporter at a Detroit newspaper saying, "I'm disappointed because I drove down to a Detroit suburb"—I will not identify which one—"and I sat out in the parking lot waiting for the run to take place and it hasn't happened."

I think that suggests that you can, if you are careful, keep down the media value of these things and in the process contain the damage. You can deal with the specific problem, but you don't have that one bank bringing down 1, or 2, or 70 others with it.

I think this whole notion of having a plan, being dedicated to getting these things solved in a very effective way, in my judgment, pays tremendous dividends.

Senator GRAMM. I want to ask you a final question. I see from looking at this previous record of your hearings that you have been asked plenty of questions, but I do want to ask you one final question.

CONTROVERSY IN ACADEMIA

As you are aware, there was a raging controversy in academia in the 1970's as to the objective of the Federal Reserve System. Should the Federal Reserve System follow a policy of trying to control the money supply or a policy of trying to control interest rates?

Now we're talking about an appointment for a long period of time where obviously we're going to have another administration. We don't know whether they're going to be Democrats or Republicans and we're likely to be making very difficult choices. I'm not asking you to get involved in an academic debate, but I would like to ask you to comment on your feelings about a relative weighting at the Federal Reserve System in terms of monetary policy decisions with regard to the objective of controlling the money supply relative to the objective of controlling interest rates.

Dr. SEGER. Just as an aside, that debate is still going on in academia.

We at the Fed—and my own personal preference—is to concentrate our intermediate goals on controlling the money supply and, frankly, we have problems doing this. People from the outside, I think, have an impression of our being able to spin dials and pull levers more effectively than we in fact do. Nevertheless, we do have as an objective controlling the money supply and, of course, Chairman Volcker comes here and reports on the results under the Humphrey-Hawkins Act about our FOMC meetings, and he lays out the longer term monetary growth targets that we have set at these FOMC meetings, and we really do take those targets seriously.

In addition, we have more short-term targets for 2 or 3 months, so by the time 12 months goes by we hope to be hitting the longer term targets but we also have a succession of shorter ones that we look at.

Our ultimate objective—and I think there are people in academia who lose sight of this—is that what we're really concerned about is to have a monetary policy that we formulate and implement that is going to be good for the real economy. We want to influence the real economy in such a way as to have nice healthy growth at some sort of sustainable rate. We were discussing earlier that there's some debate about what is sustainable and what our potential is, nevertheless, our ultimate goal is to have this growth take place. We realize that if that healthy growth takes place there are a lot of job opportunities for people coming out of college and coming out of high schools and for housewives who want to go back to work.

We have those objectives for the real performance of the economy. We also have a very deep commitment to keep inflation under control, because I think there's more and more evidence that price stability is critical to good economic performance. If you let inflation run wild, it messes things up, to put it mildly.

These are the things we are looking at out in the long term, and our monetary growth targets are sort of an interim step which we hope helps us get to these real world objectives.

As I said, we are not perfect. I will also say that it looks a lot tougher being there than it was teaching about it or talking to banking groups about it. There's a little gap between the theory and the practice.

Senator GRAMM. Thank you.

The CHAIRMAN. Thank you. Senator Riegle.

Senator RIEGLE. You have been sitting here 2½ hours plus. Would you like to stretch your legs?

Dr. SEGER. Could I just stand up for 1 minute?

[Recess.]

The CHAIRMAN. The committee will come to order.

Senator Riegle.

Senator RIEGLE. Thank you, Mr. Chairman.

I want to try to move as rapidly as I can through several subjects here that I know our other colleagues are interested in your views on, as I say, to give you a chance to put a record together here that I think may be helpful to you.

In your view, how much maneuvering room does the Fed have at this time for monetary expansion? In other words, assuming that you take the deficit paralysis as it exists today, if it's not resolved, if we just drift along on the present course, in your view, does the Fed have much room left for monetary expansion as you would see things now?

Dr. SEGER. First of all, we really hope that the deficit is dealt with.

Senator RIEGLE. So do I.

Dr. SEGER. We will come up with a lot better monetary policy if that's done.

Senator RIEGLE. I agree with you.

Dr. SEGER. We do have some latitude for doing our job primarily because the monetary growth, as I suggested earlier—we haven't fine-tuned it so much that we have these nice, even, monthly incremental growth numbers—is slowing down from this very rapid November-December, even January, pace, no matter which aggregate you look at. We are coming down. As I mentioned, we do have these longer targets that Chairman Volcker presents to the Senate and the House, and what we see is that probably by late this month or for sure in April the monetary growth numbers will be within those bands as announced by Chairman Volcker.

I think that that's good news and it gives us some latitude to keep monetary growth going. We don't want it to go up to 37 percent, but we can keep it going.

Another thing that I believe is helpful at the moment is there seems to be some evidence which I believe you referred to, of some slowing down of economic activity, particularly on the industrial side.

Consequently, I think that——

Senator RIEGLE. That's hardly cause for joy.

Dr. SEGER. No, no, and I'm not saying that. I'm just saying the fact that we are seeing this slackening, because we do look at those things, gives us some room for monetary expansion because we do want to make sure that there is sufficient money and credit out there for businesses, consumers, and State and local governments, and all those participants in economic activity.

Senator RIEGLE. The reason I asked you the question is because it does relate directly to what is likely to happen on deficit reduction. There are some in the Congress today who feel that the key to deficit reduction is an expansion of monetary policy. I'm talking about prominent people who are saying this, including people like Jack Kemp who's well known on these topics, who feel that the real key now is not some sort of massive budget deficit reduction but rather that the Fed has its foot down too far on the brakes and we really need a burst in monetary expansion and if we got the monetary expansion we would get the growth, and that this anemic output number, the advance number, for the first quarter would start to move up more rapidly.

I don't think that represents the consensus view but there are influential people in the Congress who hold that view.

To the extent that they prevail, then that makes it tougher to get a deficit reduction package in place and it does put more of the burden on the Fed to somehow do it all, somehow through the management of monetary reserves.

POSSIBLE FED MANEUVERING ROOM

What I'm asking you is, if we don't crack the deficit problem, does the Fed have a lot of maneuvering room left to somehow perk the economy up, produce growth, get the economy moving at a much more rapid rate, bring deficits down on the basis of some clever strategy in managing the monetary aggregates?

Dr. SEGER. Well, we have two major policy tools which are monetary policy and fiscal policy, and ideally these should be coordinated.

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Senator RIEGLE. I agree with you.

Dr. SEGER. And if we have them going at cross purposes, if, let's say, on any given day it would be appropriate as an objective judgment to have some sort of restraint—by the way, it's not my position today; I use this as an example—then if fiscal policy—that is the Federal deficit—is way off someplace in a stimulative or superstimulative mode because of the big deficit, then what this means is we who do monetary policy on this side have to do our job plus offset these stimulative effects. Therefore, arithmetically, you're going to get tighter money when you've got that big deficit.

I think that having that deficit out there is going to limit the Fed's maneuverability because, as I said, we have to look at the overall impact of the two—fiscal and monetary policies—combined.

Senator RIEGLE. Well, we're headed for the same place here and that's why I'm asking you how much maneuvering room is left. If the Fed were to say, "Look, we're running out of maneuvering room. We can't carry the burden of offsetting an out-of-control Federal deficit and even with all of the moves that the Fed can make, and it is now urgent in the extreme that the deficit be brought down and if it isn't brought down don't count on us to produce an answer that's beyond our capacity,"—I think if you said that or if the Fed was saying that, that would actually help us get a deficit reduction package. That's what I'm trying to elicit.

Dr. SEGER. I think you and I are on the same side on this particular issue. Let me give you a specific example. Today's deficit in such large proportions is having a tremendous negative impact on areas that you and I are both interested in, and the extent the deficit is there it forces us to have a tighter monetary policy than we normally would. This means interest rates are higher than they normally would be, although they are certainly below their peaks, but they could be lower. And to the extent that that happens, then we are influencing the dollar, and when the dollar is strong, then that, of course, shows up in our trade figures; we have sucked in all of these imports, and the high dollar has made life difficult for American firms that used to like to export.

If you work through the impact of the deficit that way, it is having a tremendous impact. I don't think it's healthy, and I'm sure you agree with me—to have these gigantic trade deficits of over $100 billion.

Senator RIEGLE. Then it does follow that the size of the Federal deficit reduces the maneuvering room of the Fed?

Dr. SEGER. I'm giving that specific example of how I think it is reducing our maneuverability, because we have to be somewhat more tight than we normally would be on any given day to offset this big bulge of the deficit.

Senator RIEGLE. Stating that another way, it would be your view that if we suddenly shifted gears and sort of opened the flood gates of monetary policy and flooded reserves into the system, that that is not going to solve our basic economic problem?

Dr. SEGER. Not as I analyze it. In fact, I think it would create a couple of other big problems.

Senator RIEGLE. Well, that's important and I appreciate your saying that because the question is whether or not that's the quick and easy way to fix the deficit problem, although that's very at-

tractive to some people because it's relatively painless, especially if you're in the Congress and you can simply point over to the Fed and say, "Just do thus and so, and give us the solution over here that we want."

But your view is that that strategy will not work?

Dr. SEGER. Yes, sir. To repeat something I mentioned earlier to you, I'm very committed to getting the deficit down, getting the problem solved, and I think that there isn't any gimmicky way to do it, if you want to put it that way. It involves action on either the expenditure side or the revenue side or a combination of the two, and I don't know of any other gimmicky or pain-free way to solve that problem.

Senator RIEGLE. Now yesterday, I noticed that short rates were off and yet long rates pulled up there pretty high in the 12-percent range on the 20- or 30-year maturities and even though the inflation has remained relatively low and we have not seen any resurgence of inflation yet worth noting, any broad-based.

Why is it that the long rates are staying up there so high, especially in real terms if you're looking at the inflation rate of maybe 3.5 percent and a long rate of 12 and looking at real interest rate differentials that are as high as we've seen in a strong economic period probably since the Civil War on a sustained basis. It really is extraordinary.

What do you think is accounting for that? Why aren't those long rates coming down?

Dr. SEGER. My analysis is—and I suppose you could get four economists or economic analysts who would give you other views——

Senator RIEGLE. They would give us five answers.

LONG END OF THE MARKET IS SENSITIVE

Dr. SEGER. Five answers from four people—that's about it, yes. My analysis is that the long end of the market is much more sensitive to inflation both to actual inflation and also to expectations of future inflation, and a lot of people are not paying enough attention to this; that is, that there are substantial numbers of people out there who are making loans, buying stocks, buying bonds, participants in financial markets in various ways, who—even though they look at the CPI numbers as they are released monthly or at the producer price index or at the CPI results last year and say, "4 percent consumer inflation, that's terrific compared to what we got in May, which was about 12 percent"—deep down in their stomachs don't think that's going to last.

Yes, it's 3 or 4 percent now, but they are protecting themselves against the future. They're worried some day that the inflation rate is going to kick back up and the 3 and 4 percent is going to disappear, and we're going to be back at 9, 10 percent, and double digits—maybe 12 or 13 percent like we had in 1979 and 1980. I think that that's keeping long-term rates up.

Senator RIEGLE. Is that another way of saying that there's a lack of long-term confidence in keeping inflation under control?

Dr. SEGER. Yes, and I would tie that back into the topic we can't seem to get off of, and that's the deficit.

I had the opportunity to talk socially with some Wall Street analysts recently and the conversation gets dull, in fact, because the deficit is over and over again the drumbeat. I know that it's affecting their views, and I know it's affecting how they operate.

Senator RIEGLE. What I'm trying to do is lay these out and connect them all so we've got sort of a nice symmetry to this discussion which sort of gives you a chance to put your views together in sort of a whole context.

We've got deflation going on now in some areas, you mentioned it in your statement and we're seeing it in farm prices and we're seeing it in certain commodity prices. It's uneven, but it's a pretty breathtaking deflation if you happen to be caught with it.

Dr. SEGER. That's why I mentioned it.

Senator RIEGLE. I was out in Lansing over the weekend meeting with farm groups and farm credit people and agricultural banks in the rural areas of Michigan, some of which you would be familiar with, talking about what's happening to land values in agricultural Michigan—not as severe an erosion as you see in Iowa but nevertheless enough to take your breath away, especially if it isn't over.

What I'm wondering is, as we watch this deflation that's going on now replace the inflation—we still have some inflation but we now have major pockets of deflation—how would you speak to the issue of when that deflation in a sense stops or settles out or are we likely in for a further ride down into a deflation that may hit other sectors? Some people talk about commercial office buildings, that there's an oversupply of those and that sector hasn't been hit the same way that oil drilling has been hit or farmland has been hit but its ticket is coming up and it's going to get whalloped pretty good.

As you look at the deflationary pressures, are there other major sectors that you think are going to experience this and how far down are we likely to see prices go for farmland or some of these other areas that are really seeing a disappearance of value?

Dr. SEGER. Let me just begin by saying that before I saw you I happened to see some bankers from the South and I brought this question up with them about deflation in farm real estate, and I got a 35- to 40-percent fall as the number from them; Alabama was the State.

Senator RIEGLE. That's what's fallen already?

Dr. SEGER. That's what they said has happened in their State. Again, not all States are identical. Lexington, KY, in the horse farm area has probably seen land appreciate.

On these areas where there is deflation, with a capital "D," part of it is from import competition in some of the industrial commodities I mentioned. Lumber for example, is one area; there's a substantial amount of foreign-produced lumber that's now sold in this country. It's coming in from Canada and, I guess, given the strong dollar, it's now feasible to bring lumber in from way over in the Far East, you can pay all that transportation cost, deliver it to America, and still have the prices equal to or below what American producers can charge for it. I think that's part of the answer.

Senator RIEGLE. But how much further could that go down, do you think, in those areas that are under pressure? Do you have a sense for that?

TIED TO THE DOLLAR SITUATION

Dr. SEGER. The reason I mentioned it is I think it's tied to this dollar situation. If we see that the dollar does not appreciate significantly further from where it is now, and maybe even calms down a bit and moves in the other direction, then I think that——

Senator RIEGLE. That that may end the deflation?

Dr. SEGER. Yes; farm commodities, again one of the things I mentioned, are also tied in here in a way, because the farmers, too, have been very sensitive to the superdollar particularly as far as grains. They used to count on exporting a big portion of their harvest, and, with the combination of a couple of embargoes that took place in the 1970's and then the strong dollar, they have seen these markets evaporate.

Furthermore, there are signs now that these foreign agricultural crops are being brought into America; things like Brazilian oranges, wheat from Argentina, and soybeans from various countries.

Again, depending upon your assumption of what's going to happen with the dollar, I think this could either sort of come to a halt or it could go still further. I certainly hope that it does not go further.

A third area is the deflation in farm real estate and the deflation of the values of some office buildings. I think that this is the flip side of the coin when we're talking about why long-term interest rates are so high. There were people in the seventies, particularly when inflation was raging, who assumed it was going to last forever, that we were going to see these double-digit numbers. You see articles all the time from gurus who were telling people to buy farmland, buy antiques, buy collectibles, buy gold, buy impressionist paintings because you have to hedge against inflation; and there was a lot of this kind of transaction that took place. Much of the puff or the upward influence on farm prices, I think, was the result of the actual inflation and the fact that there was a strong feeling among individuals that that was going to last. We used to call it the great fool theory in the stock market: You don't really have to pay a lot of attention to what you're paying for something today because you assume in a few weeks, or a few months, or a few years you will find somebody else who will be willing to pay more for it than you paid for it.

So, a lot of that tremendous rise that we saw in farmland values in the 1970's was based on that kind of assumption, and those decisions were made in that environment.

Now what we're seeing is that, after the Fed has pursued—it predates me by the way—a fairly credible monetary policy—starting back in late 1979 when it was announced that they were really going to take on inflation, and I think the results show that they have—there is, in a lot of these areas, a sort of a wringing out of that inflation psychology from those asset values.

Senator RIEGLE. I guess I would tend to agree with your description and it seems to me the question of where we go from here is whether the wringout is over or there's a small amount left to be done or whether we are on a downward slide that's likely to continue for a period of time. It's sort of like an elevator coming down

and you're not quite sure where the basement is and where you are in relationship to the basement.

I mention that because in this committee, as you know, we are concerned about the health of the savings and loan industry as well as other financial institutions, banks, and so forth, but the S&L's are finding that they still have tremendous balance sheet pressures. Increasingly, banks are showing that. It's uneven. Continental Illinois, and what we're seeing down in Texas in some of those banks, is evidence of a very uneven pattern. But even the Bank of America with major agricultural loans in their sector of the country are showing lots of signs of stress and strain. There are a lot of healthy institutions that are not.

But if we were to have a material additional deflation that erodes the asset values that are collateralized against loans, and then with foreign loans thrown in on top of that, and the inability of foreign borrowers to remain current, all of a sudden you would get an incredible additional buildup of stress on the credit structure and on confidence. I don't want to test those outer limits. I am concerned that we are closer to those outer limits now than we should be because of the fiscal deficit which we haven't solved, and because of the sectoral deflation, and partly because of the trade deficit which is probably going to run as much as $150 billion this year, and partly the foreign loan problem. There were two major stories on this just within the last 2 days.

There was an article in the New York Times yesterday, "Rekindling the Scene of Latin Debt Crisis" is a very tough and very alarming piece. The Wall Street Journal this week has a piece on the same subject, a little softer in tone, "Debt Crisis Is Waning but It May Hit Again," and they go through their analysis.

Dr. SEGER. That's why I mentioned it in my statement too, alluding to that.

Senator RIEGLE. Exactly; what I'm trying to do is connect all of these points together here so that we really have a sense of the overall dynamics.

I take it then, it be your view that stresses on the credit structure and on the financial structural system from a combination of these factors that we were mentioning probably is about as much as we ought to apply at this point and rather than move in the direction of a policy that applies more stress we ought to be moving in a direction to take some of the stress off the financial and credit structure? Would that be your view?

Dr. SEGER. Absolutely.

INDUSTRIAL COMPETITIVENESS

Senator RIEGLE. Let me ask one more thing here. I don't know if you have yet had a chance to see this. It's a book called "Global Competition, a New Reality." It's a report of President Reagan's Commission on Industrial Competitiveness.

Dr. SEGER. I ordered it and I haven't received it yet. This is the Young group from Hewlett-Packard.

Senator RIEGLE. Yes; I just want to touch on it for a minute because this is probably the most important thing we're going to talk

about in here today. If word of it gets outside this room I'll be surprised and impressed.

John Young, as you know, was the Chairman of this Presidential commission that President Reagan named last year and he is the president and CEO of Hewlett-Packard in California. But there are roughly 40 people that served on this commission and they include such people as Dr. George Keyworth, who was the science adviser to President Reagan. It includes the president of Westinghouse Electric's energy and advanced technology group; Dr. Ross, the president of AT&T Bell Labs; Mark Sheperd who's the chairman and CEO of Texas Instruments; and an equally impressive array of business leaders, many of them in the high-tech areas and so forth, and they have produced a document here that I think has just tremendous power and relates fundamentally to what we have been talking about here because it now goes to the world trade dynamics which we have not yet discussed.

On the first page they pose this question:

Are we meeting the competitive challenge?

I just want to quote a few things very briefly. Their answer is:

Not well enough. Our ability to compete in world markets and the growth in U.S. productivity lags far behind that of our foreign competitors. Real hourly compensation of our work force is no longer improving. U.S. leadership in world trade is declining. Pre-tax rates of return on assets invested in manufacturing discourage investment in this vital core of our economy.

That connects to some of our earlier discussion.

Then they go on to say,

Even our lead in high technology is slipping.

They point out in here that this year our trade deficit with Japan which is going to approach $40 billion, that despite the hemorrhage for cars and trucks that those of us in Michigan are familiar with, that our trade deficit with Japan in electronics will be higher than our trade deficit in cars and trucks. There's a very powerful signal there in terms of the future because we're counting on high technology to provide a lot of the future jobs. The problem is it looks like those jobs are going to be in Japan and Korea, not in the United States.

They go on to point out that Japan, for example, is producing twice the number of engineers than we are with a smaller population than ours. And they go on in this vein.

But I want to draw your attention to one chart here and make one point and then I'm going to ask your response to it.

On the chart on page 16 they take 10 high technology export product areas for 1965–80 and they cut it off in 1980 because they didn't want to get tangled up in the value of the dollar which has exploded since that time and throw off the data. These categories include such things as aircraft and parts, office computing and accounting machines, engines and turbines, agricultural chemicals, professional and scientific instruments, electrical equipment and components, optical and medical instruments, drugs and medicines, plastics and synthetic materials, industrial chemicals.

It shows that of these 10 major component areas we have lost position in 8 of the 10. We're just barely holding our own in two of them. This is far removed from cars and trucks.

They go on to say, however, that the strong dollar is not the reason for this underlying deterioration of our competitive position and, therefore, to basically assume that somehow we can hit the right policy buttons and get the value of the dollar down and stabilize it that somehow magically our competitive situation is resolved.

They say quite to the contrary, that our problems go much deeper than that, that they are much more fundamental, and as a matter of fact, the notion of the high dollar is a misleading factor, an important one with its own implications, but that that has to be seen as not the cause of the dimension of this problem and at the same time not the solution to it.

Unfortunately, when this report was made public, because their recommendations were so hardnosed and so factual, and because it upset the people around the President who don't want to believe that this is the set of circumstances and the implications that flow from them, the members of this Presidential commission were not invited to come to the White House to present their findings, which, as you know, is the ultimate way to kind of stiff-arm somebody who was saying something you don't like, even though George Keyworth, who was the President's science adviser, was on this group and this was a unanimous presentation of the group.

They were sent down to the Commerce Department and Mack Baldrige who has an interest in the trade issues was the one who profiled the report.

I would like to urge you—and I'm glad to hear that you've ordered it, to carefully study this report. I really think that in here is information related to these fundamental economic relationships and it ties back to the question of why the auto companies are selling at three times earnings and five times earnings in terms of what people think the future holds.

And I think it also has something to do with why long-term rates are high and short-term rates are low because more and more people feel more and more comfortable being in short-term securities and, better yet, if they're government securities, not even CD's through their local bank or savings and loans. We're seeing more and more of that happen.

That's an erosion of confidence and that worries me because I think our system runs on confidence and it has to be confidence based upon fact and not magic solutions that aren't real.

So I think it's very important that the findings that are in here are taken seriously. With the trade deficit rocketing this year up to $150 billion and that being added to the fiscal deficit which is going to be above $200 billion, and we're a long way from a breakthrough on the budget deficit reduction effort this year, it seems to me to be a kind of witches' brew that's building up here that's going to put incredible stress on the Federal Reserve and a lot of other people. Especially as we get closer to the next election and everybody who's running are going to be saying, "Well, you know, don't blame us. Look over here at the Federal Reserve because they have got the power somehow to wave the monetary wand in such a way as to somehow make all these things sort of work out."

I would hope that the Fed would find a way, in addition to Paul Volcker's strong voice, to become more visible on helping everyone understand the nature of this economic puzzle and how time is really quite short.

When Paul Volcker was here before the committee he said, "We're living on borrowed time and borrowed money." He did everything but yell "Fire" in a crowded theater, which obviously he shouldn't do and can't do. Just short of that, he tried in every way he could to say, "Look, we've got to do some things and we've got to do them now and we don't have any more time to fool ourselves."

I will conclude with that, but I would ask, does that generally track with your sense of the problem and your feeling? I would like to hear you finish by sort of giving a summary of how you see the way these things connect and what your own sense of urgency is and what you think needs to be done at this point to give us the kind of future that we all want to see.

Dr. SEGER. Let me just clarify something that I said earlier about the impact of the super dollar. I referred to it in connection with farm product exports and things like lumber which, as I understand it—and I've read a lot of studies on this—are more impacted by that than these high-technology products. I haven't seen that study but I understand it was limited to the high-technology area.

So, for them, I would certainly agree that, if this country is going to have long-term prosperity, we have to be concerned with our education system. I'm very interested in getting people coming off of college campuses and out of high schools who can read and write and have the tools to deal with modern America, who are trained to work with computers, who have math skills, et cetera.

Friends of mine in Japan tell me that they are head and shoulders above our typical high school graduate or college graduate. I'm very interested in that because I think that's fundamental. It's not directly my responsibility but I'm certainly interested in it.

Another thing is that I believe that American industry does have to make a bigger commitment to R&D, hoping that there would be new products that would come out of that, because the way we keep the economy dynamic is to have new and better products and new and better ways of doing things.

The Japanese have done that exceptionally well. In consumer electronics, they're tremendous. And I think we have to do some of that.

Maybe Congress gets tied in here in the sense that there are incentives which can be given to business to do R&D and to look for these new and better ways.

Senator RIEGLE. They suggested things like that and that is not the vogue, by the way, if you look at the budget.

Dr. SEGER. Again, I haven't read it, but I do think it would be relevant to what we have been talking about.

The third thing—and my colleagues at the Fed are frankly tired of my talking about it—is that I'm on a productivity kick. There's no country better than America in my judgment, and I think the way we are going to not only survive but thrive is to do things

better and to get our manufacturing industry committed to efficiency. This involves productivity improvements; this involves things like putting in state of the art equipment, such as in the General Motors plant that I mentioned.

Senator RIEGLE. Which is expensive. It takes a lot of capital, and high-interest rates sure discourage that.

Dr. SEGER. Absolutely. I still think, though, that it is a better answer to have this new plant here in the Detroit suburbs, and to have people employed in that plant, and if GM hadn't gotten themselves together on this, then I think a lot more jobs in my city would have been exported once the controls on auto quotas came off.

I think that there are some things we can do of a positive nature that will not only help the industry but also the consumers. We're all consumers and we all benefit from having products that are high quality, that are up to speed; in the new electronics area we like new and better stereos and optical equipment, and I think that we would benefit from that.

And finally, the individuals, the employees who produce these goods, will also benefit from this sort of revitalization of American industry.

The Fed can't get in and set interest rates, but we can certainly be aware of interest rates and, as you say, maybe we should be more visible and more willing to beat the drum to get things done on the fiscal policy side, which would allow for a drop in interest rates, and make possible some of these projects that American industry is now looking at but which aren't being done because they don't pass the capital budgeting test since the return on investment is below what they have to pay for funds.

Given some sort of a cut in interest rates, then more of those projects might flip over into the acceptable pile rather than the unacceptable pile.

TAX REFORM

Another thing that I would mention that I am deeply concerned about is this whole issue of tax reform, because I certainly understand that we need to simplify the system and make it more equitable, and I think those are tremendous objectives.

But at the same time, the fact that we announced the proposal to do something on taxes but no one knows what will happen and whether they will be changed and if they are, how, has created an uncertainty that is hanging like a cloud over a lot of business people's heads. They don't know how to compute. Should we go ahead with this major expansion. Should we remodel that factory? Should we do something else? I'm not saying taxes should drive the economy, and I don't think they do, but at least you have to know what numbers to put in when you do the computation, and the uncertainty is holding a lot of projects on the back burner or on the shelf.

Senator RIEGLE. It certainly is. I'm hearing that every day.

Dr. SEGER. I'm concerned about that, and it's tied into this problem.

Also, whatever evolves, above and beyond the uncertainty question, I hope that there is much attention paid to this whole issue of investment incentives and incentives for R&D.

Senator RIEGLE. Savings incentives, also. Would you put that on the list?

Dr. SEGER. Yes.

Senator RIEGLE. The Japanese are so much better at that than we are. I think their prime rate is about 6.5 percent.

Dr. SEGER. They save about 20 percent while our savings rate is between 5 and 6 percent.

But these are some very fundamental ideas. As I said, I am very interested in them. I am very supportive of them. I wish that we could get more people thinking about things like productivity because the Japanese, I think, are a real miracle in the way they made a comeback from World War II and a rather decimated economy to now riding high.

Senator RIEGLE. They are taking $40 billion of our equity capital out this year, which is a pretty good performance on their part and not very good on our part, and that's money that could be well used in this country for other things.

Well, you have been very patient today. Mr. Chairman, you have, too, and I am finished.

The CHAIRMAN. Thank you very much.

Senator Cranston was here briefly. He has a statement to put in the record.

[The complete prepared statement of Senator Cranston follows:]

STATEMENT OF SENATOR CRANSTON

Senator CRANSTON. The position of Governor of the Federal Reserve System is of crucial importance to our Nation's economy and financial structure, with an awesome 14-year term. Persons appointed to this position must be qualified, must understand monetary policy and have a track record in monetary policy, and must demonstrate on the basis of their record that they understand the economy.

Dr. Seger has less than an illustrious background in her field. She has never published, nor has she taught—which has been primarily her liftime profession—long enough at any one place for her to go through the rigor of attaining tenure. So we must try to determine her philosophy on the economy and other issues by conjecture, news quotes, public quips, and so forth. This disturbs me. Dr. Seger's record is undistinguished when compared with others who have served on the Board, and those persons now serving on the Board, like Paul Volcker, Preston Martin, Henry Wallich, Nancy Teeters, all of whom had distinguished backgrounds and accomplishments prior to being considered for the Board.

The sense of the Senate resolution passed March 1, 1984, says that this seat on the Board must be filled by a person of demonstrable experience in small business or agriculture. Dr. Seger has exhibited no qualifications of this nature. Her nomination is a deliberate slap in the face of farmers, small business men and women, and the Congress by the President.

This administration has made a habit of appointing persons to positions who are opposed or insensitive to the defined responsibil-

ities of a particular position. That's how they stifle programs and gut agencies. I'm afraid that's what we have here—the administration appointing someone who doesn't meet the specifications for the job.

Dr. Seger, during extensive hearings, has made statements supporting almost every side of the issues she has been questioned on. Indeed, she appears to have no grounded philosophy of her own. In these troubling economic times we need persons on the Fed who are seasoned, independent thinkers who can bring some new ideas to the table. Dr. Seger does not fit that description. For these reasons, I voted against her being reported out of this committee. My judgment on Dr. Seger's nomination has not changed.

Additionally, the President, by appointing Dr. Seger during the recess has added fuel to an already difficult matter. There appears to have been no overwhelming reason, no known emergency for the President to rush and make a recess appointment of Dr. Seger except to thwart the ability of the Senate to have a full and open debate on Dr. Seger's nomination.

The CHAIRMAN. Senator Gorton was also here. And by unanimous consent, Senator Proxmire has a chart on recess appointments that he wishes included in the record and I have some submissions from the Congressional Research Service on intrasession recess appointments by the last three or four Presidents which I will also put in the record, as well as to save time a closing statement.

I would like to close by making a few points about the President's recess appointment power.

One, the President has the power to make a recess appointment of a Federal Reserve Board Governor under the Constitution and under a statute;

Two, Presidents have been making intrasession recess appointments during the summer months when Congress is not in session since 1921. Recently, President Nixon made 7 such appointments and President Carter made 17; and finally

Three, the constitutional question of whether a 23-day recess is long enough has not been definitively addressed. In fact, the conclusion of the CRS report which Senator Proximare said he will put in the Record states:

> * * * The validity of the recess appointment of Martha Seger to the Federal Reserve Board depends on whether the 23-day recess of the Senate for the Fourth of July holiday and Democratic convention is a recess for purposes of the constitutional recess appointment clause. The constitutional provision was adopted without debate. Most of the legal authority on the interpretation of the recess appointment clause is contained in Attorney General opinions. These opinions have approved of recess appointments during comparable summer recesses of the Senate of 29, 33, and 36 days. The question is one of line-drawing * * *

I thank you very much for your patience.

The hearing is concluded.

[Whereupon, at 12:20 p.m., the hearing was adjourned.]

[Biographical sketch of nominee and additional material for the record follows:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Seger (LAST) Martha (FIRST) Romayne (OTHER)

Position to which nominated: Governor - Federal Reserve Board Date of nomination: May 31, 1984 and January 2, 1985

Date of birth: 17 (DAY) Feburary (MONTH) 1932 (YEAR) Place of birth: Adrian, Michigan, USA

Marital status: Single Full name of spouse: N/A

Name and ages of children: N/A

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Leelanau Schools	1948-50	high sch. dip.	1950
University of Michigan	1950-55	BBA & MBA	1954 & 1955
University of Michigan	1958-64	Ph.D.	1971

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

High school valedictorian and National Honor Society

Phi Kappa Phi

Beta Gamma Sigma

1976 selected by Business Week as one of Top 100 Corporate Women in USA

Honorary Doctorate, Detroit College of Law, will be awarded June 3, 1985

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Economic Club of Detroit		
Women's Economic Club		
National Association of Business Economists		
American Finance Association		
American Economics Association		
Citizens for America	Michigan Co-Chair	Jan-June 1984
Detroit Boat Club		
Presidents Club - Univ. of Michigan		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

See attached sheets.

Employment

FROM	TO	EMPLOYER	ADDRESS	TYPE OF WORK	REASON FOR LEAVING
July '84	Present	Federal Reserve Board	Washington, D.C.	Governor	
Aug. '83	June '84	Central Michigan Univ. Richard Sussman, Chrm., Finance Dept. or Len Platka, Dean, Business School	Mt. Pleasant, MI	Prof. of Finance	Political Appointment
Jan. '83	July '83	Oakland University Ron Horwitz, Dean, School of Econ. & Mgt. Leave of absence to research "Bank Holiday in Michigan," lecture, and do miscellaneous consulting.	Rochester, MI	Assoc. Prof.	Better offer
Jan. '81	Dec. '82	State of Michigan as Commissioner of Financial Institutions for State of Michigan by then-Governor William Milliken (now living in Traverse City, Michigan) I resigned to coincide with his term ending.	Lansing, MI		Political Appointment
Aug. '80		Oakland University Ron Horwitz, Dean, School of Econ. & Mgt. I had signed a three-year contract with Oakland in Spring 1980, but that November, Governor Milliken appointed me to the financial regulator job effective January 1, 1981, so I took a two-year leave of absence to serve in Lansing, Capitol, Michigan.	Rochester, MI	Assoc. Prof.	
July '79	July '80	Independent research and consulting, lectures on banking and economic outlook.			
Jan. '78	June '79	University of Michigan Dean Floyd Bond (Business School Dean - now retired) Adjunct Assoc. Professor of Business Conditions I was teaching the courses of a professor on leave.	Ann Arbor, MI		
Oct. '76	Dec. '77	Joint research project with University of Michigan and consulting jobs.			

Employment (cont'd)

Summary:

July '74	Sept. '76	Bank of the Commonwealth, Detroit, Michigan (since merged into Comerica Bank-Detroit). Arthur F.F. Snyder, President (now Vice Chairman of the Board, U.S. Trust Company, 30 Court Street, Boston, MA 02108. Phone: (617) 726-7138). Vice President, Senior Vice President and Divisional Vice President in charge of Economics and Investments. Quit banking to pursue mid-career change of teaching, consulting, and research.
Feb. '76	July '74	Detroit Bank and Trust (now Comerica-Detroit), Detroit, Michigan, Don Mandich, Chairman of the Board, Chief Economist, quit to go to Bank of the Commonwealth.
Sept. '64	Feb. '67	Federal Reserve Board, Washington, D.C., Peter Keir, Chief, Financial Economist, Capital Markets Section, quit to go into banking.
Sept. '59	Sept. '64	Went back to University of Michigan to work part-time on Ph.D. in Finance and Business Economics. Also, worked part-time at various campus jobs: Teaching Fellow in Finance for Professor Thomas Gies, (313) 764-2323. Resident Assistant in Women's Residence Halls, Dean Deborah Bacon (now retired). Left to take full-time job when started working on dissertation.
Feb. '57	Sept. '59	Federal Reserve Bank of Chicago - Trained in Chicago and sent to its Detroit Branch. Russ Swaney, Vice President-in-Charge (now retired), 753 S. Shore Drive, Holland, Michigan, (616) 335-5440. Research Associate. Quit to go to Graduate School for Ph.D.
Feb. '55	Feb. '57	General Motors Corporation - Business Research Staff. Gene Steininger, now General Director of Market Analysis and Forecasting, Economics Staff, Detroit, Michigan, (313) 556-3123. Research Assistant. Quit to take better job and one that was more involved with finance.

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

1981 & 82 Commissioner of Financial Institutions, Michigan

U.S. Department of Commerce - Economic Advisory Board

(As shown under Employment, I worked at the Federal Reserve early in my career.)

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

"Consumer Finance Companies in Michigan," Gies, Fricke & Seger. Published by University of Michigan Bureau of Business Research in 1960.

When I made a career change from banking, I was not primarily a researcher or writer, but rather a teacher and lecturer.

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I am a member of the Republican Party in Michigan and of the Bloomfield Hills Republican Women's Club. In 1983, I helped to launch a women's group for the Michigan Republicans.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

None.

Qualifications: State fully your qualifications to serve in the position to which you have been named.

(attach sheet) I am a financial economist who specializes in financial institutions and capital markets. I have roughly 10 years' experience in commercial banking and 5 years at the Federal Reserve. In addition, I was chief regulator of financial institutions in State of Michigan for 2 hectic years.

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I was a professor and resigned last summer when I received my nomination. Since July 2, I have been at the Federal Reserve.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I may teach after completing government service, but I have no agreement to return to my latest employer or any other college.

3. Has anybody made you a commitment to a job after you leave government?

No

4. Do you expect to serve the full term for which you have been appointed?

Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

If there were any potential conflict of interest, I would certainly resolve it.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

None

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

NUMBER OF RECESS APPOINTMENTS (1933-1984)
Submitted by Senator Proxmire

Congressional Research Service
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Washington, D.C. 20540

March 13, 1985

TO : Senate Committee on Banking, Housing and Urban Affairs
Attention: Kenneth A. McLean

FROM : Rogelio Garcia
Analyst in American National Government
Executive Branch Organization and Operations Section
Government Division

SUBJECT : Number of Recess Appointments, by Administration, From 1933 to 1984

This memorandum is in response to your request for a listing of recess appointments for the period 1933-1984, by Administration--from President Franklin D. Roosevelt to President Ronald Reagan. As we agreed during our initial conversation, the following types of recess appointments are excluded from the list: Customs Directors and Collectors; Diplomatic and Foreign Service; Judges and other Judiciary; Military, including Coast Guard; Postmasters; U.S. Attorneys and Marshals; offices in the U.S. Coast and Geodetic Survey; and offices in the U.S. Public Health Service.

It should be noted at the outset that it is virtually impossible to compile a complete list of recess appointments for the period 1933-1965. Before July 1965, when the first issue of the Weekly Compilation of Presidential Documents was published, recess appointments were recorded in a haphazard fashion. Although the Congressional Record is the best source from which to compile a list of recess appointments before 1965, it is neither complete nor wholly reliable. Recess appointments do not appear in the Congressional Record at the time they are made because they do not have to be confirmed by the the

Senate. It is only when the President wishes to change a recess appointment into a full term appointment that he must submit it to the Senate. Only then does the Congressional Record reflect the fact that a recess appointment was made. As a consequence, if the President does not nominate for a regular appointment someone who is serving a recess appointment, then that appointment is not found in the Congressional Record.

Compiling such a list is further complicated by the fact that the Congressional Record on occasion is ambiguous about whether a recess appointment has been made. Sometimes, there is a notice accompanying a group of nominations stating that certain recess appointments were made during the last recess of the Senate. It is not always clear, however, whether all of the nominations in the group were given recess appointments.

Finally, there are discrepancies between the Congressional Record and the Executive Proceedings of the Senate regarding recess appointments and numerous nominations submitted to the Senate. Often, the Congressional Record lists recess appointment notations that are not listed in the Executive Proceedings of the Senate, and vice versa.

For the period before 1965, officials at the Presidential Libraries have stated that only by personally examining each of the appointment and nomination files contained in each Library could a complete list of recess appointments be compiled. In most cases those files have not been sorted out; each of the thousands of nominations made each year are in chronological order.

It should be borne in mind also that the recess appointments vary greatly in importance. While the list contains recess appointments to head Executive Departments and independent agencies, it also contains recess appointments to serve on advisory boards, commissions and committees as well as to serve in other capacities that at times may be primarily ceremonial.

The above factors should be kept in mind when reviewing the list of recess appointments made from 1933 to 1984.

SUMMARY OF RECESS APPOINTMENTS MADE BY LAST NINE PRESIDENTS, 1933-1984

The last nine Presidents (Franklin D. Roosevelt to Ronald Reagan) have made a total of 783 recess appointments (exclusive of the categories excluded and the recess appointments not included in the Congressional Record). These appointments are listed in Table 1.

TABLE 1. Number of Recess Appointments Made by Last Nine Presidents

President	Years in office	Number of recess appointments	Average number per year
Franklin D. Roosevelt	1933-1945	89	7
Harry S Truman	1945-1953	195	25
Dwight D. Eisenhower	1953-1961	193	24
Jack F. Kennedy	1961-1963	53	18
Lyndon B. Johnson	1963-1969	36	7
Richard M. Nixon	1969-1974	41	7
Gerald R. Ford	1974-1977	8	3
Jimmy Carter	1977-1981	59	15
Ronald Reagan	1981-1984	111	28

Source: Congressional Record and Weekly Compilation of Presidential Documents

Three Presidents made more than 100 recess appointments during this period—Harry S Truman, Dwight D. Eisenhower, and Ronald Reagan.

The recess appointments made by the nine Presidents are listed below by year, name of nominee, and, when available, position and agency.

RECESS APPOINTMENTS: FROM PRESIDENT FRANKLIN D. ROOSEVELT TO PRESIDENT RONALD REAGAN

President Franklin D. Roosevelt (1933-1945)

1933

Allen, George E. (Commissioner of the District of Columbia)
Amory, Henry R. (Assistant Director, Bureau of Foreign and Domestic Commerce, Department of Commerce)
Bennett, Elbert G. (Member, Board of Directors, Federal Deposit Insurance Corporation)
Blair, Harry W. (Assistant Attorney General, Department of Justice)
Cummings, Walter J. (Member, Board of Directors, Federal Deposit Insurance Corporation)
Engle, Nathanael H. (Assistant Director, Bureau of Foreign & Domestic Commerce, Department of Commerce)
Glass, Frank P. (Member, Board of Mediation)
Hazen, Melvin C. (Commissioner of the District of Columbia)
Keenan, Joseph B. (Assistant Attorney General, Department of Justice)
Landis, James M. (Member, Federal Trade Commission)
MacLean, Angus D. (Assistant Solicitor General, Department of Justice)
Mathews, George C. (Member, Federal Trade Commission)
Mitchell, Ewing Y. (Assistant Secretary, Department of Commerce)
Morgenthau, Henry Jr. (Secretary, Department of the Treasury)
Moore, R. Walton (Assistant Secretary, Department of State)
Sayre, Francis B. (Assistant Secretary, Department of State)
Thorp, Willard L. (Director, Bureau of Foreign & Domestic Commerce, Department of Commerce)
Welles, Sumner (Assistant Secretary, Department of State)

1934

Ayres, W.A. (Member, Federal Trade Commission)
Brown, Thad H. (Member, Federal Communications Commission)
Buford, Joseph S. (Assayer of the U.S. Assay Office at New York City)
Caramalt, James W. (Member, National Mediation Board)
Carmody, John (Member, National Mediation Board)
Case, Norman S. (Member, Federal Communications Commission)
Connor, Robert D. (Archivist of the United States)
Eccles, Marriner S. (Member, Federal Reserve Board)
Eddy, Lee M. (Member, Railroad Retirement Board)
Elgen, Riley E. (Member, Public Utilities Commission of District of Columbia)
Ferguson, Garland S. (Member, Federal Trade Commission)
Finch, John, W. (Director, Bureau of Mines, Department of the Interior)
Giegengack, August E. (Public Printer)
Healy, Robert E. (Member, Securities and Exchange Commission)
Hoagland, Henry E. (Member, Federal Home Loan Bank Board)
Kennedy, Joseph P. (Member, Securities and Exchange Commission)

Landis, James M. (Member, Securities and Exchange Commission)
Latimer, Murray (Chairman, Railroad Retirement Board)
Leiserson, William M. (Member, National Mediation Board)
Mathews, George C. (Member, Securities and Exchange Commission)
McNinch, Frank R. (Member, Federal Communications Commission)
Miller, Adolph C. (Member, Federal Reserve Board)
Moffett, James A. (Administrator, Federal Housing Administration)
Payne, George H. (Member, Federal Communications Commission)
Pecora, Ferdinand (Member, Securities and Exchange Commission)
Prall, Anning S. (Member, Federal Communications Commission)
Roche, Josephine A. (Assistant Secretary, Department of the Treasury)
Solomon, Sigmund (Superintendent of U.S. Assay Office at New York City)
Stewart, Irvin (Member, Federal Communications Commission)
Sykes, Eugene O. (Member, Federal Communications Commission)
Walker, Paul A. (Member, Federal Communications Commission)
Williamson, John T. (Member, Railroad Retirement Board)

1935

Adams, Annette A. (Assistant Special Counsel, Department of Justice)
Bell, Golden W. (Assistant Solicitor General, Department of Justice)
Carter, Milton E. (Assistant to the Commissioner of Internal Revenue, Department of the Treasury)
McDonald, Stewart (Administrator, Federal Housing Administration)
Morris, James W. (Assistant Attorney General, Department of Justice)
Pynchon, E.A. (State Administrator for Florida, Works Progress Administration)
Sanders, Samuel D. (Cooperative Bank Commission, Farm Credit Administration)
Shaffer, Charles H. (Examiner in Chief, U.S. Patent Office, Department of Commerce)

1936

Brown, Harry L. (Assistant Secretary, Department of Agriculture)
Catlett, Fred W. (Member, Federal Home Loan Bank Board)
Miller, Justin, (Member, Board of Tax Appeals)
Shafroth, Morrison, (Assistant General Counsel, Bureau of Internal Revenue, Department of the Treasury)
Wilson, Milburn L. (Under Secretary, Department of Agriculture)

1937

Bull, George M. (Regional Director (V) of Colorado, Federal Emergency Administration of Public Works)
Cole, Howard T. (Regional Director (III) of Georgia, Federal Emergency Administration of Public Works)
Gilmore, Maurice E. (Regional Director (I) of New York, Federal Emergency Administration of Public Works)
Gray, Howard A. (Assistant Administrator, Federal Emergency Administration of Public Works)

Hockley, Claude C. (Regional Director (VII) of Oregon, Federal Emergency Administration of Public Works)
Husband, William H. (Member, Federal Home Bank Board)
Kern, John W. (Member, Board of Tax Appeals)
Latimer, Murray W. (Member, Railroad Retirement Board)
Kennicott, David R. (Regional Director (II) of Illinois, Federal Emergency Administration of Public Works)
Radford, Robert A. (Regional Director (IV) of Minnesota, Federal Emergency Administration of Public Works)
Wenchel, John Phillip (Assistant General Counsel, Bureau of Internal Revenue, Department of the Treasury)

1938

Delano, Preston (Comptroller of the Currency, Department of the Treasury)
Hanes, John W. (Under Secretary, Department of the Treasury)
Hill, Forrest F. (Member of the Board of Governors, Farm Credit Administration)
Hopkins, Harry L. (Secretary, Department of Commerce)
Murphy, Frank (Attorney General, Department of Justice)
Reichelderfer, Francis W. (Chief of the Weather Bureau, Department of Agriculture)
Woodward, Ellen S. (Member, Social Security Board)

1939

Edison, Charles (Secretary, Department of the Navy)

1940, 1941, and 1942

None

1943

Hopkins, Oliver F. (Assistant Director, Bureau of Foreign and Domestic Commerce, Department of Commerce)
Miller, Raymond C. (Assistant Director, Bureau of Foreign and Domestic Commerce, Department of Commerce)
Taylor, Amos E. (Director, Bureau of Foreign & Domestic Commerce, Department of Commerce)

1944

Byrnes, James F. (Director, War Mobilization and Reconversion)
Hines, Frank T. Brig Gen (Administrator, Retraining and Reemployment Administration, Office of War Mobilization)
McElligott, Ricahard (Register of Land Office at Roseburg, Oregon)
Porter, Paul A. (Member, Federal Communications Commission)

1945

None

President Harry S Truman (1945-1953)

1945

Acheson, Dean G. (Under Secretary, Department of State)
Braden, Spruille, (Assistant Secretary, Department of State)
McCarthy, Frank (Assistant Secretary, Department of State)
Peterson, Howard C. (Assistant Secretary, War Deparment)
Patterson, Robert P. (Secretary, War Department)
Symington, W. Stuart (Administrator, Surplus Property Administration, Office of War Mobilization and Reconversion)

1946

Bacher, Robert F. (Member, Atomic Energy Commission)
Clapp, Gordon R. (Member, Board of Directors of the Tennessee Valley Authority)
Creedon, Frank (Housing Expediter)
Fisher, Adrian S. (Solicitor, Department of Commerce)
Foley, Raymond M. (Administrator, National Housing Agency)
Foster, William C. (Under Secretary, Department of Commerce)
Harriman, W. Averell (Secretary, Department of Commerce)
Lasseter, Dillard B. (Administrator, Farmers' Home Administration, Department of Agriculture)
Lauderdale, James W. (Member, District of Columbia Public Utilities Commission)
Lilienthal, David E. (Member, Atomic Energy Commission)
Long, Oren E. (Secretary, the Territory of Hawaii)
McGregor, Douglas W. (Assistant Attorney General, Department of Justice
Myer, Dillon S. (Administrator, U.S. Housing Authority in the National Housing Agency)
O'Dea, John (People's Counsel, District of Columbia Public Utilities Commission)
Perkins, Frances (Commissioner, Civil Service Commission)
Pike, Sumner (Member, Atomic Energy Commission)
Strauss, Lewis L. (Member, Atomic Energy Commission)
Thorp, Willard L. (Assistant Secretary, Department of State)
Villaronga, Mariano (Commissioner of Education for Puerto Rico)
Waymack, William W. (Member, Atomic Energy Commission)
Wilson, Carroll L. (General Manager, Atomic Energy Commission)
Young, Clarence M. (Member, Civil Aeronautics Board)

1947

Adams, J. Alston (Member, Federal Home Loan Bank Board)
Aiken, Paul (Second Assistant Postmaster General, Post Office Department)
Alison, John R. (Assistant Secretary, Department of Commerce)
Burrows, Arthur S. (Under Secretary of the Air Force, Department of Defense)
Bush, Vannevar (Chairman, Research and Development Board)
Ching, Cyrus S. (Director, Federal Mediation & Conciliation Service)
Coy, Wayne (Member, Federal Communications Commission)
Daniels, Joe E. (Assistant Commissioner of Patents, Department of Commerce)
Denham, Robert N. (General Counsel, National Labor Relations Board)

Divers, William K. (Member, Federal Home Loan Bank Board)
Ewing, Oscar R. (Administrator, Federal Security Agency)
Foley, Raymond, M. (Administrator, Housing and Home Finance Agency)
Gorlinski, Joseph S., Col. (Member, California Debris Commission)
Gray, Gordon (Assistant Secretary of the Army, Department of Defense)
Gray, J. Copeland (Member, National Labor Relations Board)
Hargrave, Thomas J. (Chairman, Munitions Board)
Hill, Arthur M. (Chairman, National Security Resources Board)
Hillenkoetter, Roscoe H., Rear Adm (Director of Central Intelligence)
Kenney, W. John (Under Secretary of the Navy, Department of Defense)
Kingsland, Lawrence C. (Commissioner of Patents, Department of Commerce)
Kmetz, John T. (Assistant Secretary, Department of Labor)
Larson, Jess, (Administrator, War Assets Administration, Office for Emergency Management)
Mather, Paul L, Rear Adm (Associate Administrator, War Assets Administration, Office for Emergency Management)
Miller, Watson B. (Commissioner, Immigration and Naturalization Service, Department of Justice)
Morse, David A. (Under Secretary, Department of Labor)
Murdock, Abe (Member, National Labor Relations Board)
Oliphant, Charles (Assistant General Counsel for the Bureau of Internal Revenue, Department of the Treasury)
Richards, Franklin D. (Commissioner, Federal Housing Administration)
Sterling, George E. (Member, Federal Communications Commission)
Sullivan, John L. (Secretary of the Navy, Department of Defense)
Symington, W. Stuart (Secretary of the Air Force, Department of Defense)
Whitney, Cornelius V. (Assistant Secretary of the Air Force, Department of Defense)
Woods, Tighe E. (Housing Expediter)
Zuckert, Eugene M. (Assistant Secretary of the Air Force, Department of Defense)

1948

Blanding, Sarah (Member, Foreign Assistance Public Advisory Board)
Bolich, Daniel A. (Assistant Commissioner of Internal Revenue, Department of the Treasury)
Boyd, James (Director of the Bureau of Mines, Department of Commerce)
Branscomb, B. Harvie (Member, U.S. Advisory Commission on Educational Exchange)
Buchanan, Thomas C. (Member, Federal Power Commission)
Carpenter, Donald F. (Chairman, Munitions Board)
Coddaire, David J. (Member, U.S. Maritime Commission)
Compton, Karl T. (Chairman, Research & Development Board)
Compton, Karl T. (Member, U.S. Advisory Commission on Educational Exchange)
Daniels, Jonathan W. (Member, Foreign Assistance Public Advisory Board)
Delano, Preston (Comptroller of the Currency, Department of the Treasury)
Dodds, Harold W. (Member, U.S. Adisory Commission on Educational Exchange)
Foley, Edward H. Jr. (Under Secretary, Department of the Treasury)
Gillin, George B. (Superintendent of the U.S. Mint at San Francisco, Department of the Treasury)
Goss, Albert S. (Member, Foreign Assistance Public Advisory Board)
Gilbert, Jesse J. (Assistant Registrar, Department of the Treasury)

Graham, John S. (Assistant Secretary, Department of the Treasury)
Hershey, Lewis B., Maj Gen (Director, Selective Service System)
Hinckley, Robert H. (Member, Foreign Assistance Public Advisory Board)
Houston, John M. (Member, National Labor Relations Board)
Johnston, Eric A. (Member, Foreign Assistance Public Advisory Board)
Kline, Allan B. (Member, Foreign Assistance Public Advisory Board)
Lehman, Herbert H. (Member, Foreign Assistance Public Advisory Board)
Loveland, Albert J. (Under Secretary, Department of Agriculture)
Lyon, Arlon E. (Member, Foreign Assistance Public Advisory Board)
McGuire, Martin P. (Member, U.S. Advisory Commission on Educational Exchange)
Mead, George H. (Member, Foreign Assistance Public Advisory Board)
Meany, George (Member, Foreign Assistance Public Advisory Board)
Mitchell, James M. (Member, Civil Service Commission)
Patton, James G. (Member, Foreign Assistance Public Advisory Board)
Roberts, Gilroy (Engraver in the U.S. Mint at Philadelphia, Department of the Treasury)
Ryan, Oswald (Member, Civil Aeronautics Board)
Starr, Mark (Member, U.S. Advisory Commission on Educational Exchange)
Tobin, Maurice J. (Secretary, Department of Labor)
Willett, William E. (Member, Board of Directors, Reconstruction Finance Corporation)

1949

Burns, James H., Maj Gen (Assistant to the Secretary of Defense, Mutual Defense Assistance, Department of Defense)
Chapman, Oscar L. (Secretary, Department of the Interior)
Cook, Donald C. (Member, Securities & Exchange Commission)
Crawley, William B. (Member, Board of Directors of the Commodity Credit Corporation)
Friend, James E. (Assistant Director of Locomotive Inspection)
Hook, Frank E. (Member, Motor Carrier Claims Commission)
Hooker, John S. (U.S. Alternate Executive Director, International Monetary Fund)
Hutchinson, Know T. (Member of the Board of Directors, Commodity Credit Corporation)
Kruse, Elmer F. (Member of the Board of Directors, Commodity Credit Corporation)
Lee, Josh (Member, Civil Aeronautics Board)
Loveland, Albert J. (Member of the Board of Directors, Commodity Credit Corporation)
Martin, William M. Jr. (U.S. Executive Director of the International Bank for Reconstruction and Development)
McCormick, Edward T. (Member, Securities and Exchange Commission)
Ohly, John H. (Deputy Director of Mutual Defense Assistance, Department of Defense)
Trigg, Ralph S. (Member of the Board of Directors, Commodity Credit Corporation)
Woolley, Frank K. (Member of the Board of Directors, Commodity Credit Corporation)
Young, John S. (U.S. Committee to the International Exposition for the Bicentennial of the Founding of Port-au-Prince)

1950

Aberle, Sophie B. (Member of the National Science Board,
National Science Foundation)
Barnard, Chester I. (Member of the National Science Board,
National Science Foundation)
Barnes, Robert P. (Member of the National Science Board,
National Science Foundation)
Bennett, Henry G. (Administrator of the Technical Cooperation Administration,
Department of State)
Bissell, Richard M. Jr (Deputy Administrator, Economic Cooperation Administration)
Bott, George J. (General Counsel, National Labor Relations Board)
Bronk, Detlev W. (Member of the National Science Board,
National Science Foundation)
Brown, Peter C. (Member, Subversive Activities Control Board)
Coddaire, David J. (Member, Subversive Activities Control Board)
Conant, James B. (Member of the National Science Board,
National Science Foundation)
Cori, Gerty T. (Member of the National Science Board,
National Science Foudation)
Cosgriff, Walter E. (Member of the Board of Directors,
Reconstruction Finance Corporation)
Creasey, Robert T. (Assistant Secretary, Department of Labor)
Davis, John W. (Member of the National Science Board,
National Science Foundation)
Dollard, Charles (Member of the National Science Board,
National Science Foundation)
DuBridge, Lee A. (Member of the National Science Board,
National Science Foundation)
Foster, William C. (Administrator, Economic Cooperation Administration)
Fred, Edwin B. (Member of the National Science Board,
National Science Foundation)
Gross, Payul M. (Member of the National Science Board,
National Science Foundation)
Harber, W. Elmer (Member of the Board of Directors,
Reconstruction Finance Corporation)
Humphrey, George D. (Member of the National Science Board
National Science Foundation)
Hyman, O.W. (Member of the National Science Board,
National Science Foundation)
LaFollette, Charles M. (Member, Subversive Activities Control Board)
Loeb, Robert F. (Member of the National Science Board,
National Science Foundation)
Lovett, Robert A. (Deputy Secretary, Department of Defense)
McHale, Kathryn (Member, Subversive Activities Control Board)
McLaughlin, Donald H. (Member of the National Science Board,
National Science Foundation)
Middlebush, Frederick A. (Member of the National Science Board,
National Science Foundation)
Moreland, Edward L. (Member of the National Science Board,
National Science Foundation)

Morris, Joseph C. (Member of the National Science Board, National Science Foundation)
Morse, Harold M. (Member of the National Science Board, National Science Foundation)
Potter, Andrey A. (Member of the National Science Board, National Science Foundation)
Remon, John A. (Member, District of Columbia Redevelopment Land Agency)
Reyniers, James A. (Member of the National Science Board, National Science Foundation)
Richardson, Seth W. (Member, Subversive Activities Control Board)
Rockefeller, Nelson A. (Chairman, International Development Advisory Board)
Rosenberg, Anna M. (Assistant Secretary, Department of Defense)
Rowe, C. Edward (Member of the Board of Directors, Reconstruction Finance Corporation)
Small, John D. (Chairman, Munitions Board)
Spingarn, Stephen J. (Member, Federal Trade Commission)
Stakman, Elvin C. (Member of the National Science Board, National Science Foundation)
Valentine, Alan (Administrator, Economic Stabilization Agency)
Wilson, Charles (Member of the National Science Board, National Science Foundation)
Yancey, P.H. (Member of the National Science Board, National Science Foundation)

1951

Coolidge, Charles A. (Assistant Secretary, Department of Defense)
Dickinson, Edward T. (Vice Chairman, National Security Resources Board)
Forbes, John J. (Director of the Bureau of Mines, Department of the Interior)
Gorrie, Jack (Chairman, National Security Resources Board)
Huggins, Edwin V. (Assistant Secretary of the Air Force, Department of Defense)
Kennedy, Mabelle (Assistant Treasurer of the United States, Department of the Treasury)
Morrill, James L. (Member, U.S. Advisory Commission on Educational Exchange)
Overby, Andrew N. (Assistant Secretary, Department of the Treasury)
Putnam, Roger L. (Administrator, Economic Stabilization Administration)
Tannenwald, Theodore Jr. (Assistant Director, Mutual Security Agency)
Wells, Orris V. (Member of the Board of Directors, Commodity Credit Corporation)
Wood, C. Tyler (Associate Deputy Director, Mutual Security Agency)

1952

Beutel, Clarence A. Sr (Deputy Administrator, Reconstruction Finance Corporation)
Bray, William J. (Assistant Postmaster General, Post Office Department)
Buchanan, Thomas C. (Member, Federal Power Commission)
Cummings, Walter J. Jr. (Solicitor General of the United States, Department of Justice)
DiSalle, Michael V. (Administrator, Economic Stabilization Administration)
Ferguson, Charles R. (Member, Federal Coal Mine Safety Board)

Freehill, Joseph H. (Director, Office of Price Stabilization, Economic Stabilization Administration)
Gurney, Chan (Member, Civil Aeronautics Board)
Horne, John E. (Administrator, Small Defense Plants Administration)
Johnson, Earl D. (Under Secretary of the Army, Department of Defense)
Kirks, Rowland F. (Assistant Attorney General, Department of Justice)
Lyon, Charles S. (Assistant Attorney General, Department of Justice)
Malone, Ross L. Jr. (Deputy Attorney General, Department of Justice)
Merrill, Eugene H. (Member, Federal Communications Commission)
Miller, Alex U. (Member, Federal Coal Mine Safety Board)
Murray, Charles B. (Assistant Attorney General, Department of Justice)
Northrop, Vernon D. (Under Secretary, Department of the Interior)
Rossback, J. Howard (Member, Securities Exchange Commission)
Rubin, Seymour J. (Assistant Director, Mutual Security Agency)
Shackelford, Francis (Assistant Secretary of the Army, Department of Defense)
Solari, Joseph G. (Member, Federal Mine Coal Safety Board)
Townsend, Wilson L. (Member of the Board of Directors, Export-Import Bank)
Wedel, Paul J. (Member, Renegotiation Board)
Vogel, Herbert D Col (Member, Mississippi River Commission)
Wolfsohn, Joel D. (Assistant Secretary, Department of the Interior)

President Dwight D. Eisenhower (1953-1961)

1953

Anderson, John D. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Ahlgren, Mildred C. (Member of the Advisory Board,
Foreign Operations Administration)
Boyd, Robert O. (Member, National Mediation Board)
Bowditch, Richard L. (Member of the Advisory Board,
Foreign Operations Administration)
Briggs, Marvin J. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Brockman, Earl H. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Brody, Clark L. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Brownell, Samuel Miller (Commissioner, Office of Education)
Clutter, H.W. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Connell, Arthjur J. (Member of the Advisory Board,
Foreign Operations Administration)
Denny, Harmar D. (Member, Civil Aeronautics Administration)
Douglas, Lewis W. (Member of the Advisory Committee on Weather Control)
Eberle, Alfred M. (Member of the Advisory Committee on Weather Control)
Edwards, Marshall H. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Ellis, J.H.S. (Member of the Advisory Board, Post Office Department)
Ely, William J., Col. (Member, California Debris Commission)
Fine, Golden F. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Frye, Arthur H. Jr., Col. (Member, California Debris Commission)
Gates, Thomas S. Jr. (Under Secretary of the Navy, Department of Defense)
George, Joseph J. (Member of the Advisory Committee on Weather Control)
Gould, Laurence M. (Member of the National Science Board,
National Science Foundation)
Hodge, Elbert J. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Irwin, Helen G. (Member of the Advisory Board,
Foreign Operations Administration)
Jacoby, Neil H. (Member, Council of Economic Advisers)
Kline, Allan B. (Member of the Advisory Board,
Foreign Operations Administration)
Lee, Robert E. (Member, Federal Communications Commission)
Leonard, Lucille (Member of the Advisory Board,
Foreign Operations Administration)
Leopold, Alice K. (Director of the Women's Bureau, Department of Labor)
Lyons, Eugene James (Assistant Postmaster General, Post Office Department)
McConnaughey, George C. (Member, Renegotiation Board)
Matthews, C.H. (Member of the Federal Farm Credit Board,
Farm Credit Administration)

Milton, Hugh M. (Assistant Secretary of the Army, Department of Defense)
Mitchell, James P. (Secretary, Department of Labor)
Munger, Harlan B. (Member of the Federal Farm Credit Board, Farm Credit Administration)
Newsom, Herschel (Member of the Advisory Board, Foreign Operations Administration)
Orville, Howard T. (Member of the Advisory Committee on Weather Control)
Parker, Andrew (Member, District of Columbia Redevelopment Land Agency)
Parker, Charles O. (Assayer in the U.S. Mint, Department of the Treasury)
Patton, James G. (Member of the Advisory Board, Foreign Operations Administration)
Ritter, L.V. (Member of the Federal Farm Credit Board, Farm Credit Administration)
Rizley, Rose (Assistant Secrectary, Department of Agriculture)
Rizley, Ross (Member of the Board of Directors, Commodity Credit Corporation)
Robbins, Laurence B. (Deputy Administrator, Reconstruction Finance Corporation)
Sayre, Raymond (Member of the Federal Farm Credit Board, Farm Credit Administration)
Seaton, Frederick A. (Assistant Secretary, Department of Defense)
Squire, Franck C. (Member, Railroad Retirement Board)
Steidle, Edward (Member, Federal Coal Mine Safety Board of Review)
Stewart, Walter W. (Member, Council of Economic Advisers)
Teetor, Lothair (Assistant Secretary, Department Commerce)
Toomer, Louis B. (Register of the Treasury, Department of the Treasury)
Tramburg, John W. (Commissioner of Social Security, Department of Health, Education, and Welfare)
Washburn, Abbott M. (Deputy Director, United States Information Agency)
Weitzel, Frank H. (Assistant Comptroller General, Department of the Treasury)
Wolf, Morris (General Counsel, Foreign Operations Administration)

1954

Arey, Hawthorne, (Member of the Board of Directors, Export-Import Bank)
Blowers, George A. (Member of the Board of Directors, Export-Import Bank)
Brand, Vance (Member of of the Board of Directors, Export-Import Bank)
Burgess, Carter Lane (Assistant Secretary, Department of Defense)
Edgerton, Glen, E. (President, Export-Import Bank)
Campbell, Joseph (Comptroller General, Department of the Treasury)
Guill, Ben H. (Member, Federal Maritime Board)
Hall, John A. (Director, Locomotive Inspection)
Hayes, Albert J. (Member, National Security Training Commission)
Holle, Charles G., Brig Gen (Member, Mississippi River Commission)
Kendall, David W. (General Counsel, Department of the Treasury)
Libby, Willard F. (Member, Atomic Energy Commission)
McConnaughey, George C. (Member, Federal Communications Commission)
Minetti, G. Joseph (Member, Federal Maritime Board)
Peterson, Ervin L. (Assistant Secretary, Department of Agriculture)
Peterson, Ervin L. (Member of the Board of Directors, Commodity Credit Corporation)
Potter, William E., Brig Gen (Member, Mississippi River Commission)
Pratt, Albert (Assistant Secretary of the Navy, Department of Defense)
Ray, Philip A. (General Counsel, Department of Commerce)

Smith, David S. (Assistant Secretary of the Air Force, Department of Defense)
Stambaugh, Lynn U. (First Vice President, Export-Import Bank)
Von Neumann, John (Member, of the Atomic Energy Commission)

1955

Lowen, Charles J. Jr. (Administrator, Civil Aeronautics Administration)
Minetti, G. Joseph (Member, Civil Aeronautics Board)
Mueller, Frederick H. (Assistant Secretary, Department of Commerce)
Murphy, Rupert L. (Member, Interstate Commerce Commission)

1956

Banta, Parke M. (General Counsel, Department of Health, Education and Welfare)
Berrigan, Paul D., Brig Gen (Member, Mississippi River Commission)
Bowring, Eva K. (Member, Board of Parole, Department of Justice)
Campbell, Arthur R. (Member, Renegotiation Board)
Chilson, Olin Hatfield (Assistant Secretary, Department of the Interior)
Derthick, Lawrence G. (Commissioner of Education,
Department of Health, Education, and Welfare)
Farrington, Robert L. (General Counsel, Department of Agriculture)
Goff, Abe M. (General Counsel, Post Office Department)
Habermeyer, Howard W. (Member, Railroad Retirement Board)
Leffler, Ross L. (Assistant Secretary for Fish and Wildlife,
Department of the Interior)
Lowe, Richard B. (Governor of Guam)
Lee, Dorothy M. (Member, Subversive Activities Control Board)
McCracken, Paul W. (Member, Council of Economic Advisers)
McGuinness, Aims C. (Special Assistant on Health & Medical Affairs,
Department of Health, Education, and Welfare)
McGuire, E. Pwerkins (Assistant Secretary, Department of Defense)
Nash, Frederick C. (General Counsel, Department of Commerce)
Pyle, James T. (Administrator, Civil Aeronautics Administration)
Rankin, J. Lee (Solicitor General of the United States,
Department of Justice)
Richardson, Elliott L. (Assistant Secretary,
Department of Health, Education, and Welfare)
Robertson, Albert J. (Member, Federal Home Loan Bank Board)
Tait, Edward T. (Member, Federal Trade Commission)

1957

Allen, George V. (Director, United States Information Agency)
Baird, Julian B. (Under Secretary for Monetary Affairs,
Department of the Treasury)
Battle, John S. (Member, Commission on Civil Rights)
Brown, Newell (Assistant Secretary, Department of Labor)
Carlton, Doyle E. (Member, Commission on Civil Rights)

Coughran, Tom B. (Assistant Secretary, Department of the Treasury)
Coughran, Tom B. (U.S. Executive Director of the International Bank for Reconstruction & Development)
Fanning, John H. (Member, National Labor Relations Board)
Flanagan, Bernard L. (Member, Civil Service Commission)
Flues, A. Gilmore (Assistant Secretary, Department of the Treasury)
Foote, Paul D. (Assistant Secretary, Department of Defense)
Galloway, Gerald E., Maj Gen (Member, Mississippi River Commission)
Hannah, Joh A. (Member, Commission on Civil Rights)
Hardy, Royce A. Jr. (Assistant Secretary, Department of the Interior)
Harnett, John S., Col (Member, California Debris Commission)
Hesburgh, Theodore M., Rev (Member, Commission on Civil Rights)
Jones, Arnold R. (Member of the Board of Directors, Tennesse Valley Authority)
Kertz, Harold A. (Member, District of Columbia Public Utilities Commission)
McIntosh, Dempster (Manager of the Development Loan Fund in the International Cooperation Administration, Department of State)
Patterson, John S. (Deputy Director, Office of Defense Mobilization)
Rogers, William P. (Attorney General, Department of Justice)
Sessions, Edson O. (Deputy Postmaster General, Post Office Department)
Storey, Robert G. (Member, Commission on Civil Rights)
Walsh, Lawrence E. (Deputy Attorney General, Department of Justice)
Welch, Frank J. (Member of the Board of Directors, Tennessee Valley Authority)
White W. Wilson (Assistant Attorney General, Department of Justice)
Whittier, Sumner G. (Admistrator, Veterans Administration)
Wilkey, Malcolm R. (Assistant Attorney General, Department of Justice)
Wilkins, J. Ernest (Member, Commission on Civil Rights)
Wolcott, Jesse P. (Member of the Board of Directors, Federal Deposit Insurance Corporation)

1958

Abbott, George W. (Solicitor, Department of the Interior)
Allen, John J. Jr. (Under Secretary for Transportation, Department of Commerce)
Bailey, Malcolm F. (Examiner in Chief, U.S. Patent Office, Department of Commerce)
Barney, Keith R. Maj Gen (Member, Mississippi River Commission)
Bell, John O. (Special Assistant for Mutual Security Coordination, Department of State)
Bennett, Elmer F. (Under Secretary, Department of the Interior)
Brandt, Karl (Member, Council of Economic Advisers)
Brewrink, James L. (Examiner in Chief, U.S. Patent Office, Department of Commerce)
Bullis, Harry A. (Chairman, International Development Advisory Board)
Johnston, Edward E. (Secretary of the Territory of Hawaii)
Keely, James E. (Examiner in Chief, U.S. Patent Office, Department of Commerce)
Latham, Dana (Commissioner of Internal Revenue, Department of the Treasury)
Lodge, George C. (Assistant Secretary, Department of Labor)
Manian, Joseph C. (Examiner in Chief, U.S. Patent Office, Department of Commerce)
Miller, Clarence L. (Assistant Secretary, Department of Agriculture; and Member of Board of Directors of Commodity Credit Corp.)

Mueller, Frederick H. (Under Secretary, Department of Commerce)
Oechsle, Carl F. (Assistant Secretary, Department of Commerce)
Pyle, James T. (Deputy Administrator, Federal Aviation Agency)
Quesada, Elwood R. (Administrator, Federal Aviation Agency)
Saccio, Leonard J. (Deputy Director of the International Cooperation Administration, Department of State)
Strauss, Lewis L. (Secretary, Department of Commerce)
Upton, T. Graydon (Assistant Secretary, Department of the Treasury)
Upton, T. Graydon (U.S. Executive Director of the International Bank for Reconstruction and Development)
York, Herbert F. (Director of Defense Research Engineering, Department of Defense)

1959

Barnes, Bert B. (Assistant Postmaster General, Post Office Department)
Boyd, Alan S. (Member, Civil Aeronautics Board)
Craig, Winchell M. (Special Assistant on Health and Medical Affairs, Department of Health, Education, and Welfare)
Davis, Thomas W.S. (Member, Foreign Claims Settlement Commission)
Douglas, James H. (Deputy Secretary, Department of Defense)
Fitzgerald, Dennis A. (Deputy Director for Operations of the International Cooperation Administration, Department of State)
Forsythe, Robert A. (Assistant Secretary, Department of Health, Education, and Welfare)
Gates, Thomas S. Jr. (Secretary, Department of Defense)
Gilliland, Whitney (Member, Civil Aeronautics Board)
Kramer, Robert (Assistant Attorney General, Department of Justice)
Lincoln, Franklin B. Jr. (Assistant Secretary, Department of Defense)
McCallum, Phillip (Administrator, Small Business Administration)
McKibbin, John M. (Deputy Postmaster General, Post Office Department)
Moore, George M. (Asst Postmaster General, Post Office Department)
Sharp, Dudley C. (Secretary of the Air Force, Department of Defense)
Sterling, John E. W. (U.S. Advisory Commission on Educational Exchange)
Unander, Sigfrid B. (Member, Federal Maritime Board)

1960

Abbott, George W. (Assistant Secretary, Department of the Interior)
Bartholomew, Harland (Member, Advisory Board of the National Capital Transportation Agency)
Bicks, Robert A. (Assistant Attorney General, Department of Justice)
Burling, Edward Jr. (Member, Advisory Board of the National Capital Transportation Agency)
Hyde, Donald C. (Member, Advisory Board of the National Capital Transportation Agency)
Kimball, Arthur A. (Member, National Labor Relations Board)
King, Charles H. (Member, Federal Communications Commission)
Langdale, Noah N. Jr. (Member, U.S. Advisory Commission on Educational Exchange)
McCauley, Daniel J. Jr. (Member, Securities and Exchange Commission)

McConihe, F. Moran (Member, Advisory Board of the National Capital Transportation Agency)
Mills, Edward K. Jr. (Member, Federal Trade Commission)
Moss, William H. (Member, Advisory Board of the National Capital Transportation Agency)
Newbold, John L. (Member, District of Columbia Redevelopment Land Agency)
Schuler, William R. Brig Gen (Member, Mississippi River Commission)
Stevens, Theodore F. (Solicitor, Department of the Interior)
Sullivan, Mark Jr. (Commissioner of the District of Columbia)
Sweeney, Paul A. (Member, Federal Power Commission)
Vogel, H. Holmes (Administrator, National Capital Transportation Agency)
Wallace, Walter C. (Assistant Secretary, Department of Labor)
Weitzel, John P. (Assistant Secretary, Department of the Treasury)
Weitzel, John P. (U.S. Executive Director of the International Bank for Reconstruction & Development)

President John F. Kennedy (1961-1963)

1961

Alexander, Donald W. (Administrator of the Maritime Administration, Department of Commerce)
Ball, George W. (Under Secretary, Department of State)
Barrett, Ashton (Member, Federal Maritime Commission)
Behrman, Jack N. (Assistant Secretary, Department of Commerce)
Boutin, Bernard L. (Administrator, General Services Administration)
Dorfman, Ben D. (Member, U.S. Tariff Commission)
Dutton, Frederick H. (Assistant Secretary, Department of State)
Harllee, John (Commissioner, Federal Maritime Commission)
Farrell, Raymond F. (Commissioner of Immigration and Naturalization Service, Department of Justice)
Fisher, Adrian S. (Deputy Director, U.S. Arms Control and Disarmament Agency)
Foster, William C. (Director, U.S. Arms Control and Disarmament Agency)
Gaud, William S. (Assistant Administrator for Near East and South Asia, Agency for International Development)
Harlan, Neil E. (Assistant Secretary of the Air Force, Department of Defense)
Harriman, W. Averell (Assistant Secretary, Department of State)
Holland, Edwin T. (Member, Advisory Board of the National Capital Transportation Agency)
Hutchinson, Edmond C. (Assistant Administrator for Africa and Europe, Agency for International Development)
Janow, Seymour J. (Assistant Administrator for the Far East, Agency for International Development)
Korth, Fred (Secretary of the Navy, Department of Defense)
McCann, Joseph H. (Administrator, St. Lawrence Seaway Development Corporation)
McCone, John A. (Director of Central Intelligence)
McGhee, George C. (Under Secretary for Political Affairs, Department of State)
Moscoso, Teodoro (Assistant Admistrator for Latin America, Agency for International Development)
Newbold, John L. (Member, District of Columbia Redevelopment Land Agency)
Patterson, John S. (Member, Federal Maritime Commission)
Reed, James A. (Assistant Secretary, Department of the Treasury)
Rostow, Walt W. (Counselor, Department of State)
Ruder, William (Assistant Secretary, Department of Commerce)
Stakem, Thomas E. (Member, Federal Maritime Commission)
Sura, Michael H. (Superintendent of the U.S. Mint, Department of the Treasury)

1962

Belin, Gaspard d'Andelot (General Counsel, Department of the Treasury)
Bell, David E. (Administrator, Agency for International Development)
Benson, Homer L. (Member, Board of Parole, Department of Justice)
Bullitt, John C. (Assistant Secretary, Department of the Treasury)
Bullitt, John C. (U.S. Executive Director of the International Bank for Reconstruction & Development)
Carr, James A. Jr. (Member, Board Of Parole, Department of Justice)

Connor, John T. (Incorporator, Communications Satellite Corporation)
Culliton, James W. (Member, U.S. Tariff Commission)
Dale, William B. (Executive Director, International Monetary Fund)
Douglas, John W. (Assistant Attorney General, Department of Justice)
Fanning, John H. (Member, National Labor Relations Board)
Feldman, George (Incorporator, Communications Satellite Corporation)
Graham, Beardsley (Incorporator, Communications Satellite Corporation)
Harris, Sam (Incorporator, Communications Satellite Corporation)
Kaiser, Edgar F. (Incorporator, Communications Satellite Corporation)
Kennedy, David M. (Incorporator, Communications Satellite Corporation)
Keppel, Francis (Commissioner of Education, Department of Health, Education, and Welfare)
Killion, George L. (Incorporator, Communications Satellite Corporation)
Litschgi, A. Byrne (Incorporator, Communciations Satellite Corporation)
Marks, Leonard (Incorporator, Communications Satellite Corporation)
Moyers, Bill D. (Deputy Director, Peace Corps)
Sundlun, Bruce G. (Incorporator, Communications Satellite Corporation)
Weinberg, Sidney J. (Incorporator, Communications Satellite Corporation)
Woodcock, Leonard (Incorporator, Communications Satellite Corporation)

President Lyndon B. Johnson (1963-1969)

1963

None

1964

Aaron, Benjamin (Member, National Commission on Technology, Automation, and Economic Progress)
Beirne, Joseph A. (Member, National Commission on Technology, Automation, and Economic Progress)
Bell, Daniel (Member, National Commission on Technology, Automation, and Economic Progress)
Bowen, Howard R. (Member, National Commission on Technology, Automation, and Economic Progress)
Carver, John A. Jr. (Under Secretary, Department of the Interior)
Driver, W. J. (Administrator, Veterans Administration)
Haggerty, Patrick E. (Member, National Commission on Technology, Automation, and Economic Progress)
Hayes, Albert J. (Member, National Commission on Technology, Automation, and Economic Progress)
Hoffman, Anna R. (Member, National Commission on Technology, Automation, and Economic Progress)
Ignatius, Paul R. (Assistant Secretary, Department of Defense)
Jones, Mary G. (Member, Federal Trade Commission)
Land, Edwin H. (Member, National Commission on Technology, Automation, and Economic Progress)
Okun, Arthur M. (Member, Council of Economic Advisers)
Reuther, Walter P. (Member, National Commission on Technology, Automation, and Economic Progress)
Ryan, Robert H. (Member, National Commission on Technology, Automation, and Economic Progress)
Snyder, John I. (Member, National Commission on Technology, Automation, and Economic Progress)
Solow, Robert M. (Member, National Commission on Technology, Automation, and Economic Progress)
Sporn, Philip (Member, National Commission on Technology, Automation, and Economic Progress)
Young, Whitney M. (Member, National commission on Technology, Automation, and Economic Progress)

1965

Gorham, William (Assistant Secretary, Department of Health, Education, and Welfare)
Hibbard, Walter R. Jr. (Director of the Bureau of Mines, Department of the Interior)
Howe, Harold II (Commissioner of Education, Department of Health, Education, and Welfare)
Jaffe, Theodore (Member, Foreign Claims Settlement Commission)
Moe, Henry A. (Chairman, National Endowment for the Humanities)
Seamans, Robert C. Jr. (Deputy Administrator, National Aeronautics and Space Administration)

1966 and 1967

None

1968

Barr, Joseph W. (Secretary, Department of the Treasury)
Brown, William B. III (Member, Equal Employment Opportunity Commission)
Davis, Ted J. (Member of the Board of Directors, Commodity Credit Corporation)
Garcia, Hector P. (Member, Commission on Civil Rights)
Lewis, Walter B. (Assistant Secretary, Department of Housing & Urban Development)
McKaldin, Theodore R. (Member, Indian Claims Commission)
Mitchell, Maurice D. (Member, Commission on Civil Rights)
Murphy, Patrick V. (Administrator of the Law Enforcement Assistance Administration, Department of Justice)
Pomeroy, Wesley A. (Associate Administrator of the Law Enforcement Assistance Administration, Department of Justice)
Sie, Ralph G.H. (Associate Administrator of the Law Enforcement Assistance Administration, Department of Justice)
Wood, Robert C. (Secretary, Department of Housing and Urban Development)

President Richard N. Nixon (1969-1974)

1970

Gibson, Andrew E. (Assistant Secretary for Maritime Affairs, Department of Commerce)
Hunter, Allan O. (President and Chief Executive Officer, Federal National Mortgage Association)
Mardian, Robert C. (Assistant Attorney General of the Internal Security Division, Department of Justice)
Ruiz, Manuel Jr. (Member, Commission on Civil Rights)
Washburn, C. Langhorne (Assistant Secretary for Tourism, Department of Commerce)

1971

Anderson, Glenn E. (Director, Securities Investor Protection Corporation)
Braun, Theodore W. (Member of the Board of Governors, U.S. Postal Service)
Carlucci, Frank C. III (Director, Office of Economic Opportunity)
Codding, Charles H. Jr. (Member of the Board of Governors, U.S. Postal Service)
Haggerty, Patrick E. (Member of the Board of Governors, U.S. Postal Service)
Holt, Andrew D. (Member of the Board of Governors, U.S. Postal Service)
Houser, Thomas J. (Member, Federal Communications Commissioner)
Johnson, George E. (Member of the Board of Governors, U.S. Postal Service)
Kappel, Frederick R. (Member of the Board of Governors, U.S. Postal Service)
Klassen, E. T. (Member of the Board of Governors, U.S. Postal Service)
Kleppe, Thomas S. (Administrator, Small Business Administration)
Melton, Andrew J. (Director, Securities Investor Protection Corporation)
Mize, Chester L. (Member and Chairman, U.S. Tariff Commission)
Nevin, Crocker (Member of the Board of Governors, U.S. Postal Service)
Regan, Donald T. (Director, Securities Investor Protection Corporation)
Stigler, George J. (Director, Securities Investor Protection Corporation)
Walsh, Ethel B. (Member, Equal Employment Opportunity Commission)
Wells, Robert (Member, Federal Communications Commission)
Woodside, Byron D. (Director, Securities Investor Protection Corporation)
Wright, M.A. (Member of the Board of Governors, U.S. Postal Service)

1972

Erickson, Ralph E. (Assistant Attorney General for the Office of Legal Counsel, Department of Justice)
Ervin, Charles W. (Associate Director for Policy and Program Development, ACTION)
Frizzell, Dale K. (Assistant Attorney General for the Land and Natural Resources Division, Department of Justice)
Gottschalk, Robert (Commissioner of Patents, Department of Commerce)
Meyers, Tedson J. (Member, District of Columbia Council)
O'Donnell, Kevin (Associate Director for International Operations, ACTION)
Pearce, William R. (Deputy Special Representative for Trade Negotiations)
Petersen, Henry E. (Assistant Attorney General for the Criminal Division, Department of Justice)
Wiley, Richard E. (Member, Federal Communications Commission)

1972

Curtis, Thomas B. (Member of the Board of Directors,
Corporation for Public Broadcasting)
Fanning, John H. (Member, National Labor Relations Board)
Garlock, Lyle S . (Member and Chairman, Foreign Claims Settlement Commission)
Kristol, Irving (Member of the Board of Directors,
Corporation for Public Broadcasting)
McFarland, Alfred T. (Member, Interstate Commerce Commission)
Merriman, Russell F. (Federal Cochairman, New England Regional Commission)
Montejano, Rodolfo (Member, Interstate Commerce Commission)

1973 and 1974

None

President Gerald R. Ford (1974-1977)

1974 and 1975

None

1976

Garrett, Thaddeus A. Jr. (Member, Consumer Product Safety Commission)
Gorog, William E. (Executive Director, Council on International Economic Policy)
Knebel, John A. (Secretary, Department of Agriculture)
Paarlberg, Don (Assistant Secretary, Department of Agriculture)
Reifel, Benjamin (Commissioner of Indian Affairs, Department of the Interior)
Rogers, William D. (Alternate Governor, African Development Fund)
Simon, William E. (U.S. Governor, African Development Fund)
Wilson, James M. Jr. (Coordinator for Human Rights and Humanitarian Affairs,
Department of State)

President Jimmy Carter (1977-1981)

1978

Engelberg, Steven (Director, Legal Services Corporation)
Esquer, Cecilia (Director, Legal Services Corporation)
Hamilton, Charles V. (Member, National Council on the Humanities)
Hector, Louis J. (Member, National Council on the Humanities)
Holman, Carl (Member, National Council on the Humanities)
Howe, Kay (Member, National Council on the Humanities)
McGarry, John W. (Member, Federal Election Commission)
Neusner, Jacob (Member, National Council on the Humanities)
Norton, mary B. (Member, National Council on the Humanities)
Read, Sister Joel (Member, National Council on the Humanities
Rodham, Hillary (Director, Legal Services Corporation)
Seignious, George M. Lt Gen (Director, U.S. Arms Control and Disarmament Agency)
Snyder, John W. (Director, Harry S Truman Scholarship Foundation)
Stein, Leon (Member, National Council on the Humanities)
Trudell, Richard (Director, Legal Services Corporation)
White, John P. (Deputy Director, Office of Management and Budget)
Worthy, Josephine (Director, Legal Services Corporation)
Yarborough, Richard W. (Member, Foreign Claims Settlement Commission)
Zimmerman, Harriet M. (Member, National Council on the Humanities)

1979

Campbell, Alan K. (Director, Office of Personnel Management)
Dillman, James J. (Member, National Commission on Social Security)
Frazier, Harry B. (Member, Federal Labor Relations Authority)
Goldschmidt, Neil (Secretary, Department of Transportation)
Gwirtzman, Milton S. (Chairman, National Commission on Social Security)
Haughton, Ronald W. (Chairman, Federal Labor Relations Authority)
Lubbers, William A. (General Counsel, National Labor Relations Board)
McNaughton, Donald S. (Member, National Commission on Social Security)
Prokop, Ruth K. (Chairman, Merit Systems Protection Board)
Rodgers, David H. (Member, National Commission on Social Security)
Sugarman, Jule M. (Deputy Director, Office of Personnel Management)
Sullivan, William J. (Member of the Board of Governors,
United States Postal Service)
Swygert, H. Patrick (Special Counsel, Merit Systems Protection Board)
Wruble, Bernhardt K. (Director of the Office of Government Ethics,
Office of Personnel Management)

1980

Beckham, William J. (Deputy Secretary, Department of Transportation)
Bracewell, Joseph S. (President, Solar Energy & Energy Conservation Bank)
Cleary, Catherine B. (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Coleman, Lynn R. (Deputy Secretary, Department of Energy)
DeButts, John D. (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Driver, William J. (Commissioner of Social Security,
Department of Health and Human Services)
Earle, Ralph II (Director, U.S. Arms Control and Disarmament Agency)
Emerson, Ralph W. (Member, Foreign Claims Settlement Commission)
Harris, Laird F. (Assistant Director, Community Services Administration)
Hyde, Wallace N. (Member of the Board of Governors, United States Postal Service)
Kirkland, Lane (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
McDonald, Alice C. (Member, National Council on Educational Research)
Mercure, Alex P. (Under Sec of Agriculture for Small Community
and Rural Development, Department of Agriculture)
Savage, Frank (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Sawhill, John C. (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Seignious, George M. II Lt Gen (Member of the General Advisory Committee,
U.S. Arms Control & Disarmament Agency)
Smith, William L. (Commissioner of Education, Department of Education)
Thomas, Harold L. (Assistant Director, Community Services Administration)
Truesdale, John (Member, National Labor Relations Board)

1981

Askanase, Reuben W. (Member of the Board of Directors,
Corporation for Public Broadcasting)
Beals, Melba (Member of the Board of Directors,
Corporation for Public Broadcasting)
Connell, John (Member, National Museum Services Board)
Fredericks, Thomas M. (Assistant Secretary, Department of the Interior)
Graham-Wheeler, Dorothy (Member, National Museum Services Board)
Klyberg, Albert T. (Member, National Museum Services Board)
Thomson, Vernon (Member, Federal Election Commission)

President Ronald Reagan (1981- 1985)

1981

Aikens, Joan D. (Member, Federal Elections Commission)
Bennett, William J. (Chairman, National Endowment for the Humanities)
Chambers, Terry (Alternate Federal Co-Chairman of Eight Regional Commissions)
Dana, Howard H. Jr. (Member of the Board of Directors, Legal Services Corporation)
Ellingwood, Herbert E. (Member and Chairman, Merit Systems Protection Board)
Elliot, Lee Ann (Member, Federal Elections Commission)
Harvey, William F. (Member of the Board of Directors, Legal Services Corporation)
Hunter, Robert P. (Member, National Labor Relations Board)
McDonald, Danny Lee (Member, Federal Elections Commission)
Paras, George E. (Member of the Board of Directors, Legal Services Corporation)
Sandstrom, Marc (Member of the Board of Directors, Legal Services Corporation)
Satterfield, David E. III (Member of the Board of Directors, Legal Services Corporation)
Shattuck, Cathie A. (Member, Equal Employment Opportunity Commission)
Olson, William J. (Member of the Board of Directors, Legal Services Corporation)
Stubbs, Robert S. II (Member of the Board of Directors, Legal Services Corporation)
Van de Water, John (Member, National Labor Relations Board)

1982

Backley, Richard V. (Member, Federal Mine Safety and Health Review Commission)
Bentley, Orville (Assistant Secretary for Science and Agriculture, Department of Agriculture)
DeMoss, Harold R. Jr. (Member Board of the Directors, Legal Services Corporation)
Donatelli, Frank J. (Member of the Board of Directors, Legal Services Corporation)
Feldstein, Martin S. (Member, Council of Economic Advisors)
Hesse, Martha O. (Assistant Secretary for Management and Administration, Department of Energy)
Hodel, Donald P. (Secretary, Department of Energy)
Hume, Caroline H. (Member, National Museum Services Board)
Johnson, Manuel H. (Assistant Secretary for Economic Policy, Department of the Treasury)
Knapp, Edward A. (Director, National Science Foundation)
Lesher, William G. (Member of the Board of Directors, National Consumer Cooperative Bank)
McKee, Clarence V. (Member of the Board of Directors, Legal Services Corporation)
Miller, John C. (Member, National Labor Relations Board)
Moffett, Kenneth E. (Director, Federal Mediation & Conciliation Service)
Nelson, L. Clair (Member, Federal Mine Safety & Health Review Commission)
Rathburn, Daniel M. (Member of the Board of Directors, Legal Services Corporation)
Slaughter, Annie L. (Member of the Board of Directors, Legal Services Corporation)

1983

Barksdale, Maurice L. (Assistant Secretary and Federal Housing Administrator, Department of Housing and Urban Development)
Bright, Simeon M. (Commissioner, Postal Rate Commission)
Bush, Mary K. (U.S. Alternate Executive Director, International Monetary Fund)
DiSabato, Louis R. (Member, National Museum Services Board)
Frankum, Ronald B. (Member of the Board of Directors, Legal Services Corporation)
Gersten, Linda Chavez (Staff Director, Civil Rights Commission)
Grose, Vernon L. (Member, National Transportation Board)
Hanley, William L. (Member of the Board of Directors, Corporation for Public Broadcasting)
Lee-Miller, Stephanie (Assistant Secretary for Public Affairs, Department of Health & Human Services)
Lenkowsky, Leslie (Deputy Director, United States Information Agency)
Masson, Milton M. (Member of the Board of Directors, Legal Services Corporation)
McCarthy, Robert E. (Member of the Board of Directors, Legal Services Corporation)
Middendorf, J. William II (Member of the Board of Directors, Inter-American Foundation)
Motley, Langhorne A. (Member of the Board of Directors, Inter-American Foundation)
Patrick, Dennis R. (Member, Federal Communications Commission)
Peters, Ruth O. (Member of the Board of Governors, U.S. Postal Service)
Phillips, Harold K. (Member of the Board of Directors, Inter-American Foundation)
Santarelli, Donald E. (Member of the Board of Directors, Legal Services Corporation)
Shapiro, E. Donald (Member of the Board of Directors, Legal Services Corporation)
Tuttle, Donna F. (Under Secretary for Travel and Tourism, Department of Commerce)

1984

Adams, Elizabeth H. (Member, National Advisory Council on Women's Education Programs)
Allen, William B. (Member, National Council on the Humanities)
Angrisani, Albert (Member of the Board of Directors, Legal Services Corporation)
Azcuenaga, Mary L. (Member, Federal Trade Commission)
Benavides, Hortencia (Member of the Board of Directors, Legal Services Corporation)
Bernstein, LeaAnne (Member of the Board of Directors, Legal Services Corporation)
Bloch, Erich (Director, National Science Foundation)
Broadbent, Robert N. (Assistant Secretary for Water and Science, Department of the Interior)
Buckley, Elliot R. (Member, Occupational Safety and Health Review Commission)
Collyer, Rose M. (General Counsel, National Labor Relations Board)

Corcoran, Maureen E. (General Counsel, Department Education)
Corcoran, Tom (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Cresimore, Mary J.C. (Member, National Council on the Humanities)
Dawson, Carol G. (Member, Consumer Products Safety Commission)
Durant, William C. III (Member of the Board of Directors,
Legal Services Corporation)
Eaglin, Paul B. (Member of the Board of Directors,
Legal Services Corporation)
Elsner, Robert (Member, Marine Mammal Commission)
Ensley, Melvin A. (Member of the Federal Farm Credit Board,
Farm Credit Administration)
Ferrara, Peter J. (Member of the Board of Directors,
Legal Services Corporation)
Griesemer, John N. (Member of the Board of Governors, U.S. Postal Service)
Guiton, Henrietta F. (Member, Postal Rate Commission)
Hall, Marianne M. (Commissioner of Copyright Royalty Tribunal)
Hughes, Richard H. (Member of the Board of Directors, Export-Import Bank)
Jones, Richard H. (Deputy Administrator of the Federal Aviation
Administration, Department of Transportation)
Kass, Leon R. (Member, National Council on the Humanities)
Keisler, Peter D. (Member, National Advisory Council on Women's
Educational Programs
Kennickell, Ralph E. Jr. (Public Printer and Head of
Government Printing Office)
Kilpatrick, Kathleen S. (Member, National Council on the Humanities)
Lastowka, James A. (Member, Federal Mine Safety and Health Review Commission)
Laxalt, Robert (Member, National Council on the Humanities)
Livingston, Dodie T. (Chief of the Children's Bureau,
Department of Health & Human Services)
MacAvoy, Paul W. (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
MacDonald, Donald I. (Administrator, Alcohol, Drug Abuse & Mental Health,
Department of Health and Human Services)
McGinnis, William J. Jr. (Member, Federal Labor Relations Board)
Mendez, Pepe J. (Member of the Board of Directors, Legal Services Corporation)
Merklein, Helmut A. (Administrator of the Energy Information Administration,
Department of Energy)
Miller, Lorain (Member of the Board of Directors, Legal Services Corporation)
Naftzger, Pauline C. (Member, National Museum Services Board)
Nitze, Paul H. (Special Representative for Arms Control
and Disarmament Negotiations)
Peden, Mae N. (Assistant Administrator, Agency for International Development)
Philbin, Edward J. (Member, Federal Maritime Commission)
Pryor, Karen (Member, Marine Mammal Commission)
Reichl, Eric (Member of the Board of Directors,
U.S. Synthetic Fuels Corporation)
Rowland, Robert A. (Associate Secretary and Director of Occupational, Safety,
and Health Administration, Department of Labor)
Schall, James V. (Member, National Council on the Humanities)
Schlicher, Barbara W. (Member of the Board of Directors,
National Corporation for Housing Partnerships)

Seger, Martha R. (Member, Board of Governors, Federal Reserve System)
Shannon, John W. (Assistant Secretary of the Army, Department of Defense)
Silberman, Rosalie (Member, Equal Employment Opportunity Commission)
Smegal, Thomas F. Jr. (Member of the Board of Directors,
Legal Services Corporation)
Swafford, Claude G. (Member of the Board of Directors,
Legal Services Corporation)
Taylor, Helen M. (Member, National Council on the Humanities)
Uddo, Basile J. (Member of the Board of Directors, Legal Services Corporation)
Valois, Robert A. (Member of the Board of Directors,
Legal Services Corporation)
Waldman, Frieda (Member of the Board of Governors, U.S. Postal Service)
Wallace, Michael B. (Member of the Board of Directors,
Legal Services Corporation)
Ward, John D. (Director of the Office of Surface Mining Reclamation and
Enforcement, Department of the Interior)
Zech, Lando W. Jr. (Member, Nuclear Regulatory Commission)

RG:db

INTRA-SESSION RECESS APPOINTMENTS BY THE LAST FOUR PRESIDENTS
Submitted by Senator Garn

Congressional Research Service
The Library of Congress

Washington, D.C. 20540

July 11, 1984

TO : Senate Committee on Banking, Housing, and Urban Affairs
Attention: Linda Zemke

FROM : Richard Ehlke
Specialist in American Public Law
American Law Division

LEGAL ISSUES RAISED BY RECESS APPOINTMENT TO BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

This report highlights legal issues raised by the recess appointment by President Reagan of Martha Seger to the Board of Governors of the Federal Reserve System.

The President appointed Ms. Seger to the Board on July 2, 1984. She had been previously nominated by the President to replace Nancy Teeters on the Board and her nomination was favorably reported by the Senate Banking Committee by a 10-8 vote on June 28. The Senate adjourned for the July 4th holiday and the Democratic convention on June 29 without acting on the nomination. 30 Cong. Rec. S 8978 (daily ed. June 29, 1984). It will stand adjourned until Monday, July 23 at 12 noon. Id.

The President can point to two possible sources of authority for the July 2 appointment. Article II, Section 2, Clause 3 of the Constitution empowers him "to fill up all Vacancies that may happen during the Recess of the Senate, by granting Commissions which shall expire at the End of their next Session." With respect to members of the Board of Governors of the Federal Reserve System, he is also statutorily authorized "to fill all vacancies that may happen on the Board of Governors of the Federal Reserve System during the recess of the Senate by granting commissions which shall expire with the next session of the Senate." 12 U.S.C. 245 (1982).

Members of the Board of Governors of the Federal Reserve System would clearly seem to be the type of officers of the United States to which the Constitution's recess appointment clause is applicable. Compare, McCalpin v. Dana, C.A. No. 82-542 (D.D.C. Sept. 30, 1982) argued on appeal, No. 82-2318 (D.C. Cir. Oct. 20, 1983) (recess appointment clause applicable to Legal Services Corporation). The phrase "Vacancies that may happen during the Recess of the Senate" has also been interpreted to mean "happen to exist" during a recess. Therefore, whenever a vacancy may have occurred in the first instance or for whatever reason, if it still continues after the Senate has ceased to sit, the President may fill it by recess appointment. In Re Farrow, 3 Fed. 112 (N.D. Ga. 1880); 41 Op. A.G. 463, 465 (1960) and authorities cited therein.

The more difficult question in the case of this appointment is whether the current 23-day recess of the Senate constitutes a "Recess" for purposes of the Constitution. The Framers of the Constitution were silent as to the intended scope of the recess appointment clause. A recess for such purposes was initially conceived to be the period after the final adjournment of Congress for the session and before the next session began. 23 Op. A.G. 599 (1901). However, it has more recently been interpreted to include lengthy adjournments during a session. The periods August 24 to September 21, 1921 (29 days), July 3, 1960 to August 8, 1960 (36 days), and August 2 to September 4, 1979 (33 days) have been seen as recesses during which appointments can be made. 33 Op. A.G. 20 (1921); 41 Op. A.G. 463 (1960); 1979 Opinions of Office of Legal Counsel 314 (Aug. 3, 1979).

The 1921 Attorney General's Opinion applied the definition of "recess"

adopted by the Senate Judiciary Committee in 1905, namely, "the period of time when the Senate is not sitting in regular or extraordinary session as a branch of the Congress, or in extraordinary session for the discharge of executive functions, when its members owe no duty of attendance; when its Chamber is empty; when, because of its absence, it can not receive communications from the President or participate as a body in making appointments." S. Rept. No. 4389, 58th Cong., 3d Sess. 2 (1905) (emphasis in original). The Attorney General recognized that the term had to be given a practical construction and doubted whether short recesses of 2 or even 10 days would constitute a recess for purposes of the constitutional provision. He ultimately approved of the exercise of the recess appointment power during the 29-day recess at issue. 33 Op. A.G. 20 (1921); 1979 Opinions of Office of Legal Counsel 314, 315; see also, 28 Comp. Gen. 30 (1948) (Comptroller General noting approval of intra-session recess appointment).

The pocket-veto case, Kennedy v. Sampson, 511 F. 2d 430 (D.C. Cir. 1974), has apparently also influenced the view of the propriety of recess appointments during short recesses of the Senate. The court in Kennedy struck down the exercise of the President's pocket veto power during a 6-day intrasession adjournment of the Congress. The Constitution provides that a bill becomes law if not returned by the President after presentment within 10 days, "unless the Congress by their Adjournment prevent its Return, in which Case it shall not be a Law." Art. I, Sec. 7, cl. 2. The case cast doubt on the validity of all intrasession pocket vetoes, not only those of short duration, and presidents have since limited their pocket vetoes to between sessions or after a Congress has finally adjourned. See, Barnes v. Carmen, 582 F. Supp. 163 (D.D.C. 1984) (upholding inter-session pocket veto). Furthermore, the Department of Justice, while asserting the validity of a recess appointment during

a 33-day intrasession recess, nevertheless advised President Carter that "in view of the functional affinity between the pocket veto and recess appointment powers, Presidents during recent years have been hesitant to make recess appointments during intrasession recesses of the Senate." 1979 Opinions of Office of Legal Counsel 314, 316 (1979).

The upshot of the foregoing discussion is that the question whether a recess is one of sufficient duration during which a recess appointment can be made is unresolved by the courts and executive branch legal officers. Available authority would seem to cast doubt on the legitimacy of appointments during very short recesses. Where to draw the line, however, is problematic and definitive resolution of that question must await litigation.

Recess appointees' commissions expire "at the End of [the Senate's] next Session." The reconvening of the Senate during the same session after an adjournment is not regarded as the "next Session" within the meaning of the constitutional provision. See, 41 Op. A.G. 463, 470-1 (1960); 28 Comp. Gen. 121, 126 (1948). Thus, the terms of current intrasession recess appointees run until the end of the 99th Congress, 1st Session which is likely to be in late 1985. The President may remove a recess appointee before expiration of his term, either by outright removal or having another nominee confirmed by the Senate. Senate rejection of the recess appointee's nomination, however, does not constitute removal, and the rejected nominee may still hold office under the Constitution until the termination of the session. In re Marshalship, 20 F. 379 (D. Ala. 1884).

Several statutes impact on the pay of recess appointees. In the above situation of subsequent Senate rejection of the nomination of a person holding a recess appointment, the Second Continuing Resolution for fiscal

year 1984 incorporated the terms of H.R. 4139, the Treasury, Postal Service and General Government Appropriations Act, that, in turn, included a provision (which has appeared in the law for several years) that "No part of any appropriation for the current fiscal year contained in this or any other Act shall be paid to any person for the filling of any position for which he or she has been nominated after the Senate has voted not to approve the nomination of said person." H.R. 4139, § 606, as incorporated in Public Law 98-151, § 101(f), 97 Stat. 973 (1983).

Congress has also prohibited paying the salaries of certain classes of recess appointees until they are confirmed by the Senate. Payment for services from the Treasury is barred if a recess appointment is made to fill a vacancy that existed while the Senate was in session. 5 U.S.C. 5503(a). However, the prohibition does not apply if (1) the vacancy arose within 30 days before the end of the session, (2) a nomination for the office (other than the nomination of a person appointed during the preceding recess of the Senate) was pending at the end of the session, or (3) if a nomination for the office was rejected within 30 days of the end of the session and a person other than the rejected nominee receives the recess appointment. 5 U.S.C. 5503 (a) (1)-(3). The law also requires nominations to fill the above referred-to vacancies to be submitted to the Senate 40 days after the beginning of the next session of the Senate. The term "session", in this context, has been interpreted to mean the next time the Senate convenes and does not have the same meaning as the term in the recess appointment clause. See, 28 Comp. Gen. 30, 37 (1948); 41 Op. A.G. 463, 473-5 (1960). Senate rules provide that in the case of a recess for more than 30 days, nominations not acted upon are returned to the President and will not be considered unless resubmitted. S. Rule 31(6). The Attorney General has

has advised that recess appointees' nominations be resubmitted upon the reconvening of the Senate in order to preserve the pay of the nominees under 5 U.S.C. 5503(b) and to inform the Senate that a recess appointment had been made. 41 Op. A.G. at 476-8.

The pay cut-off provisions must also be seen in conjunction with the statutory prohibition on voluntary governmental service. 31 U.S.C. 1342. Thus, continued service by a recess appointee until the end of his constitutionally prescribed term could run afoul of this provision if the appointee's salary is terminated. See, 41 Op. A.G. at 480.

Thus, with respect to recess appointees, in general, whose nominations were pending prior to the Senate recess of June 29, the salary bar in 5 U.S.C. 5503 would not apply. However, the salaries of Federal Reserve Board members do not appear to be paid from appropriated funds but derive from assessments levied by the Board upon the Federal reserve banks. 12 U.S.C. 243. Therefore, neither the title 5 salary provisions (which relate to payments of salaries from the Treasury) nor the Second Continuing Resolution (which speaks in terms of appropriated funds) would seem to be applicable to Federal Reserve Board recess appointees.

Whether the President is required to actually resubmit a recess appointee's nomination when the Senate reconvenes on July 23 is not clear. The Senate Rules indicate that the nomination would carry over the 23-day recess. In an analogous situation, however, the Attorney General has recommended that such nominations nevertheless be resubmittted. 41 Op. A.G. at 476. Finally, the validity of these salary termination provisions, while seemingly assumed by the Attorney General in the above cited opinion, has, nevertheless, not been tested in court. An argument could be made that statutes that effectively prevent a recess appointee from completing his or her constitutionally pre-

scribed term interfere with the President's constitutional prerogative to make such appointments. The question was noted but not answered in Staebler v. Carter, a case upholding a recess appointment to the Federal Election Commission. 464 F. Supp. 585, 596 n. 24 (D.D.C. 1979). Again, the seeming inapplicability of the provisions to the Seger appointment would render that question moot in her case.

II

The provision in 12 U.S.C. 245 is a unique statutory recognition of recess appointive power. On its face, it differs from the constitutional provision in providing that recess appointments expire "with the next session of the Senate" rather than "at the End of [the Senate's] next Session." Thus, it might be argued that the statute delegates a recess appointive power outside the constitutional provision, a power that may be more circumscribed in terms of the duration of a recess appointee's term of office but one that flows from statute and, therefore, need not carry the interpretive baggage that the constitutional provision may have.

However, the legislative history makes clear that the provision is intended to track the constitutional appointive power. As originally enacted in 1913, the law provided that recess appointments would expire 30 days after language with the current language. The amendment was deemed "necessary to make the provision conform with Article II of the Constitution of the United States and has no other effect." H. Rept. No. 885, 67th Cong. 2d Sess 2 (1922); See also, 62 Cong. Rec. 7502, 7519 (1972). No explanation was given as to why the precise language of the Constitition was not utilized. While the language of the provision is not as clear as the constitutional language with respect to duration of appointment (i.e., "with the next session" could be read as

meaning with the commencement of the next session), it can be interpreted, without doing violence to the terms of the statute, to mean expiration at the end of the session. The legislative history confirms that that was the intent of the provision. Given the intended conformity between 12 U.S.C. 245 and the constitutional provision, it is unlikely a court would interpret the statute as delegating authority that it is not already delegated by the constitutional provision.

III

In conclusion, the validity of the recess appointment of Martha Seger to the Federal Reserve Board depends on whether the 23-day recess of the Senate for the July 4th holiday and Democratic convention is a "recess" for purposes of the constitutional recess appointment clause. The constitutional provision was adopted without debate. Most of the legal authority on the interpretation of the recess appointment clause is contained in Attorney General opinions. These opinions have approved of recess appointments during comparable summer recesses of the Senate of 29,33 and 36 days. The question is one of line-drawing and the opinions have recognized that appointments during very short recesses of 5 or 10 days would be suspect.

A recess appointee's term runs until the end of the next session of Congress. Thus, Ms. Seger's term, under her recess appointment, would not expire until the end of the 99th Congress, 1st Session, late in 1985. Furthermore, she may serve out that term even if the Senate rejects her nomination when it reconvenes.

Since the Seger nomination was pending when the Senate recessed, 5 U.S.C. 5503 would not operate to prohibit her from receiving her salary pending Senate confirmation. Furthermore, since Federal Reserve members' salaries are not paid from appropriated funds, that provision and the appropriations rider would not appear to operate in the case of recess appointments to the Board. With respect to other recess appointees, if the rider terminating salary upon Senate rejection of the nomination is triggered, the recess appointee is confronted with the prospect of completing his or her constitutionally prescribed term without pay. Such service could run afoul of the statutory prohibition on voluntary government service in 31 U.S.C. 1342. On the other hand, it could be argued that pay restrictions imposed on recess appointees that effectively prevent them from serving interfere with a constitutional prerogative of the President and are therefore subject to challenge. We are not aware of the pay cut-off having been triggered and, while the question of the validity of such pay restrictions was noted in Staebler v. Carter, 464 F. Supp. 585 (D.D.C. 1979), it was not addressed.

Richard Ehlke
Specialist in American Public Law
American Law Division
July 11, 1984
As amended, July 12, 1984

INTRA-SESSION Recess appointees by President Carter:

Recess: August 3, 1979 (4:40 p.m.) - September 5, 1979 (11:00 a.m.) (31 days):

8/10/79 Neil Goldschmidt, Secretary of Transportation

96th CONGRESS, SECOND SESSION

Recess: October 2, 1980 (2:29 a.m.) - November 12, 1980 (11:00 a.m.) (39 days):

10/3/80 Donald F. McHenry, Representative to United Nations General Assembly 4/
William J. vanden Heuvel, Representative to United Nations General Assembly 4/
Hannah D. Atkins, Representative to United Nations General Assembly 4/
Nathan Landrow, Alternate Representative to United Nations General Assembly 4/
Barbara Newsom, Alternate Representative to United Nations General Assembly 4/
Richard W. Petree, Alternate Representative to United Nations General Assembly 4/
H. Carl McCall, Alternate Representative to United Nations General Assembly 4/

10/5/80 John C. Sawhill, Director, Synthetic Fuels Corporation
Lane Kirkland, Director, Synthetic Fuels Corporation
Frank Savage, Director, Synthetic Fuels Corporation
Catherine B. Cleary, Director, Synthetic Fuels Corporation
John D. DeButts, Director, Synthetic Fuels Corporation

10/17/80 Laird F. Harris, Assistant Director, Community Services Administration
Harold L. Thomas, Assistant Director, Community Services Administration

10/23/80 Alex P. Mercure, Under Secretary of Agriculture for Small Community and Rural Development
John Truesdale, Member, National Labor Relations Board

INTRA-SESSION Recess appointees by President Nixon:

91st CONGRESS, SECOND SESSION

Recess: October 14, 1970 (4:07pm) - November 16, 1970 (12 noon) (31 days):

10/21/70 — Andrew Edward Gibson, Assistant Secretary of Commerce for Maritime Affairs.
C. Langhorne Washburn, Assistant Secretary of Commerce for Tourism.

10/24/70 — Hubert Pair, Judge of the District of Columbia Court of Appeals.
Walter Yeagley, Judge of the District of Columbia Court of Appeals.
Gerard Reilly, Judge of the District of Columbia Court of Appeals.

11/7/70 — Robert C. Mardian, Assistant Attorney General in charge of the Internal Security Division of the Department of Justice.

92nd CONGRESS, SECOND SESSION

Recess: June 30, 1972 (9:29pm) - July 17, 1972 (12 noon) (16 days):

7/13/72 — Thomas B. Curtis, Member of the Board of Directors of the Corporation for Public Broadcasting.

less than Soger's 23 days

INTRA-SESSION Recess appointees by President Reagan:

97th Congress, First Session

Recess: August 3, 1981 (3:16pm) - September 9, 1981 (12 noon) 35 days

8/7/81 Terry Chambers, Alternate Federal Co-Chairman of eight Regional Commissions (8/7/81)
8/13/81 John Van de Water, Member of the National Labor Relations Board (6/18/81)
Robert P. Hunter, Member of the National Labor Relations Board (6/18/81)
8/19/81 Richard W. Murphy, Ambassador to Saudi Arabia (7/28/81)

97th Congress, Second Session

Recess: August 20, 1982 (2:28pm) - September 8, 1982 (12 noon) 19 days

9/7/82 Richard V. Backley, Member of the Federal Mine Safety and Health Review Commission (9/7/82)

Recess: October 2, 1982 (2:12am) - November 29, 1982 (12 noon) 56 days

10/6/82 L. Clair Nelson, Member of the Federal Mine Safety and Health Review Commission (9/15/82)
10/14/82 Martin S. Feldstein, Member of the Council of Economic Advisors (8/6/82)
11/5/82 Donald P. Hodel, Secretary of Energy (11/5/82)

98th Congress, First Session

Recess: January 3, 1983 (1:19pm) - January 25, 1983 (12 noon) 20 days

1/21/83 Milton M. Masson, Member of the Board of Directors of the Legal Services Corporation (1/21/83)
Robert E. McCarthy, Member of the Board of Directors of the Legal Services Corporation (1/21/83)
Donald Eugene Santarelli, Member of the Board of Directors of the Legal Services Corporation (1/21/83)
E. Donald Shapiro, Member of the Board of Directors of the Legal Services Corporation (1/21/83)

Recess: August 4, 1983 (7:03pm) - September 12, 1983 (12 noon) 29 days

8/16/83 Linda Chavez Gersten, Staff Director of the Civil Rights Commission (5/25/83)
9/6/83 J. William Middendorf, II, Member of the Board of Directors of the Inter-American Foundation (9/6/83)
Langhorne A. Motley, Member of the Board of Directors of the Inter-American Foundation (9/6/83)
9/12/83 William Lee Hanley, Member of the Board of Directors of the Corporation for Public Broadcasting (9/12/83)
N.B.: The recess appointment was signed at 11:30 am on September 12, 1983.

98th Congress, Second Session

Recess: June 29, 1984 (7:09pm) - Due to reconvene July 23, 1984 (12 noon) 23 days

7/2/84 Martha R. Seger, Member of the Board of Governors of the Federal Reserve System (5/31/84)
Robert N. Broadbent, Assistant Secretary of the Interior (Water and Science) (5/18/84)
William Barclay Allen, Member of the National Council on the Humanities (4/13/84)
Mary Josephine Conrad Cresimore, Member of the National Council on the Humanities (4/13/84)
Leon Richard Kass, Member of the National Council on the Humanities (4/13/84)
James Vincent Schall, Member of the National Council on the Humanities (4/13/84)
Kathleen S. Kilpatrick, Member of the National Council on the Humanities (4/13/84)
Helen Marie Taylor, Member of the National Council on the Humanities (4/13/84)
Robert Laxalt, Member of the National Council on the Humanities (5/17/84)
Dodie Truman Livingston, Chief of the Children's Bureau, Department of Health and Human Services (5/29/84)
Erich Bloch, Director of the National Science Foundation (6/6/84)
Melvin A. Ensley, Member of the Federal Farm Credit Board of the Farm Credit Administration (6/28/84)
Marianne Mele Hall, Commissioner of the Copyright Royalty Tribunal (5/8/84)

CUNA

Credit Union National Association, Inc.
5710 MINERAL POINT RD. • BOX 431 • MADISON, WI 53701 • 608-231-4000

HAROLD T. WELSH
Chairman
544 Beckman Drive
Kankakee, IL 60901
Business: 815/937-7449
Residence: 815/933-1943

March 26, 1985

Chairman Jake Garn
U.S. Senate
Washington, DC 20510

Dear Senator Garn:

The Senate will soon be asked to confirm the nomination of Dr. Martha R. Seger for a 14-year term on the Federal Reserve Board. On behalf of the Credit Union National Association (CUNA), I strongly endorse this nomination.

We in the credit union movement feel that Dr. Seger's academic credentials and regulatory background comprise an extraordinarily diverse blend of experience. As professor of finance at the Central Michigan University and the University of Michigan, as Banking Commissioner for Michigan's state-chartered financial institutions, as financial economist at the Federal Reserve, and as a member of the Federal Reserve Board, Dr. Seger has demonstrated an impressive combination of analytical and practical expertise. During her tenure as a state regulator, credit unions enjoyed a cordial and productive working relationship with her. In addition, she recently delivered an informative address at the largest credit union gathering ever held.

CUNA represents 18,500 federally and state-chartered credit unions, serving more than 50 million members. These credit unions, specializing in the consumer credit needs of working America, applaud the standards of excellence and public service demonstrated by Dr. Seger in her professional career.

On behalf of the credit union movement, I ask for your expeditious approval of the Federal Reserve Board nomination of Dr. Martha Seger.

Sincerely,

Harold T. Welsh

Harold T. Welsh
Chairman

western union **Telegram**

NAB012(1109)(4-008743S085)PD 03/26/85 1036

ICS IPMBNGZ CSP
3135573200 POM TDBN SOUTHFIELD MI 57 03-26 1036A EST
PMS SENATOR JAKE GARN RPT DLY MGM
CAPITOL ONE DC 20510

TOMORROW (MARCH 27) THE SENATE BANKING COMMITTEE WILL BE CONSIDERING THE NOMINATION OF DR. MARTHA SEGER TO THE FEDERAL RESERVE BOARD. PLEASE BE ADVISED THAT THE MICHIGAN CREDIT UNION LEAGUE, REPRESENTING 670 MICHIGAN CREDIT UNIONS, WHOLEHEARTEDLY SUPPORTS DR. SEGER'S APPOINTMENT. BASED ON FIRST-HAND KNOWLEDGE AND EXPERIENCE, WE BELIEVE SHE IS EMINENTLY QUALIFIED FOR THAT MOST IMPORTANT POSITION.

KENYAN E. BIXBY, PRESIDENT AND CHIEF EXECUTIVE OFFICER

W.U. 1201-SF (R5-69)

western union **Telegram**

MICHIGAN CREDIT UNION LEAGUE
PO BOX 5210
DETROIT, MICHIGAN 48235
PO BOX 5210
DETROIT MI 48235
NNNN

House of Representatives
Washington, D. C. 20515

William S. Broomfield
19th District, Michigan

Foreign Affairs
Ranking Member

February 20, 1985

Honorable Jake Garn
Chairman
Committee on Banking, Housing,
and Urban Affairs
Room SD-534 Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

It is my understanding that the nomination of my constituent and good friend, Dr. Martha Seger, has again been submitted to your Committee for confirmation to a seat on the Federal Reserve Board.

In view of Dr. Seger's appearance before your Committee for four days of hearings last year and her service as an active member of the Board in recent months, I was wondering whether a date could be set for whatever further hearings are required this year.

Needless to say, Dr. Seger is most anxious to have this additional step behind her as expeditiously as possible so that she can continue to devote her full energies to her work at the Federal Reserve.

I have followed the progress of your space flight training with admiration and hope you have a safe and productive journey aboard the shuttle.

Sincerely,

Bill Broomfield

William S. Broomfield
Member of Congress

cc: [illegible]/LS

Michigan Retailers Association

Larry L. Meyer
President
Chief Executive Officer

January 11, 1985

The Honorable Jake Garn
United States Senate
Chairman - Committee on Banking,
Housing and Urban Affairs
SB-534 Dirksen Building
Washington, D.C. 20510

Dear Senator:

On behalf of the board of directors of the Michigan Retailers Association, we would like to urge your support of the nomination of Dr. Martha Seger to be a member of the Board of Governors of the Federal Reserve System. We have worked extensively with Dr. Seger and have found her to be exceptionally well qualified academically to deal with the complex problems and issues associated with a position as Governor of the Federal Reserve System. In addition, she possesses a great deal of practical knowledge because of her experience in the private sector.

We have followed the extensive confirmation hearings which were held by your committee last June, and feel that she has demonstrated in her hours of testimony that she is capable of handling the appointment. We would like to urge your committee to expeditiously report her nomination to the floor of the Senate for confirmation.

Thank you for consideration of this request.

Sincerely,

Larry L. Meyer

LLM/mb

cc: The Honorable Donald Riegle
The Honorable Carl Levin

221 North Pine St. Lansing, Michigan 48933 517/372-5656

UNION CARBIDE CORPORATION OLD RIDGEBURY ROAD, DANBURY, CT 06817
1985 APR -1 PM 2:54
PHONE: (203) 794-4845

JAMES F. SMITH
CHIEF ECONOMIST
Corporate Strategic Planning

March 29, 1985

The Honorable Jake Garn
Chairman
Committee on Banking
United States Senate
Washington, DC 20510

Dear Senator Garn:

I read with surprise in yesterday's Wall Street Journal that Senator Proxmire thought that one of the biggest problems with confirming Martha Seger as a member of the Board of Governors of the Federal Reserve System is her belief that the U.S. economy can grow at a 4 per cent or better pace in real terms for the next decade with productivity growth of 3 per cent over the period. Many of us in the private sector, as well as such leading analysts of productivity as Professor John Kendrick, believe that these targets are easily attainable if the Federal Reserve provides money growth at a reasonably stable and steadily declining pace and if you and your colleagues adopt something like the current resolution from the Senate Budget Committee and continue to restrain the growth of Federal spending.

Her forecast is no higher than mine and there are many others in this same range, which is not so high as the U.S. economy actually achieved in the 1950's and the 1960's.

Yours very truly,

/nd

Society of Consumer Affairs Professionals in Business

SOCAP **Great Lakes Chapter**

1985 APR -1 PM 2:29

March 28, 1985

Senator Donald Riegle
SD 105
Dirksen Senate Office Building
Washington, D.C. 20510

Senator Riegle:

As President of the Great Lakes Chapter of the Society of Consumer Affairs Professionals in Business, I am writing to solicit your support for the appointment of Dr. Martha Seger to the Federal Reserve Board.

Dr. Seger's past experience and reputation leads me to believe that she is a most qualified candidate. I, therefore, ask you to take action to ensure the confirmation of a fellow Michiganian to this important position.

Sincerely,

Genell T. Scheurell
President
Great Lakes Chapter SOCAP

cc: Senator Jake Garn
504
Dirksen Senate Office Building
Washington, D.C. 20510

National Association of
Federal Credit Unions

P.O. Box 3769
Washington, DC 20007

703/522-4770

April 3, 1985

The Honorable Jake Garn
Chairman
Committee on Banking, Housing
and Urban Affairs
534 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Chairman Garn:

The National Association of Federal Credit Unions strongly endorses the nomination of Dr. Martha Romayne Seger to the Board of Governors of the Federal Reserve System.

Dr. Seger's academic accomplishments and professional capabilities are highly regarded by numerous businesses and organizations, including credit unions. She has distinguished herself in several positions, including Professor of Finance at the Central Michigan University and chief regulator for state-chartered financial institutions in Michigan.

Dr. Seger is currently a member of the Federal Reserve Board by virtue of a recess appointment made by President Reagan in July. However, we feel that Dr. Seger's broad-based background and expertise fully qualify her for a 14-year term to which President Reagan has nominated her.

On behalf of Federal credit unions and their 26 million members, NAFCU urges the Committee on Banking, Housing and Urban Affairs to approve expeditiously the nomination of Dr. Seger to the Federal Reserve Board.

Sincerely,

John J. Hutchinson
President

JJH:ew

April 4, 1985

The Honorable Jake Garn
Chairman
Senate Banking Committee
SD 534
Washington, D.C. 20510

Dear Chairman Garn:

We, the undersigned, support the nomination of Martha R. Seger to be member of the Board of Governors of the Federal Reserve System. Her education and experience provide an appropriate background for this assignment, especially her work as Commissioner of Financial Institutions for the State of Michigan.

Dr. Seger holds bachelor's and master's degrees from the University of Michigan, as well as the doctorate in finance and business economics from that institution. She studied under Dr. Paul McCracken, a former Chairman of the Council of Economic Advisors, who strongly recommends her for the Federal Reserve appointment. She was elected to Phi Beta Kappa and Beta Gamma Sigma.

Ms. Seger has both academic and business, as well as government experience, serving as a Vice President of the Bank of the Commonwealth in Detroit and on the faculties of the University of Windsor, Oakland University in Rochester, Michigan, and at Central Michigan University.

In the recent Senate Banking Committee hearings to consider her nomination she presented a balanced point of view with respect to a variety of problems currently concerning the American economy, including those related to agriculture, third world debts, financial institutions, the federal system of deposit insurance, international trade, import restrictions, plus others.

Dr. Seger takes a pragmatic approach to the types of problems with which she will be concerned as a member of the Board of Governors in the period ahead. She supports the dual banking system and would like to see more rapid responses to financial problems when they occur.

Dr. Seger's interim appointment appears to have been a valuable experience for her and should enable her to assume the responsibilities of a permanent appointment with a minimum of preparation and adjustment.

Sincerely,

Donald G. Ogilvie
Executive Vice President
The American Bankers Assn.

Donald Rogers
President
Association of Bank-holding Companies

Harold T. Welsh
Chairman
Credit Union National Assn.

Kenneth A. Guenther
Executive Vice Pres.
Independent Bankers Assn of America

Kenneth L. Robinson
Executive Vice President
National Assn. of Federal Credit Unions

William B. O'Connell
President
U.S. League of Savings Institutions