Interview with Frederick L. Deming

Interviewed by James E. Fogerty
Minnesota Historical Society

October 26, 1992

JEF: Mr. Deming, we're going to talk today about your career with the Federal Reserve Bank of Minneapolis. I wonder if you would just briefly sketch where you were born and where you were educated.

FLD: I was born in Des Moines, Iowa, September the twelfth, 1912. My father was a schoolteacher. He taught history. We lived right in the middle of what now is the Drake Stadium, and I saw my first football game when I was just a little over one-year old when Drake played Iowa State. We went from there to Calumet, Michigan. Do you know about Calumet?

JEF: It's in the middle of copper mining country, is that correct?

FLD: It's in the copper mining country. That's right. And it produces Notre Dame football players including George Gipp. I used to play with a kid named Dominic Vairo, who became an All-America end and the captain of the Notre Dame football team.

We moved to St. Louis when I was eight, which was in 1920, and I went to school there for everything except the first two or three grades. I got through school a year early by sheer accident. They had a semester system, I guess, in Michigan where I'd gone to grammar school, and a quarterly system in St. Louis. There was a housing shortage right after World War I, and we lived in a couple of rooms in north St. Louis for a while, and I went to the Bates School there. When they asked my mother what period I was in school, she said the last part of whatever grade it was--third, probably. And so they put me in the last quarter, and I should have been in the third quarter.

We moved to south St. Louis and they put me a quarter ahead. Then we all got a special promotion, a quarter, so anyway, I finished a year earlier than I should have. The result was I missed all the multiplication tables from four to eleven. I still have trouble. [Laughter]

JEF: That's wonderful.

FLD: I went to Cleveland High School in St. Louis, south St. Louis. Then I went to Washington University, where I took a bachelor's degree, a master's degree, and a doctorate. I met my wife there and we lived in St. Louis until we came up here. Our two children were born in St. Louis. I came up here in 1957 on the first of April. Don't make any jokes about that.

JEF: No, I won't. [Laughter] Did you enter the Federal Reserve System in St. Louis?

FLD: Yes. I entered the Federal Reserve System at the Federal Reserve Bank of St. Louis, in August of 1941 as the assistant manager of the research department. I've never had any break-in period anywhere. I'd been there the first day and was looking through some papers, and the man who was the boss, a fellow named Henry Edmiston, came in and said, "How much have you got written?"

And I said, "Well, I haven't got anything written. What am I supposed to do?"

He said, "You're supposed to write the monthly review."

I went to work on the fifteenth and that was due in Washington on the twentieth. I wrote it. It wasn't very long and it probably wasn't very good. But I got that one done and I stayed in St. Louis until 1957 and became successively the manager, then an assistant vice president, then the vice president in charge of research, then the first vice president, who is supposed to run the Bank, basically. I came to Minneapolis in April of '57.

JEF: Why did you come up here? What brought you here?

FLD: Because they asked me to.

JEF: You were recruited then to come up here, more or less.

FLD: Minneapolis had had a President, who was Governor originally, named John Peyton, who came out of Duluth, and he'd been the commissioner of banking under Floyd Olson. Does Floyd Olson mean anything to you?

JEF: Oh, indeed he does.

FLD: I never knew him, but he got along pretty well with the business community, and he recruited John, who was a Republican, to come down here and take care of the banking system. Then he moved over to the Federal Reserve Bank, I guess about 1936, '35, and was president there for a long time. His successor was a man named Oliver Powell, who retired a year early, I guess it was, and went to Korea on a special assignment. He's dead now and so is John Peyton. I was asked to come up here and meet with the board in January, and I did. Les Perrin was the chairman at that time. He was a former president of General Mills. He took me to the Minikahda Club for lunch after we'd had an interview with the Bank board in the morning. I went back to St. Louis. He took me out to the airport. There was snow on the ground, of course. I talked to Mrs. Deming about coming up here and said I thought she'd like it, and she said she wasn't sure she would.

So I called Les, I guess the next day or so, and said, "I don't think I want to come."

And he said, "Think about it a little more, will you?"

And I said, "Sure." And I did think about it a little more, and then Inez got more interested, and so I said I'd come up here, and I did. I got here, as I say, on the first of April. She got here on the first of July.

JEF: Had you really been in the Twin Cities very much before you came up here, Mr. Deming?

FLD: No. I'd been here, but I hadn't been here very much. I sat on several Federal Reserve System committees, and they meet in various Federal Reserve cities. So I'd been up here, I guess, maybe two or three times at committee meetings. I'd come through here once when I was on a committee on check collection. A friend of mine ran a bank down in Rochester. His name was Orval Habberstad, and we stayed with them for a couple of days when we were going out to--I guess to Rapid City, South Dakota--to some sort of a meeting where I met Orville Freeman for the first time.

At any rate, I'd been through here maybe half a dozen times, but I didn't know it at all. As a matter of fact, I knew one person at the Federal Reserve Bank of Minneapolis when I came here, that was a fellow named Clement Van Nice. I don't think this organization exists anymore, but there used to be a thing called the Conference of Presidents of the Federal Reserve Banks. Whoever was the chairman of that conference usually would pick somebody from his bank to be the secretary of the conference. Chester Davis was at St. Louis and he became chairman of the conference and he picked me to be the secretary, which was an excellent way, if you can stand it, to learn a lot about the Federal Reserve System and all of its operations. You have to record, you have to read all the minutes of all these operating committees that are scattered throughout the System. You have to take the minutes at the President's Conference. You have to stay up all night to get them written. And you learn. Clem Van Nice succeeded me, which meant that John Peyton had become the chairman. For the first meeting, the former secretary sort of broke in the new secretary, and that's how I met with Van Nice. He's dead now, too.

JEF: I met him a number of years ago when he was in Minneapolis. We had him on a program at the Minnesota Historical Society with John Kenneth Galbraith and a number of other people.

FLD: A very nice man.

JEF: Very nice man. Describe for me a little bit, Mr. Deming, the Federal Reserve Bank of Minneapolis when you arrived. Of course, it was much smaller then than it is now; somewhat smaller.

FLD: I guess it was. I don't really remember. The building, which my office is still in, is the old Federal Reserve Bank building on Fifth and Marquette. It was a Cass Gilbert building.

JEF: Indeed.

FLD: They had just added ten stories to it as I got here. Just completed, I should say. They'd been doing it for some little time. When I first came into it, I sat on the second floor for about--oh, maybe a couple of weeks, which was the old office of the president of the Bank. And then we moved up to the tenth floor, and I'm still on the tenth floor there.

JEF: You are?

FLD: Well, I'm going to get out. I have been on the board of that little National City Bank holding company for a long time, and I just told them I won't run anymore. The building was pretty. They did a very good job of adding the ten stories to the old building, which was a monumental thing that had a moat, really. It was a fortress wall around it to protect themselves from the mob, I guess. [Laughter] At any rate, that's the building I came into.

You may be interested. I'll tell you two quick stories. I came up and lived at the Minneapolis Club for three months. I called Inez from Minneapolis the morning I got here. I came up on the train, of course, and I had a suitcase, I guess a fairly heavy one. And I said, "The weather here isn't much different than it is in St. Louis." It snowed a foot that night. Fortunately I wasn't very far from the Bank and I could get over to it.

JEF: What was your impression of the Twin Cities when you came up to the Bank?

FLD: Oh, they're beautiful.

JEF: Did you work very closely with the business community in the Twin Cities?

FLD: Of course. When I came here--as I say it was early 1957--this was a great place to live. It's a pretty city. The people are fine. They take you as you are and not from what you've come from. We got along fine here. We lived on Lake Harriet. We bought a house just a block and half down the street from here, and met an awful lot of people at once. The Bank board at that time, as I say, Les Perrin was the chairman, and he knew everybody in the Twin Cities. Oscar Jesness was the vice chairman. He was a professor over at the College of Agriculture at the university. A fellow by the name of Albie Flodin was the third Class A director. Do you understand about Class A, B, and C directors?

JEF: Yes.

FLD: And Tom Harrison, who ran Super Valu, was a Class B director. And then we had a fellow named Ray Lange from Chippewa Falls, Wisconsin, and Jack Corette, who ran Montana Power out in Montana, and then three bankers--Joe Ringland, who ran the Northwestern National Bank at that time; Harold Thompson, who ran a bank out in Presho, South Dakota; and Harold Refling, who ran a bank at Bottineau, North Dakota. Do you know where Bottineau is?

JEF: No.

FLD: It's up against the Canadian border practically. It's cold up there.

They saw to it that I met practically everybody in the whole district, as a matter of fact. We got along fine. I went over to call on the governor, and I had a letter of congratulations from a man named Hubert Humphrey. I mention that, because coming out of Missouri, this was a little radical Democratic country for a Missourian. I happen to be a Democrat, and I knew Harry Truman, of course. I mentioned that at the board meeting, and they said, "You get to know him. He's the best senator Minnesota's ever had." I did get to know him very well. He swore me in at the Treasury. The picture's up there on the wall. See it?

JEF: Oh, indeed. Yes.

FLD: At any rate, it was easy to get acquainted all through the district. Jack Corette had me go out to Montana that summer, and I got off the plane at Butte, which is where Montana Power is located and where he had a house, and a couple of women met me. It was a Sunday afternoon. The women met me at the plane and gave me a drink in a goblet that was about so big and took me to a party. [Laughter]

JEF: What a welcome!

FLD: It was a great welcome. We traveled throughout the state. Some people came from 150 miles away to have lunch.

JEF: Did you do a lot of traveling during your tenure, Mr. Deming?

FLD: Oh, yes. The Open Market Committee met every two or three weeks, and I was in Washington--at a guess, 150 times in eight years. I got to know the airports very well. This was the old airport, of course.

JEF: It's too bad they didn't have frequent flyer miles. [Laughter]

FLD: That's right, we didn't. They only had one class. Up here we flew the Stratocruisers. From St. Louis I flew a DC-3. I don't know. I guess if you're in the position [President, Federal Reserve Bank of New York E. Gerald] Corrigan is, you do an awful lot more overseas travel than I did. But I was on practically a shuttle service from St. Louis to Washington and New York, from Minneapolis to Washington and New York, and to the other Federal Reserve cities.

JEF: When you came here, Mr. Deming, did you feel you came with an agenda? After all, you'd been in the Federal Reserve System for what--fifteen years or so at St. Louis?

FLD: Yes. From 1941 to 1957. Sixteen years.

JEF: Did you feel you had an agenda? I mean, you were now the president of a Federal Reserve Bank. Let's look at research. You'd been head of research.

FLD: That's right.

JEF: When you came here, what was the Minneapolis Federal Reserve particularly known for in terms of research? Did they have any specialties?

FLD: Did you ever hear of a man named Arthur Upgren?

JEF: Oh, yes.

FLD: Well, Arthur was the director of research here when I was in St. Louis, and he was succeeded by a fellow named Paul McCracken. Does that name mean anything to you?

JEF: Yes indeed.

FLD: The Bank had an excellent reputation for research. When I started in St. Louis, the research department consisted of me, half a girl, another full girl, and one full fellow. That was all there was. And it expanded. I caught it just about at the bottom and it built up during the years. So when I came up here to Minneapolis, there was a full-fledged research department, and a good one.

No, I didn't have an agenda. I just came up to sort of run the Bank if I could and get acquainted in the area and participate in Federal Reserve credit policy.

JEF: Did you bring any people with you from St. Louis or from other places?

FLD: No. No, I never brought anybody with me except my wife and children anywhere that I went to.

JEF: Did you have any research interests yourself that you wanted to see the Bank pursue in its research department here?

FLD: I wanted to learn as much as I could about this Federal Reserve district. I'm sure you've gotten this from the other people you've interviewed, but let me just give you a little of my perspective and background. When the System was begun, the Banks were all virtually autonomous in their operations, the twelve separate Federal Reserve Banks. The legislation specified that you could have no less than eight and no more than twelve districts, and, of course, we've got twelve.

The presidents weren't much interested in credit policy. As a matter of fact, nobody knew much about credit policy at that time, and it was run essentially from Washington and New York. Over time, it gradually shifted. When Bill Martin became chairman, he brought the presidents into the credit policy process. As I say, we met every two or three weeks. I'd gone up there [to Washington] partly as the economist for the St. Louis Bank with Chester Davis when he was president and then with D.C. Johns, who became president. So when I came up here, the Open Market meeting was just something I'd been to. I hadn't been a participant, but I'd been there.

The Banks lost a lot of their autonomy in terms of operations. You can't do anything in Minneapolis anymore differently than they do it in San Francisco or Dallas or St. Louis--essentially differently, that is. The president of the Bank basically spends his time on credit policy and presumably getting acquainted in the district and getting to know people.
Now, I've been gone from this position a long time. My immediate successor was a fellow named Hugh Galusha, who froze to death out in Montana. He came out of Montana. As far as I know, we did things differently. But I think Hugh kept pretty much in the same sort of process that I had had or that Powell had had or that Peyton had had before him. He was well known in the community, and I think well known in the business community, but also in various other aspects of it. Bruce MacLaury, who succeeded him, I think followed the same pattern. Then I began to lose a little track of them. Mark Willes came up here, came out of Philadelphia. He's now the president of General Mills, you know. Did you interview him also?

JEF: Not yet. I will be doing it in December.

FLD: I think Mark was active--he went on the Macalester College board where I was, too, and I think he probably went on the Symphony board. I'm not quite sure of that. Then when he left, Corrigan came in, and he wasn't here for very long. I think Gerry was more--I think he went back to New York most weekends. He sat on the Macalester College board, too. But I'm not sure how active he was in what I'd call the general economic social life of the community here. And Gary Stern is--well, at any rate, to me--so new. The parties and so on I go to, I never see him, and I don't know how active he is in the community now.

JEF: That's an interesting perspective, though, on each of them as you see them.

FLD: I was active in various things in St. Louis and was active in various things up here, and continue to be. I like that sort of thing as well as running the Bank. Actually, aside from the credit policy thing, the first vice president does most of the running of the Bank, so you don't really have to worry that much about it. This was an excellent staff up here. I don't know whether it's the Nordic influence really or what, but the people in here really believe in working. This was a great switch for me when I came up here. The little girls who came in from, you know, Fargo or Crookston or wherever, and worked in the check collection department got to work on time. They worked all day long. They went home. They were treated very fairly. I think they liked it; everybody I've run into that ever worked at the Federal Reserve Bank seems to enjoy it. I think they probably enjoyed it at St. Louis, too, but they didn't have the work ethic that you've got up here.

JEF: That's interesting.

FLD: You'll notice this same thing, or at least I noticed it, in the community. St. Louis, of course, is a hundred years older than Minneapolis. The Community Chest, all of these things in St. Louis, have a lot of old, old St. Louis names on the masthead, but most of them don't do very much work. Up here they not only are on the masthead, they work. I was the first--I don't know whether it's president or chairman of the United Way--the United Fund, we called it--when we put together the Red Cross and the old Community Chest. And the chairman of the Allocations Committee that year was Johnny Pillsbury. That's a nasty job. You have to hand out the money, and, of course, there's a lot more requests than you've got money for. I think, as I recall it, there were twenty-three meetings of the Allocation Committee and Johnny was there at twenty-one of them.

JEF: Wow!

FLD: And that is essentially a difference. Now, I'm not sure this is still true, but twenty-five years ago it was true. You could get anybody in the Twin City community--St. Paul a little less, in my judgment, than in Minneapolis--and you could call them up on a civic project and they'd come immediately to work. You could get them, as I say, to make a contribution, just get them on the masthead in St. Louis, but you couldn't really get them to do very much work.

I sat on the Washington University Board of Trustees for quite a long time.

JEF: Well, that's interesting. That's interesting.

FLD: And it's still that way.

JEF: Yes, I think it is. We just had a big fund-raising campaign at the Historical Society and had a wonderful reception and wonderful work from people both from Minneapolis and St. Paul. Remarkable.

FLD: Just don't try to do it in January or February.

JEF: Right. Yes. When no one is here. Exactly. [Laughter]
Would you describe for me what some of the major challenges you think were when you joined the Federal Reserve Bank of Minneapolis, facing not only the Bank, but the region and the System, etc?

FLD: Well, the major challenge in the region, as far as I can see it--do you know what non-par banking is?

JEF: Not really.

FLD: Well, it's when a bank charges an exchange charge for collecting checks. If I banked out in Wayzata and I wrote a check to a department store in Minneapolis, and he presented it for collection to the bank in Wayzata, the bank in Wayzata would clip it. That is, it would make a small charge for paying that check. This was the biggest non-par district in the country, and those are all non-member banks. I worked to try to get that changed. I didn't succeed, but Galusha did. By the time he was through, there weren't any non-par banks in the Ninth District. Basically they existed up here in Minnesota, the Dakotas, and Montana, and in the South. They're all gone now. There isn't any such thing as non-par check collection.

The other major challenge in this district was really to understand what it was and what it did. It's an agricultural district. You know, it has all four time zones in the United States in it.

JEF: I never thought of that, but that's true.

FLD: That's right. It stretches, of course, a long way.

JEF: I never thought about that. Yes.

FLD: They told me a story when I was here about a banker out in--I've forgotten where it was. It was clear up in the northwestern corner of Montana. And he had applied for membership in the System. They didn't use telephones very much at that time. This was back in the early twenties, I think. The transportation of the mail wasn't very fast, and they kept sending him--you know, he'd get a letter and say, "Please reply within five days." And the bank wouldn't get a reply for seven days. And they kept nudging him to get his replies in more quickly. And he finally sent a map in, and he put a compass down in Minneapolis and stretched the point out to where his town was. And then drew a circle and then drew it all the way around and came out a hundred miles east of the coast of the Atlantic Ocean. And apparently they had no more correspondence on this matter. [Laughter]

But it's a great big district, and there aren't very many people. When it was founded--I think I'm right about this--San Francisco and Minneapolis were the two biggest districts in area in the System and the two smallest districts in terms of bank resources. Now, San Francisco has long passed Minneapolis in bank resources, of course, because of the population growth and everything else out there. But then they were roughly the same size. And those two Banks ran themselves about the same way. You could turn right on a red stop light in San Francisco and you could in Minneapolis, and nowhere else in the whole country that I know you could do that. But the two districts quite closely resembled each other. I don't know whether this is still true or not, but it was true when I was there.

JEF: You became president in 1957. The post-World War II era was still very much going. What kind of problems did this district and the nation have with inflation and things like that at that time? Was that a big problem for you?

FLD: Not at that time, no. The inflation surge came immediately after World War II in the late forties and was pretty well gone by the time I got up here to Minneapolis. Remember, Eisenhower was president. Freeman was governor. Humphrey was in the Senate, accompanied a little later by Gene [Eugene] McCarthy. All of their pictures are on the wall over here.

JEF: I was just looking at Mr. McCarthy right here.

FLD: Just to add something in here before I go on, I used to go to Washington, as I said, frequently. About every other time I'd go down, I'd be with Hubert Humphrey. And I'd get off that plane feeling as though I'd been through a meat grinder. You know, he never stopped working. You just couldn't relax because you were kept answering questions all the way down. You'd fly down every other week with Gene McCarthy, and it was absolutely relaxed. Now, McCarthy was probably not the greatest senator Minnesota ever had, but he didn't take himself or anything else very seriously, and he was fun to travel with.

JEF: Interesting.

FLD: But, actually, in the Eisenhower years, the inflation rate was very low. There was a man named Sumner Schlieter who taught at Harvard and who came out of Wisconsin, who had stated that the normal inflation rate in the United States was three percent. Everybody thought that was pretty radical. If Schlieter were still alive, his hair would be standing up about what's happened. [Laughter]

JEF: Yes, I'm sure.

FLD: But, nevertheless, it was a fairly quiet period in inflation. The country had come out of World War II pretty well, didn't have as many adjustment problems as had been predicted for it. Interest rates were fairly low. We had a ceiling on government security borrowing, you know--four percent. The world was basically fairly prosperous. There was a mild depression in 1958. There was another sort of mild depression in 1960. But these were pretty simple operations.

This was the golden age of Federal Reserve policy. Monetary policy worked, and it pretty well handled what it was supposed to handle. There wasn't an awful lot of criticism. There was criticism of policy, but not an awful lot of criticisms about the mechanics of policy. You didn't have every professor of economics in the United States trying to tell the central bank how to run its business. You might have them saying that they thought they were too tight, they thought they were too loose, or they thought they should have done something different than they did. But you didn't get all this goofiness of watching M-1 or M-9 or M-14 or whatever it is. You didn't have a shadow Federal Reserve Open Market Committee. It was a lot more peaceful.

JEF: Not second-guessing and third-guessing and everything.

FLD: Well, about the mechanics. I'm not talking about the policies. Those can be criticized legitimately, in my opinion. But when they try to talk about the mechanics of policy when they don't know much about it, I think this is kind of silly.

JEF: Looking at the political situation, you were talking about the Eisenhower years, which, of course, began in 1952. What were some of the politics surrounding monetary policy in those days? What were the criticisms leveled at the Fed's monetary policies?

FLD: The typical criticism leveled at any central bank policy. It's either too late or too little or too much and too early, too strict or not strict enough. It's the standard commentary. On the whole, it really wasn't all that difficult. The Congress typically criticized the central bank. It's been doing it ever since it was founded, back when Andrew Jackson was president, of course, and he got rid of the first central bank--the second central bank, I guess it was.

We had financed World War II on what was called a standard curve, three-eighths of one percent for Treasury bills, two-point-five percent for the longest Treasury bonds. Harry Truman was president, of course, right after World War II ended, and he could remember after World War I when they'd sold government securities, whatever the rates were at that time, and then the rates went up and the prices of government securities went down, and people had paid $100 and they were only getting $80 when they sold. He thought it was mortal sin to have the interest rate change upward.

So they had a great big to-do about this. John Snyder came down to become Secretary of the Treasury. He was in Truman's battery in World War I, from Arkansas, and became Secretary of the Treasury. Bill Martin came over to the Treasury as assistant secretary, but he really ran the Treasury at the time. Marriner Eccles had been, not reappointed, as Chairman of the Board; but he stayed on. And they put Tom McCabe who was from Philadelphia on the Board as Chairman. McCabe was a very nice man. He ran a very good company--Scott Paper Company--when he came down, but he wasn't much of a central banker, and he couldn't get along with Congress, and he couldn't get along with John Snyder.

There was a tremendous fight over--the Federal Reserve had to support the interest rate structure, and what it meant was they had to buy securities whenever it looked as though the interest rates were going to go up. It meant they didn't have any real control over credit policy, because the banks could just dump the securities. They knew they weren't going to take a loss on them. So until 1951, I guess it was, when we [the System], I suppose you should say, signed the Treasury-Federal Reserve Accord, which, in effect, said you wouldn't have any raise in the discount rate for a year, but you would no longer have to support government securities at the two-point-five percent rate at the long end of the market. Bill Martin basically got that through the Treasury and McCabe got it through the Federal Reserve. And then McCabe resigned and went back to Philadelphia, and Martin was appointed chairman of the Federal Reserve Board and stayed there, I guess, for nineteen years, and, of course, was a very effective chairman. He's in a wheelchair now. Well, he's five years older than I am. He came out of St. Louis, you know. His father was president of the Federal Reserve Bank of St. Louis.

JEF: I didn't know that.

FLD: Yes. This is a digression also, but old Mr. Martin never could remember anybody. I'm surprised he even recognized his wife or his children. He'd come into the Bank and I usually would shepherd him around. He didn't know who I was, but he realized sort of vaguely that he'd seen me before. So I sort of inherited him. And when he'd come in, I'd take him around. I can remember one day we walked into my office and he looked at the empty desk and said, "He isn't here, is he?"

JEF: [Laughter] Oh dear.

FLD: At any rate, the economy was going along fairly well. Eisenhower years were slow-growth years. Kennedy got elected, and it became a much more growth-oriented economy under Kennedy and Johnson. It was in a period, when I went to Treasury in 1965, when we still had that four-percent ceiling on Treasury securities, and we finally got that changed so you could do some financing. Because all it did was force you to borrow at the very short end. But it had been in place for a long, long time. I'm not sure it's still true, but when I was at Treasury, the President himself had to sign off on every security that was over one year. He was sent over a memorandum the day we were going to announce the financing, and he literally had to sign it.

JEF: Good heavens.

FLD: This was in the law. This was not something that--

JEF: Just custom. It was actually legal.

FLD: That's right. But the economy as a whole, as I say, was in reasonably good shape all during this period, with relatively low inflation through the Johnson administration. It was after that that you got the big inflation in this country following 1968. I won't claim that economic policy was all that good during this period, but on the whole, it got along reasonably well.

JEF: What are your perceptions at that particular time, too, perceptions in this region, of the Federal Reserve as a banking regulator as opposed to the state's banking regulations?

FLD: I don't think there was ever much perception of that that I know of. The state banks that weren't members of the Federal Reserve System had lower reserve requirements. State bank supervision in this area, except for Michigan, was never very rigorous. The national bank examiners and the Federal Reserve examiners were much tougher than the state bank examiners. There was a distinct advantage to being a state non-member bank from an economic standpoint as the bankers saw it, because they didn't have to worry about Federal Reserve regulations. They had lower reserve requirements. Their money was more leveraged than the Federal Reserve member bank's was. But I don't really think the general public paid much attention to that. The bankers did, to some extent.

The perception of the Federal Reserve Bank was, on the whole, I think, extremely favorable. This Bank had worked hard at creating a favorable picture of itself. Van Nice was one of the people who did this, and they had meetings of member bankers, I guess you'd call them. In Boston they called them shareholders meetings, because the banks technically own the Federal Reserve Banks, you know, they own all the stock in them.

I'd say that every place I went--and this was not due to me; this had been developed long before I got here--every place I went, people were very happy to see somebody from the Federal Reserve System. We followed a policy here of having one meeting a year, I think, in one part of the district. You'd go to South Dakota. You'd go to North Dakota. You'd go to Montana. Went up to International Falls one year. As I mentioned earlier, Corette took me all around Montana to see a lot of people, and this, again, was somewhat different. We did this sort of thing in St. Louis, but I don't think we did it as well as they'd done it up here. It may be that it was just a little more difficult area to work in. I don't know. But the perception of the Bank here was excellent.

JEF: You never felt that there was any perception that the Federal Reserve was trying to preempt the state banking regulations or anything like this?

FLD: No, no. Really, what was done in member bank state banking, the examination people went in with the state bank examination people. Our Federal Reserve Bank examination people went in with state bank examination people to examine banks. Basically, the state bank examiners were badly paid, they didn't have enough of them to do the job, anyway, and, as far as I could tell, there wasn't any hostility at all. I saw the banking departments in Montana, the Dakotas, Minnesota, Wisconsin and Michigan. Basically the state banking department in Michigan is first rate. But the Upper Peninsula is kind of forgotten country up there, you know, so we didn't have any problem with them or any problem with the Wisconsin state banking people.

JEF: This is such a rural area--and you referred to that earlier--with a lot of small banks. How much did you have to do with the concerns of rural bankers, independent bankers, with the growth of bank holding companies, for instance, like First Bank and Norwest?

FLD: When I came up here, the fellow that ran the Independent Bankers Association was a guy named Ben DuBois and came from up in--do you know where?

JEF: No, I don't.

FLD: Sinclair Lewis' hometown.

JEF: Oh, Sauk Centre [Minnesota].

FLD: That's right. Ben was a very colorful figure. He was active politically, of course. His son, I think, Pat DuBois, still runs a bank up there, or at least the DuBois family owned one.

When he testified before Congress one time, some congressman said to him, "Mr. DuBois, what are your qualifications?"

And DuBois answered without a blink of an eye, "I'm one of the seven leading economists of Sauk Centre, Minnesota. [Laughter]

JEF: A good sense of humor as well.

FLD: At any rate, the Independent Bankers, of course, fought the holding companies tooth and nail on paper. They objected strongly to being gobbled up, except when somebody ran out of heirs and wanted to sell his bank. In which case, they were--

JEF: Delighted.

FLD: That's right. The big bank holding companies essentially financed the bankers' associations, because they paid fairly heavy dues and so on. It was sort of interesting to watch, because you'd go out and they'd attack the bank holding companies and then go to a party that was given by them. I'm sure there was more real hostility than I'm implying here, but, on the whole, it was sort of a live-and-let-live situation, and the holding companies didn't really push very hard on these things, and they essentially ran pretty well. Joe Colman ran First Bank System when I came up here. Cameron Thompson had run Northwest Bank Corporation, but Goodrich Lowry was running it when I came up here. The Bremer banks were always fairly passive out of St. Paul. And the only other holding company that I'm aware of around here was Carl Pohlad's, Marquette, which is called Bank Shares, Inc. Carl always kept a fairly low profile.

I don't think there was all that much hostility. Now, that may have changed. I've been away from the Federal Reserve Bank of Minneapolis for a long, long time. I've followed a little bit of the politics of this thing, but I wasn't aware that there was an awful lot of--well, there has been a movement in Minnesota for a long time to try to get statewide branch banking. There's also been sort of a movement that you ought to put a cap on the size of the holding companies. That, apparently, has gone out the window with this merger of Marquette and First Bank. But the Board, the Federal Reserve Board, used to take that pretty seriously.

My guess is that twenty years ago they wouldn't have passed that at all, and they wouldn't have let Norwest expand as rapidly as it has more recently. The doctrine has changed somewhat, and we've gone through a sort of gradual change on this in banking in Minnesota. You can have branches. You can't have them statewide yet, but you can have branches. The savings and loans can have them statewide.

JEF: But you didn't sense at that particular time any untoward pulling and hauling between the two?

FLD: No, no. That may mean that I just wasn't sensitive, but I don't think so.

JEF: What would you say at that time were the major economic issues that faced agriculture? You've mentioned agricultural interests, and this is a largely agricultural economy.

FLD: Yes. It's not as much agricultural as it used to be, of course. That's changed. We had, of course, the Farmers Union here, and still have. The American Farm Bureau was not as potent a factor in this Ninth District as it was in some of the more western districts. It's still a potent factor. Our farms are not as big as the southern cotton plantations. Some of the big wheat farms up in Montana were, but the farm support program didn't cater to the big landowners as the cotton support program did and the tobacco support program did in the South. I think the people up here were fundamentally in favor of the farm policy as it had developed to favor crop support. There's still a pretty strong populist feeling in this part of the world, you know. They don't like Wall Street and the interests. I can remember a labor leader up here talking about the trusts. You know what he meant? U.S. Steel, of course.

JEF: Not trusts, just The Trust.

FLD: That's right. You still could have run very successfully against Wall Street when I was here, and I guess you still can to some extent. But I didn't get any sense at all of hostility toward the farm program or a feeling that the farmers were being abused up here. There was a rapid movement toward consolidation of farms, of course, and the farm interests were potent. I tell you that between 1957 and '64, when I left, was a relatively peaceful period in terms of economics.

JEF: Not much turmoil.

FLD: Not much turmoil, no.

JEF: Was there much concern at that time about foreign ownership of land, or was that not yet a problem?

FLD: No. That all came a little later. It began to be developed, of course, in the early sixties. I can remember getting in a taxi out here once after I came home on a short visit. My wife stayed here for three years when I went down to Washington [to the Treasury], so I'd get back when I could. I recall catching a taxi at the airport and telling the driver--we lived at 4401 Lake Harriet at that time--how to get there, and he said he was new. He was down from I've forgotten where, but somewhere up on the Iron Range. And he said, "If you can get those goddamn people to quit importing foreign steel, I'd still have a job up there." I'm quoting him literally.

JEF: Yes. So that was already a problem at that time.

FLD: Yes. Now, this was in the middle sixties, really.

JEF: Middle sixties.

FLD: Yes.

JEF: Late sixties, yes.

FLD: Of course, when I got here, we had just developed taconite.

JEF: Oh, that's right. 1958. That's right.

FLD: I went up to Silver Bay, some of the mining towns up there. Taconite was important here. It was important over in the upper peninsula of Michigan. Now, these areas had been very prosperous for a long time, when the Mesabi was at its height. It went down in the dumps after World War II, and then they developed the taconite ore, which was a great thing for Minnesota.

JEF: A real boom for the economy.

FLD: Have you ever been in Hibbing?

JEF: Oh, indeed. Yes.

FLD: Have you been in the high school there?

JEF: Yes. With the chandeliers and the painted ceiling, too.

FLD: I've forgotten--947 stage drops or something like that behind it. Paid for with iron money.

JEF: Yes. And heated sidewalks, or at least they used to and everything else. That's right.

FLD: Remember that in the period, fundamentally from 1945 until about 1970, the United States was the cock-of-the-walk in every respect, and while you were beginning to get some noise from Japan and from Western Europe at that time, it wasn't all that much.

When I was at Treasury, I spent an awful lot of time in Europe attending meetings where I'd get alternately lectured on the improvidence of the United States in running balance-of-payments deficits (which were peanuts, of course, relative to what they are now) and then please do not remove the American troops from Europe, which was the cause of a good part of our balance-of-payments deficit with Europe. If the United States didn't take a lead, nobody took a lead. What you tried to do during a lot of this period was to get somebody, Carli in Italy, or whoever from Germany, or whoever from France, to take the lead in proposing something. Then you tried to get some more. You couldn't afford too much to be out in front publicly, but fundamentally the relationships between the United States and the rest of the world were the old cliché--if the United States sneezes, the rest of the world gets pneumonia. Now, that isn't true anymore, of course, but it was true all through the fifties and basically all through the sixties. We didn't even have to change currency when we went abroad. The dollar was what you could use all over. I did change, but I didn't have to. As a matter of fact, they were happier to take dollars than they were anything else.

JEF: I'm sure. Can you describe what the Open Market Committee meetings were like?

FLD: Yes. There was a fairly simple format. You always had the same chair. Have you ever been in the board room in Washington?

JEF: No.

FLD: Well, it's a big room and it has a big table and you can put, I suppose, thirty people around it. The Chairman sat in the middle on one side, and the secretary of the Open Market Committee sat next to him, and the other Governors had their names on the chairs, and some of them sat on this side of the table and some of them sat on that side of the table, and the Presidents sat around. All the Presidents came to the Open Market Committee meeting, but only five of them were allowed to vote, because the Open Market Committee is the seven Governors and five Presidents who rotate. Minneapolis rotates with Kansas City and San Francisco. St. Louis rotated with Dallas and Atlanta.

In my day, and I guess this was the standard pattern all the way through from when I went up there as an economist, somebody would start at this side of the table and you'd go around, commenting to the Committee and the Chairman would summarize at the end. The next meeting they'd start at the other side of the table and go around that way. Everybody could speak. Some spoke with more intelligence than others, of course, and some spoke in more detail than others. Everybody could speak but only twelve could vote. Almost every vote that I can recall was a unanimous vote. The great art of the Chairman is to bring a consensus. They voted on a directive, and the directive was a statement of what you did with open market policy in the intervening period between that meeting and the next meeting. It would usually have some preamble about the economy and then it would state, "In view of the above, it shall be the policy of the Federal Open Market Committee during the next three weeks to stay with essentially the same degree of restraint or the same degree of ease in the market." And this would be handed to the manager of the open market accounts run out of the New York Bank. He would have to interpret that and conduct the operations to achieve this objective.

They changed the measuring stick, I guess I should say, from time to time. What we used a lot of at that time was the total reserve level. Sometimes we used what was called the net-borrowed reserve or the net-free reserve level. If the banks were in hock to the Federal Reserve System, presumably you had some restraint. If they were free, they had a little more ease. You could measure this pretty well by what was happening to the reserves and what was happening to interest rates. And on the whole, the manager of the Open Market Committee did pretty darn well with what was essentially a kind of vague instruction.

That pattern, to the best of my knowledge, continued after I got out of the System for all the time that [William McChesney] Martin was there. I think Arthur Burns changed it when he became Chairman. I think he spoke first. But after that, basically, I think they went around the table the same way. I suspect that after a time it got so that everybody didn't make a little speech. This thing here I pulled out of my files. This is everything I said at the Open Market Committee meetings over eight years.

JEF: Oh, really?

FLD: Just take an extract from the minutes. And I'll read you one, if you want me to.

JEF: That would be great, yes.

FLD: This is the last one that I attended--January 12, 1965. "And calling on Mr. Deming, Chairman Martin noted that he recently had been designated as Under Secretary of the Treasury for Monetary Affairs and, consequently, that this was the last meeting Mr. Deming would attend as a member of the System and an alternate member of the Committee." I don't even remember who the regular member was at that time. "Mr. Deming said that business activity in the Ninth District was moving along reasonably well at present, although conditions were a shade less expansive than in the nation as a whole. Loan expansion was quite strong in December, larger than in 1963 and only a little below the record of 1962. The increase was particularly strong at country banks where farm refinancing was becoming increasingly important. A recent business survey revealed about the same degree of business confidence as a year ago. Mr. Deming said he would make no comment on policy for the period ahead except to emphasize that possible problems in the after-market for the 4.25-percent bond that had been issued in the refunding. He had found Mr. Holland's (who was later a member of the Board but had been secretary of the Board for a time) analysis of the appropriate definition of even keel at present to be quite interesting and he agreed with it in general."

"Mr. Deming noted that he had been attending meetings of the committee for almost eight years and that recently he had read over the record of policy actions for 1964 and had looked back over some of the earlier entries. It seemed to him that the performance of the Committee was impressive. There was a healthy element of self-criticism and the committee was consistently striving to improve its operations, that perhaps the committee was so concerned with shortcomings in such matters as the state of knowledge regarding leakages in the economy and the quality of available data that it tended to underrate its own performance. In his judgment, the Committee's record of policy decisions over the past several years is one of which it could be proud."

Incidentally, that was not said just to please the people. That's what I believed. This was the golden age of monetary policy.

JEF: And that was your valedictory.

FLD: My valedictory at the Open Market Committee.

JEF: And those met monthly?

FLD: Actually, I think there were something like--there were 137 Federal Open Market Committee meetings between April 16, 1957 and January 12, 1965. I attended all but ten of those. Now, that is eight years, roughly. A little less. And eight into thirteen is about sixteen meetings a year. About every three weeks.

JEF: I was going to say, because, yes, it would be ninety-six meetings per eight years at one a month, so it's more than that.

FLD: That's right. Martin started that. When I first went to an Open Market Committee meeting was when I came up for the Conference of Presidents or as part of the staff of the St. Louis president, the System was basically run by the Executive Committee, and the Executive Committee consisted of the Chairman of the Board and two other Board members, the President of the Federal Reserve Bank of New York, and somebody else who was close. So it was either Richmond or Philadelphia, who sat on the Executive Committee. [Laughter]

JEF: Proximity ruled.

FLD: That's right. And essentially in those earlier days, neither the Richmond man nor the

Philadelphia man gave a hoot about credit policy. So they were just there to be part of the Committee. The policy was fundamentally run by the Chairman of the Board and the President of the Federal Reserve Bank of New York. It met every other week. The Open Market Committee, by statute, has to meet four times a year. I think the fiscal year began March first. So the Presidents Conference would meet at the end of February, and they'd have an Open Market Committee meeting, when all the members were there, on February the twenty-eighth. They'd get together again to swear in the new members and so on March the first, and that counted for two meetings. They only met twice besides that, the full Committee. And the Executive Committee ran it the rest of the time.

This was when Marriner Eccles was chairman, and Marriner was an autocrat. When he got the post, which must have been about 1948, McCabe ran it much more collegially than Eccles had run it. But he still kept the structure of the old Open Market Committee, with the Executive Committee running everything. Then Martin came in and he wanted to bring the presidents in, partly to balance New York. The structure had been in the statute for a long, long time. The Open Market Committee consisted of five presidents and the seven members of the Board. They began to meet, I think, every other week for a while. And then they went back to about sixteen meetings a year. And now I think it's only six, maybe less than that. It's something like that. Whether the frequency of the meetings had anything to do with the validity of policy, I simply can't answer. But it seemed to me that we got along better at that time than they do now.

JEF: Because you saw each other more frequently, maybe.

FLD: Yes.

JEF: How were you prepared for the meetings as president of the Bank? Did you have a preparation session with any of your key research people at the Bank?

FLD: Yes. And, of course, I took the key research man down with me, and we would work. You'd meet with the economic staff quite frequently. You'd read a lot of memoranda that they had on what was going on in the district. You'd listen to them about policy from a national standpoint.

The great virtue of Federal Reserve policy made in this sort of a structure is that you get a view of what's going on in the rest of the country. Now regional economic differences are much less diverse than they used to be. The difference between San Francisco and New York is not as pronounced as it used to be. But you got national policy formulated after an input of information from all over the country. And it might not be the best thing in the world for Minneapolis or for San Francisco or for St. Louis, but it was at least framed with an awareness that there was a Minneapolis and a San Francisco and a St. Louis.

JEF: And a Montana, for that matter.

FLD: And a Montana, that's right. It worked pretty well. I think with the regional economies not as strongly diverse as they used to be, the policy is now framed far more on a national basis than with the input from outside. It still works that way pretty well.

An old friend of mine used to be the Minister of Finance of Canada, a fellow named Donald MacDonald. And he wanted to change the structure of the Bank of Canada so that they could get some input from British Columbia, some from Prince Edward Island, and elsewhere. But that policy formulation, I think, is a useful policy formulation procedure. I think it was a useful way to get things done. And the System, over the years, hasn't done a bad job.

JEF: No, indeed. At the time you were President of the Federal Reserve Bank of Minneapolis, how much discussion was there when you would go to Open Market Committee meetings or with other presidents or with the Board of Governors about the role of the Federal Reserve as the national bank of the United States as opposed to the Bank of England, or the Bundesbank? I get the sense that today the global village is getting smaller and closer together.

FLD: But that's a long time ago. I can recall watching a film version of a meeting at the Bank of England, which was, of course, the model. It isn't the oldest of the central banks. The Riks bank in Sweden is the oldest of the central banks. But this was a film portrayal supposed to popularize the Bank of England, and we watched that and we created a film of the Federal Reserve System at about that time. I'd met people from the Bank of Japan and from the Bank of France, but I didn't really know any of these people until I went to the Treasury.

I went around the world in 1960 because I had an assignment in Taiwan. Bill Martin sent introductory notes for me to various places I was going to. We went to Hong Kong, to the Philippines, where Bill's wife's father was Governor General. He was Dwight Davis of the Davis Cup. And to Thailand, to India, to Greece, to Italy, and to England. I remember they told me at the State Department that I needed to take a tuxedo along because there would be a lot of formal affairs. There were a lot of affairs, but they all said, "We know you're traveling," so they didn't make it formal until I got to London. There was a meeting of the Overseas Bankers, a society or whatever it was, where the Chancellor of the Exchequer and the Governor of the Bank were going to speak. I was invited to it and they said, "But, of course, you have to wear a dinner jacket." And I said, "I'll go." [Laughter]

JEF: If only to justify taking it all the way.

FLD: But, as I say, we were the cock-of-the-walk. You didn't pay much attention to what other people were doing, except to the Bank of England, because it had sort of a romance about it. But not so much attention to the others. I'm sure that the Chairman of the Board did, because we did participate in the BIS meetings, Bank for International Settlements, in Basel, Switzerland. But I think that the Chairman went over there only to the annual meeting, and it wasn't until the early 1960s that we began sending regularly the manager of the foreign department of the New York Bank over to the BIS meetings, which are monthly. That's a central bank for central banks, you know.

JEF: Right. Yes.

FLD: And Charlie Coombs went over there regularly, because we invented currency swaps. We invented a lot of things. But this was all new. Roosa was really the first of the Under Secretaries of the Treasury that paid much attention to foreign banks. Randy Burgess was the first Under Secretary for Monetary Affairs, and he ran domestic borrowing. Julian Baird from St. Paul was the second, and he ran domestic borrowing. Now, you'd see people at the IMF [International Monetary Fund] meetings and so on.

I can remember after I went down to Washington and then came back here and Julian still, I guess, had an office over in St. Paul. I went over and had lunch with him every once in a while. I was very fond of him. He said, "I'm delighted to get you over here. I can't talk to anybody about these things. They don't know anything about international operations." And that was pretty true. That isn't true anymore, I'm sure, but fundamentally it was then.

This area, when I say it was a great place to live, was a great place if you're a WASP. I'm not sure how great a place it was if you weren't. You know, this was pretty insular up to World War II, and I'm told that Minneapolis and St. Paul were one of the major anti-Semitic centers in the United States for a while.

JEF: That's true.

FLD: That had gone by the time I got up here.

JEF: Yes. That's a big surprise, I think, to most people, but it's true, yes.

FLD: Well, at any rate, I never saw that. You'd get vestiges of it, of course, but I never saw any of that sort of thing. From my point of view, and I don't know whether this was the Humphrey-Freeman legacy that was created up here or the Floyd Olson legacy, but this was an open society. As I say, they took everybody as they came along. I'm sure there were color bars and I'm sure that there's still some anti-Semitism around. But it certainly wasn't apparent.

JEF: It had already changed.

FLD: Yes.

JEF: One of the things that certainly happened during your tenure at the Federal Reserve Bank here in Minneapolis is the explosion of checking. You must have had to expand the check clearing department and things like this.

FLD: Well, they just began to put in machinery that could handle that. I sat on a Special Check Collection Committee that had two members from the Federal Reserve System, two members from the American Bankers Association, and one member from the Reserve Bankers Association, and we did a study. I guess it lasted almost two years. We visited every Federal Reserve district, talked to a lot of people, a lot of bankers, and created a report which was rejected by the Reserve Bankers

Association. In essence, they had correspondent balances they wanted to keep. Do you know what a correspondent balance is? It's a balance that a little bank puts in the big banks. That's the way they used to run the entire system, of course. Not the Federal Reserve System, the banking system.

The big banks wanted to do the check collection. It wasn't terribly efficient. You couldn't get the machine operators, the Burroughs people or the IBM people, or anyone else much interested in figuring out check-sorting machinery. So we developed a recommendation that would have speeded up the collection process. You depended some on machinery, but the way they collected checks in those days, a girl sat at an adding machine and they put checks in. You know how they sort mail? Put them in little slots? That's the way they did it. Then they did develop the check-sorting machinery, not only IBM, but a lot of other companies, and the Reserve Banks were able to get over that hump of handling all this. I have seen vans of checks at the Federal Reserve Bank of New York with a sticker on the top of it and a sign saying, "This has to go out today!" They were just swamped with paper.

I think this must have taken place, this check system committee, in 1952, '53, something like that. It's called the Wurtz Committee. Johnny Wurtz from the New York Bank was the chairman of it. And it had Orval Habberstad from Rochester, Minnesota, from ABA; Edgar Johnson from the ABA, the American Bankers Association; a fellow named Jim Kennedy from the Philadelphia National Bank was the Reserve city bank representative. Or maybe he was the ABA man and maybe Edgar Johnson was there, too. But, at any rate, there were five of us. It was a pretty good report. It would have helped, but the machinery helped a lot more.

JEF: To really meet the problem, the challenge.

FLD: That's right.

JEF: During your period here in Minneapolis, though, the staff must have expanded at the Federal Reserve Bank in Minneapolis. You mentioned that when you came here, they had just added some floors onto the old Federal Reserve Bank building.

FLD: Yes. But, you see, the big staff expansion came during World War II. It had gone back down to some extent. We had a lot of Treasury financing to handle, in what was called the Fiscal Agency Department. The biggest department of the Bank when I was there, and maybe still is, was the check collection department. It had to process these things. The money department was a busy department. I don't remember how many people there were at the Minneapolis Bank when I came in, but they could all fit very nicely into the building there at Fifth and Marquette.

They built that new building--Hugh Galusha built that building--essentially because they didn't have any vault space. The vault in the old Federal Reserve Bank building ran, I think, all the way up and all the way down. I think it had seven levels to it.

JEF: Good Lord.

FLD: But I don't think any level was much bigger than a third of this room, and it was not very efficient, and there was no parking space, of course. You could park some of the Bank cars, which we didn't have very many of, but you could park some of them in the basement there. But essentially I think that's why Galusha wanted a new building. That's why they got the building that they've got, which I happen to think is a pretty building.

JEF: It is, yes.

FLD: But evidently it's got a lot of problems with it.

JEF: Yes.

FLD: At any rate, I guess the actual volume of work has expanded, because essentially there aren't any non-member banks anymore, and everybody uses the Federal Reserve for currency and for check collection and so on. The correspondent banking system still exists, but it isn't anything like the collection operating process as it used to be. I don't know how many people they've got down there now. Our younger son works down there in the examination department, and he's over at the Northwestern National Life building because they've had to move out [of the Federal Reserve Bank building].

JEF: And they're already talking about yet another new building downtown.

FLD: That's right. They're talking about another new building, and they haven't, in my judgment, handled the public relations of this very well, because they've gotten a lot of flak on it. I don't know whether they need a new building or not, but they haven't sold their case, I'd say.

JEF: It certainly is talked about, however.

FLD: That's right. That's right.

JEF: Every chief executive officer, which you were, has a sort of management style. I'd be interested to hear you say what you think your management style is.

FLD: My management style is real simple. I try to get very good people and let them alone.

JEF: Interesting.

FLD: I'm a great delegator. I'll give you a contrast. Roosa, who was my predecessor at the Treasury and came out of the Federal Reserve Bank of New York, had all kinds of meetings and consultations and so on at Treasury. He's one of my closest friends. I went down there with a totally different management style. I can remember Paul Volcker was my deputy when I went there. He and the fellow who was in charge of basically the finance side would come in for meetings, and I can remember Volcker saying one day after about two months, he said, "You're totally different from Roosa. You let us do what we think ought to be done." And I do, as long as they do it right.

We had excellent people at Minneapolis. A fellow named Art Johnson ran the check collection department and he ran it very well. A fellow named Harold McConnell ran the examination department and he ran it very well. Dutch Groth was the cashier and he did fairly well. Al Mills was my first vice president and he did pretty well.

It's a fairly simple style of management. I don't know anything about management by objectives or any of those things.

JEF: All of which come and go anyway.

FLD: That's right.

JEF: Did you depend on weekly meetings with your top executives?

FLD: Oh, yes. We had officers' meetings every week. I'll tell you a story about my predecessor, John Peyton. He was very domineering, a great big fellow, a very domineering man, fairly gentle, but I mean he was a strong personality. And they had an officers' meeting every week early in the morning, like 7:30, maybe eight o'clock, something like that. One of John's closest friends was the chairman of the Bank board. His name was Roger Shepherd, and he came out of St. Paul. They'd been in school together. Roger said to John one day, "John, I'm told that you so dominate that meeting that everybody's afraid to talk." And it shocked Peyton, who didn't think he was doing that at all.

So at the next meeting, he said, "I've been told that I dominate the meeting and everybody's afraid to talk. Is that true?"

And everybody said, "No, Mr. Peyton." It satisfied him. [Laughter]

JEF: That's great.

FLD: His son is one of my closer friends and still lives here in Minneapolis.

JEF: Were there occasions during the year when you met with, or tried to meet with, many of the other employees, the lower ranking employees in the Bank, too?

FLD: Well, we used to have an annual Christmas party. I went to the Ten-Year Club meetings and the Twenty-Five-Year Club meetings. It wasn't that big a place. You got to know people pretty well just seeing them. I went to all those things, of course.

One of the things that has changed--and, in my opinion, not for the better--is the relationship we had with the banks and with business in general and with politics in general. We didn't really think that everybody was a crook, so we were active in the American Institute of Banking, which runs a lot of classes and teaches people how to do accounting and various other things like this. We paid dues to that. We were members of the Bankers Associations of South Dakota, Wisconsin, Michigan, and so on. You can't do those things anymore without being accused of being too cozy with the people that you're supervising.

Now, we didn't really have an awful lot of trouble in supervision. I can recall in particular when I came up here, this was one of the problems. The banks in this district borrowed much more heavily from the Federal Reserve Bank of Minneapolis than they should have, or at least than people thought they should have. These were pretty big organizations, the commercial banks, at the time. I had a series of luncheons with individual bankers in the district to tell them, in essence, that they were borrowing too much and they ought to quit. It was a nice, calm approach to tell them. They all did, and we didn't have any real difficulty with that at all. It wasn't a bare-knuckles approach, but it got results--there's a fellow that used to run the old Empire Bank in St. Paul which then became the Northwestern National Bank of St. Paul, and I still see him from time to time. And he still remembers being called over to a meeting at one of these luncheons. [Laughter]

But I didn't get this non par banking corrected, and Galusha did. There's a time when you can get something done and there's a time when you can't get it done.

JEF: But you laid the groundwork for it.

FLD: Well, I don't know. I think Galusha did most of this. But as I say, the relationships were reasonably close and I don't think were taken advantage of. Today I guess a lot of this comes out of Watergate. There's such a deep, dark suspicion that everybody in a public position is looking out for himself and that everybody in a private position is looking out for himself and they certainly never get together on anything. I just don't think it works as well.

JEF: You should never have lunch with X, because you might possibly be influenced by him.

FLD: That's right. That's right. I can recall the *St. Louis Post Dispatch* was a great crusading newspaper and its editorial page editors were very, very independent people. Most of them were friends of mine. One fellow was named Bob Lasch, whom I knew quite well. I could never get Bob Lasch to come to lunch at the Federal Reserve Bank of St. Louis. He didn't want to be--

JEF: Compromised. [Laughter]

FLD: And if we'd have lunch together, he'd pay for his and I'd pay for mine. I thought that was pushing it a little far, but that was the way it was.

JEF: What would you say, as you look at it, is one of the greatest contributions that Federal Reserve Banks have made and continue to make to the finances, as well as to the general economy in the United States?

FLD: Oh, by keeping it reasonably stable. The Federal Reserve Banks are the lenders of last resort. History is full of this, since I've been in it, at any rate. History is full of incidents where they have exercised a common influence. They did at the time of the Penn Central bankruptcy, which was a shocking affair, and they served the commercial paper market by making credit available almost on call if they wanted. It is fairly independent. It's not quite as independent as the Bundesbank, but it's almost as independent as the Bundesbank. Its structure is designed to make it independent. It's had, on the whole, really good people in it. And it seems not to make an awful lot of difference if you get somebody who isn't all that good once in a while who's a member of the Board or a President of a Federal Reserve Bank. They take themselves fairly seriously, but not immodestly so, and I think they've made a contribution to the economic stability of this country. I think most people really think so, too.

There's a lot of politics in this, you know, not so much in the central bank, but at the Washington level. You have to understand how to get along with politicians. I can recall when we first had to issue a five-percent security in Treasury, and we went over to tell the President we were going to do this. He had a fit. He said, "If you've got to do it, go ahead. I want you to do two things at the Treasury. I want you to call Paul Douglas and Russell Long and tell them what you're going to do."

We went back, and Joe Fowler, who was the Secretary, said, "I'll call Russell Long, whom I know quite well." I said I'd call Paul Douglas, whom I knew fairly well. I called him and said we were going to have to do this thing. And Douglas said, "Fred, I know you've got to do it. If you were a Republican, I'd just blast the hell out of it. But I won't say anything." [Laughter]

Long was more ideological on this. He had an absolute fit, and he told Joe Fowler he would ruin the entire Democratic Party. But he said he'd go along with it.

I enjoyed testifying before committees. We didn't have to do as much as they do nowadays. But it was sort of fun, and if you can approach this with no more seriousness than the people on the other side, you'll get along reasonably well. Martin always did. Eccles did. I think Arthur Burns did. He'd tap his pipe and smoke it and so on. I think Alan Greenspan does fairly well. Now, McCabe did not and Bill Miller, whom I don't know really, didn't do it very well either. But if you, like I say, approach it as though it's serious, but not seriously, you get along all right.

JEF: With a sense of perspective.

FLD: A sense of perspective, yes. I don't know enough people in the System anymore to know whether they still do this or not. I think Greenspan does.

JEF: Do you have any comments, Mr. Deming, on the increasing emphasis on priced services within the Federal Reserve and the emphasis of turning a profit and appearing, at least, to be profitable?

FLD: This is something I'm not much in sympathy with. We didn't do that, of course. We tried to run as efficient an operation as we could, but we didn't try to price the services and run a profit on it. I don't really think this is what a central bank's supposed to do. I don't have any objection in trying to be efficient, but I don't think you have to price the service to be efficient. Now, on the whole, I don't think that the banks--the commercial banks, that is--abuse the services of the System. Some of them, I'm sure, did, but you could always talk to them. Well, as I say, I'm not much in sympathy with this approach.

JEF: It certainly has gained relevance in the last few years, too.

FLD: Yes, that's right. That's right.

JEF: Although I wonder how illusory sometimes it is.

FLD: We began turning over the profits of the System to the Treasury a long, long time ago, and you can't help but make money as a central bank. It's built into it, so there always have been profits. Whether you distribute this on the basis of price or you distribute this on the basis of service, I don't know. But I guess I was just brought up differently. That's all.

JEF: Early in 1965, you left the Federal Reserve Bank. Would you talk about where you went and why you went at that time with them?

FLD: Well, I went because they asked me again. Roosa had been the Under Secretary for Monetary Affairs. The pictures are all up there. Did you see him standing in line?

JEF: Yes.

FLD: Bob Roosa had not been very well, and he was going to leave anyway. He'd been there for four years. I went down to see the President [Lyndon Johnson] sometime in early December or late November of 1964.

He said, "Are you coming down to help us?"

And I said, "I'll have to ask my wife."

He said, "Let me know tomorrow." [Laughter]

So I let him know the next day. It was supposed to be announced at the ranch, but I've forgotten what came up. At any rate, Bill Moyers called and said, "You can't go to the ranch. They'll announce it down here. They're not bringing anybody down."

I went to Treasury around the first of the year. Roosa was still there; he was going to serve until the twentieth or whenever the inauguration date was. I still hadn't been confirmed. [Senator] Bill Proxmire, who happened to be a reasonably good friend of mine, was mad because it's the Finance Committee that approves the Treasury officials and not the Banking Committee. He was on the Banking Committee and he held up my appointment for a week on those grounds. And he said, "Now, look. This has nothing to do with you. I just want to establish a principle." Well, it didn't really make that much difference. I went down there and was effectively sworn in about the twenty-ninth of the month. I was still the head of the Minneapolis Bank, technically, until I got sworn in at the Treasury. But then I was in Washington for four years as Under Secretary for Monetary Affairs.

As I said, Roosa had begun to go to meetings abroad. The Group of Ten Deputies was formed as was the OECD Working Party Three. I was in Europe frequently for seven years, four at the Treasury and three at Lazard Freres about every other week. I've been in Paris as many times as I've been in Washington practically, and I don't like Paris.

The job at that time, and it lasted through Beryl Sprinkle was a combination. You handled domestic debt management and fundamentally foreign finance relations. Now they've got a fellow named Dave Mulford, who is the Under Secretary for International Affairs, and he basically handles the international stuff and--I can't even remember what his name is--the Under Secretary for Domestic Monetary Affairs handles the debt management. But when Burgess and Baird got it and Roosa and I and Volcker and Jack Bennett and Ed Yeo and Tony Solomon and Beryl Sprinkle, all of whom were up there except Burgess and Baird, had a double responsibility, which meant that you traveled an awful lot.

Then I went from there to Lazard in New York, which has a house in London and a house in Paris also. I once went to Paris for lunch. [Laughter] At any rate, I did a lot of traveling then. But after I got out of Treasury, I could get to the Orient again, which I like. We didn't go this year because we had too many things to do here, but I still go to the International Monetary Fund and World Bank annual meetings, where I've been since 1956. The last one was in Bangkok, where we were first in 1960 at Christmastime, and we went to a Christmas party given by a man who ran the Bank of China, in Bangkok, Ming Li. He and his wife were Methodists. And they had a Christmas party out in the yard, because it's hot in Bangkok at Christmastime. There was a fellow there who played Santa Claus. My wife's a great correspondent, and we corresponded with Fanson Kuo for thirty-one years, and we saw him again in Bangkok this last year. He's thinner than he used to be, but he probably could still play Santa Claus.

JEF: And how much Bangkok has changed in those years, too.

FLD: Oh, yes. Bangkok now has something like eight million people. I think it must have been a couple of hundred thousand when we were first there. And the klongs [sewers] were open, and we stayed at a place called the Erawan Hotel, which was a two-story hotel. It had open balconies. No security whatsoever. A pool. We were there on Christmas night dancing with some people from the Bank of Thailand. And I got to Greece on the way back. There was a woman guide from the Bank of Greece who was taking us around, and I guess she asked what we'd done on Christmas. And I said, "Well, I danced with a Buddhist." And she thought I said nudist. She was shocked. I would have been shocked, too. [Laughter]

JEF: How long were you with Lazard?

FLD: Three years. We lived in Princeton. We had an apartment in Washington. We had an apartment in New York.

FLD: Mrs. Deming didn't like it and so we came back out here.

JEF: And you've been here ever since.

FLD: Yes. Except when I'm in Florida.

JEF: That about completes my questions for you, Mr. Deming. Are there any things about your term at Minneapolis or anything that you'd like to say that I didn't ask you, that you wish I had?

FLD: No. I think you've covered this pretty well. I wrote a little memorandum three or four years ago for the bank magazine telling about my experience at the Federal Reserve Bank in brief, and mentioning the work ethic, in which I thought that Minneapolis was a nice place to live.

I guess the only thing that I didn't mention today was we had the fiftieth celebration of the Bank in 1964. I did mention there was relatively little criticism of policy guides or academic influence. April 25, 1964 we celebrated the Bank's fiftieth birthday. We had a convocation at the Leamington Hotel, and the program included talks by Bill Martin; Pierre Paul Schweitzer, who was then the head of the International Monetary Fund; Reno Odlin who was the head of the American Bankers Association, an old friend of mine, came out of Tacoma; and Edward Nyland, who was then president of the United States Chamber of Commerce. We had all the bankers in. It probably wasn't a very good dinner, but it was a nice program. And then we went off to the Symphony Ball. I took Pierre Paul and Bill and Cynthia Martin to the Symphony Ball, and Pierre Paul is the best waltzer you've ever seen in your life.

JEF: A true European.

FLD: That's right.

JEF: Thank you, Mr. Deming.

FLD: Yes.

JEF: You mentioned the name of the Chinese banker who you knew in Thailand, and I want to make sure we get the spelling right of his name. Kuo you said was his last name.

FLD: His name is--Inez? She'll remember. Fanson Kuo.

JEF: Thank you, Mr. Deming.