POLITICAL PRESSURES ON MONETARY POLICY DURING THE U.S. GREAT INFLATION

Web Appendix 3: References to political pressure in FOMC meetings

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Table A3. References to political pressure

1969-03-04	Turning back to the discussion of the U.S. situation, Mr. Brimmer said it was generally expected that this country would cotinue its fight against domestic inflation. Chairman McCracken of the CEA stressed the view that stabilization efforts had to be conducted in a way that would avoid excessive unemployment, and that view naturally raised the question of the extent to which the Administration was prepared to allow unemployment to increase in combatting inflation. Mr. McCracken did not respond specifically to that question, but he left the impression that the Administration would persist in its anti-inflationary program. (Brimmer, p. 27-28)
1969-04-01	Officials of the new Administration had made it clear in nearly every speech on the subject that they thought such a goal would be a mistake. They had been publicly critical of the 1966 experience. They had made clear that they wanted to attempt a gradualist approach to the ultimate goal of price stability They had repeatedly stated their hope that the Federal Reserve would cooperate in such an approach. … There were three primary reasons why he would reject those last two strategies, Mr. Maisel said… Finally, he gave considerable weight to the publicly expressed view of the new Adminisration. National goals and national priorities when expressed by the President and his Cabinet should be considered as of major importance and should be given a heavy weight by the Federal Reserve in determining its own goals and strategy. (Maisel, p. 66-69)
1969-06-24	… An additional increase in discount rates might have advantages in bringing them into better alignment with market rates and forcing a better relationship between the costs to banks of alternative means of adjustment, Mr. Coldwell continued. However, if bankers were not serious about making adjustments and merely wanted to sustain their overloaned positions, then a rate increase would just add to the fire of higher costs and might be a destabilizing influence. Moreover, there were clear political and institutional risks in such a move at this time. The System should be certain that there were clear advantages to a discount rate increase and that it was not just following the commercial bank prime rate move... (Coldwell, p. 59-60)
1969-06-24	If the Board staff's forecast turned out to be correct, Mr. Galusha continued, by next summer there might be a few unpleasant things said about the Federal Reserve. With interest rates having increased to record levels, and with the various monetary aggregates having increased relativly little, there was no a chance that the System would escape blame for the minor recession which seemed to be in the offing. (Galusha, p. 65-66)

1969-06-24	Mr. Hickman thought a restrictive monetary policy was appropriate under present conditions. There was, however, some question as to how restrictive policy should be. … For political, economic, and psychological reasons, Mr. Hickman said, he would prefer to leave the discount rate where it was, at least until the passage of the surtax was assured. (Hickman, p. 85-86)
1969-06-24	The timing and extent of this move towards reduced restraint are critical. Too early or too large a shift in policy could seriously injure hopes of getting inflation under control; too late or too small a move might contribute to a deeper and more prolonged setback in the economy than would be socially or politically tolerable. (Partee, p. 33)
1969-06-24	The System's posture in holding down such rates was becoming increasingly incongruous in an inflationary setting and should be changed along the lines the Board was considering. Whether that could be done without marked political repercussions he did not know. (Scanlon, p. 71)
1969-10-28	Meanwhile, price inflation shows only faint signs of abatement, if any… I would hope that a moderate rise in the over-all unemployment statistics would not bring political pressure for a premature easing of much-needed fiscal and monetary restraint. (Hayes, p. 51)
1970-01-15	I know some feel that if we do not act to ease pressures significantly now, we will reap consequences which will impel us to ease too much later. But I think this line of argument gives too little weight to the strength of deferred demands, and to the ability of Federal Reserve officials to withstand public and political pressures to float away our troubles on a tide of easy money. (Robertson, p. 100)
1970-04-07	Mr. Maisel remarked that there were grounds for the Committee to be concerened about the rate of increase the staff was now projecting for the GNP deflator in 1970. However, he had considered the staff's earlier projections with respect to price increases to be too optimistic, and their present projections were not worse than his own earlier expectations. Secondly, while he thought real GNP would rise as fast or faster in 1970 than the rates the staff was now projecting, he noted that those rates were still below the Administration's expectations and policy desires as set forth by the Council of Economic Advisers in January. (Maisel, p. 45)
1970-04-07	There was a piece of legislation before Congress now which had grown out of judgments that there was a clear and present problem of recession in the economy and of depression in the housing industry – and that Congress had to do something about the latter. He was referring to the omnibus housing bill containing the Proximire Amendment. In all likelihood the bill would be enacted, and unless the Proxmire Amendment were dropped or modified it would be only a matter of time before the Federal Reserve would find itself in the position of some Latin American central banks. (Burns, p.49-53).
1970-06-23	Finally, as a longer-run matter, there was the question of how much more of an updrift in the unemployment rate was acceptable. There could be little doubt that the rate would move up to 5-1/2 per cent, and the green book projections suggested that it could be close to 6 per cent by the end of the year. Unemployment of that magnitude, coupled with price rises of even 3-1/2 per cent to 4 per cent per year, would very likely create social and political pressures that might well make it impossible for the Committee to stick to any path of moderate expansion.(Heflin, p. 23)
1970-07-21	Mr. Robertson added that he hoped Administration officials would refrain from making public statements about the appropriate course for monetary policy. In particular, he was concerned about the possibility that statements calling for an easier policy might be encouraging enlarged wage demands. (Robertson, p. 44)
1970-07-21	Following up a comment by Mr. Robertson, he [Mr. Brimmer] thought that statements by Administration officials regarding appropriate monetary policy were creating confusion in the public mind as to the locus of responsibility for such policy. Those statements might

	also be creating expectations which, if disappointed, could only aggravate the situation. (Brimmer, p. 45-46)
1970-12-15	Mr. Coldwell remarked that he shared some of the views already expressed about the problems that lay ahead, but he did not expect stagnation or a decline in activity actually to develop in 1971. Such a situation would be both politically and economically unacceptable, and moves to offset it undoubtedly would be forthcoming from some branch of the Government. (Coldwell, p. 38)
1971-01-12	However, the Administration's confidence in the System was weakening as a result of the shortfalls that had occurred in the rates of monetary growth. He was not concerned so much about the loss of System prestige and credibility as he was about the possible impact on other Governmental policies... The credibility of the Federal Reserve would be greatly strengthened if it became apparent that the Committee was seeking to make up the recent shortfalls. He would hope, therefore, that the members would give very serious consideration to alternative B of the draft directives. (Burns, p.36-37).
1971-01-12	Adoption of alternative C might also undermine confidence in the System by suggesting that it had succumbed to Administration pressure; and it might damage confidence in the economic outlook by suggesting that the Committee thought conditions had deteriorated to the point where a very lareg injection of funds was needed. (Mayo, p. 56)
1971-01-12	Chairman Burns said he might add a word on the subject of credibility. It was important that System officials never lose sight of the fact that the Federal Reserve was a part of the Government, and that whatever the Federal Reserve did or failed to do would have an influence on the actions of the Administration and the Congress. He had good reason to think that the fiscal policy now being developed in the Executive Branch was being influenced by certain interpretations which Administration officials were making -- rightly or wrongly -- of system policy. He had defended that policy to the best of his ability, but there was a limit to what one could do in defending the unwanted results of a policy. Personally, the Chairman remarked, he had been greatly disturbed by the shortfalls of the monetary aggregates from the Committee's targets, at a time when economic conditions were deteriorating - with production slumpting, unemployment rising, and expectations about a recovery being repeatedly frustrated. Under such circumstances it was particularly difficult to defend a slowing of growth in money from the rates prevailing earlier in 1970. (Burns, 64-65)
1971-02-09	Personally, the Chairman continued, he believed that monetary policy had been basically sound over the past year, and he had no quarrel with the policy of the last few months. However, the shortfalls from the Committee's targets for the monetary aggregates that had occurred had caused difficulties for the System, and further shortfalls would cause continuing difficulties... in his judgment the heavy emphasis that many people were placing on the behavior of M1 involved an excessively simplified view of monetary policy. But however unfortunate such views might be, the fact that they were widely held had consequences for the System. (Burns, p.87).
1971-03-09	Chairman Burns said he wanted to endorse Mr. Maisel's earlier comments [that policymakers should be aware of the implications of unemployment at a personal level]… He had found that members of Congress were deeply concerned about unemployment - no doubt partly because they were continually in touch with people in all walks of life. He was endorsing Mr. Maisel's comments so heartily mainly because little had been said along such lines in the discussion today. (Burns, p. 47-48)
1971-06-08	For the Federal Reserve to raise the discount rate at a time when unemployment was so high would lead many observers to wonder about the nature and purposes of the System and would produce strongly negative reactions in the Congress and the Administration. (Burns,

p.75).

1971-08-24	Questions were being raised in many quarters as to why the 90-day freeze had not been extended to cover interest rates… During the White House meeting last week with the bipartisan leadership of the Congress, which he had attended, a number of the legislators had indicated that they were troubled by the omission; and the matter was certain to be discussed in the Congress when it reconvened in early September... So long as interest rates in general remained below the levels that had prevailed before the President's address he didn ot think much pressure would build up for including them in the freeze. The situation would be different, of course, if rates were to move back up above those levels. (Burns, p. 9-10)
1971-09-21	I would like to add just one brief observation on the Administration's current strong stance with respect to interest rates. For the time being this should not present the System with any problems, as long as there is a sizable cushion between current rate levels and those of August 13. However, the cushion is not so large as to give me any feeling of assurance that the Administration's rate policy will not become a serious obstacle to effective monetary policy... In reply to a question by the Chairman, Mr. Hayes said that in speaking of the "Administration's rate policy" he had meant the apparent disposition to keep interest rates below their August 13 levels. (Hayes, p. 58)
1971-09-21	Although as the Chairman had indicated the Administration did not have a formal policy with respect to interest rates, it seemed highly likely that any tendency of rates to move above their mid-August levels would create problems. (MacLaury, p. 61)
1971-09-21	In his view, Mr. Maisel continued, the desirable growth rates at this time were those that would best complement the Administration's new economic program. In particular, funds should not be supplied at a pace below the normal growth of demands. (Maisel, p. 68)
1971-10-19	I believe it would be a serious mistake to alter the discount rate in the period before our next meeting in mid-November. The rate is not out of line with market rates generally, and a lowering of the discount rate could signal to the public an abandonment of any intention to back up the Administration's anti-inflationary program with monetary policy. (Hayes, p. 51-52)
1971-12-14	As the Committee knew, the new economic program the President had announced on August 15 was designed not only to stabilize the price level but also to stimulate growth in the economy… (Burns, p.48).
1971-12-14	Chairman Burns commented that the figures he had cited earlier on the recent behavior of the aggregates did not suggest to him that the System's posture was one of ease. Indeed, in light of the behavior of the aggregates some people were now asking whether the Federal Reserve was deliberately moving to a restraining policy so as to nullify what the Administration, with the support of Congress, was attempting to accomplish. (Burns, p.50-51)
1972-01-11	Despite energetic efforts on the part of the Desk the rate of growth of the money supply – he was thinking chiefly of M1 – that the Committee had set as a major objective was not being attained. Indeed, there had been virtually no net growth in M1 over the past four months... In his view, Chairman Burns continued, it was important that the performance of monetary policy improve rather promptly. In that connection, might note that he was scheduled to teswstify before the Joint Economic Committee on February 9. In essence, his task would be to give an accounting to the Congress on how the Federal Reserev had been contributing to the national objections of economic growth and orderly reduction in the rate of inflation - that is, an accounting of the contribution the System had been making to the success of the new economic program which the President had announced on August 15. That program

had the support not only of the entire Administration but also of both political parties in the Congress... (Burns, p.4-6)

1972-01-11	Mr. Mitchell asked whether recent developments with respect to total reserves could not be fairly summarized by noting that, while the figures were highly erratic in the short run, reserves had grown at an annual rate of 7 percent over the year 1971… Chairman Burns replied that such a summary was not likely to be considered suficient by many observers, including some members of Congress. He would expect attention to focus on the more recent developments, including the net decline in total reserves and the very low growth rate in the narrow money supply during the fourth quarter. (Burns, p. 60)
1972-01-11	It was the virtual absence of growth in M1 in the fourth quarter (1971) that he thought was difficult to justify… However unless the aggregates now began to grow at adequate rates he would become fearful about the future of the economy, and he would also feel that there might be some validity in a charge that the System was not supporting the policies of the Administration and Congress. (Burns, p.62)
1972-02-15	Let me turn now to the role that monetary policy needs to play in furthering national objectives this year. Clearly, our monetary affairs – no less than our fiscal affairs – must be kept in order so tht public confidence in our monetary management is maintained... At this stage of the business cycle it is essential to pursue a monetary policy that will facilitate good economic recovery. Supplies of money and credit must be sufficient to finance the growth in consumer spending and in investment plans that now appear in process. Let me assure this Committee that the Federal Reserve does not intend to let the present recovery falter for want of money or credit. And let me add, just as firmly, that the Federal Reserve will not release the forces of a renewed inflationary spiral. (Burns, p.46-47)
1972-04-18	Mr. Maisel said he thought the key question facing the Committee concerned the growth rate of money needed to finance the desired expansion of GNP. While others might call such a rate 'stimulative,' he would refer to it as 'accommodative,' and to any lower rate as 'nonaccommodative' or 'restrictive.'... In his judgment, Mr. Maisel continued, to accommodate GNP growth in the second half at the projected rate would be consistent with the nation's goals. The Administration had indicated that GNP should grow by at least that much, if not more, and Congress would view such a rate as low. If a problem of excessive expansion developed in 1973, it would not have been created by the Federal Reserve. (Maisel, p. 53-54)
1972-04-18	The significant point was that the Administration had decided at that time – with the support of the Congress and the Federal Reserve – that the way to solve the problem of inflation was to apply direct controls rather than to slow the rate of economic growth and increase excess capacity. (Brimmer, p.57-58)
1972-07-18	Mr. Heflin said he agreed with Mr. Leonard that current monetary policy was about right and that the accolades in the press were deserved… To a large extent the inflation that was currently being experienced was of the cost-push variety, and monetary policy could not act to correct that sort of inflation without fostering a level of unemployment that would be unacceptably high in the present political and social climate. (Heflin, p. 28-30)

1972-08-15	Given the framework of the Government's incomes policy, Chairman Burns continued, there was widespread opposition to higher interest rates… Nevertheless, voices had been raised to advocate ceilings on interest rates. Fortunately, resistance to ceilings had come from the President and from the Secretary of the Treasury as well as from himself, and so far resistance had succeeded. In the circumstances, the Federal Reserve should not be eager to raise interest rates. (Burns, p.74-75)
1972-09-19	A rather strong body of sentiment was developing within that committee (Committee on Interest & Dividends) in favor of a public statement admonishing lenders in all categories to act prudently in setting interest rates, and suggsting gently – but still suggesting – that if they failed to do so the Committee would establish guidelines for interest rates... If guidelines were established the result would be a confontation between the Federal Reserve and the Executive establishment – a prospect that was extremely disturbing. (Burns, p.68-71)
1972-11-21	As long as the FOMC formulated its objectives in terms of reserves and the monetary aggregates, he believed it could make its decisions effective despite the activities of the Committee on Interest and Dividends… On the other hand, the Chairman continued, if the FOMC were to formulate its objectives in terms of interest rates, a conflict with the Administration could quickly develop. From that point of view it was fortunate that the FOMC was following an aggregate aproach. (Burns, p.98-99)
1973-01-16	Whatever the political and public relations problems that higher interest rates might bring, they would provide a necessary constraint in the economic situation that was developing. (Partee, p. 52)
1973-01-16	Mr. Bucher observed that from his reading of various newspapers in recent days he had concluded that public concern about the prospects for inflation had increased substantially... As the Committee was aware, the long-term rates - and especially rates on mortgages and long-term consumer loans - were of great public and political concern. While monetary policy alone could not do the whole job of dampening inflation, it could do more at this point without significant risk of causing a downturn. (Bucher, p. ?)
1973-01-16	Nevertheless, Mr. Mitchell continued, the annual rate of growth in M1 had been as high as 8-1/2 per cent over the second half of 1972, and it was a question wheher that was appropriate. There was, unfortunately, a widespread dogma - believed by some members of the Committee as well as by representatives of the press and the public - that monetary growth ought to be at a rate of 5 or 6 per cent... At one time, a 4 per cent rate of growth had been considered appropriate, and on one occassion a Congressional committee had asserted that the rate should be between 2 and 6 per cent. (Mitchell, p. 57)
1973-03-19	To adopt a substantially more restrictive policy that carries with it the danger of stagnation or recession would seem unreasonable and counterproductive. As unemployment rose, there would be strong social and political pressure for expansive actions so that the policy would very likey have to be reversed befor it succeeded in tempering either the rate of inflation or the underlying sources of inflation… The best solution in the present difficult situation, I believe, would entail a slowing in the economic expansion to the minimum sustainable rate which would appear to be in the 3 to 4 percent range. (Partee, p.16-17)
1973-05-15	Mr. Black observed that, like others, he was concerned about the mounting fears of inflation on the part of the general public. It was important, however, not to lose sight of the world-wide character of the current upsurge in prices… While the US price performance, considered alone, certainly had not been satisfactory, it was clear that the System could not expect to eliminate domestic inflation by monetary policy means, and that if it aimed at too low a growth rate it was likely to create a recession. (Black, p.33)

1973-05-15	At the moment the country was passing through a political crisis… In view of all of the uncertainties prevailing at present, and in view of the probability that the Board of Governors would take certain important actions tomorrow with regard to member bank reserve requirements, he thought it would be a serious mistake for the Committee today to set the upper limit on the range of tolerance for the Federal funds rate as high as 8 per cent. A week from now he personally might well be advocating an upper limit of 8-1/4 per cent; at the moment however he would not want to go above 7-7/8 percent. (Burns, p.83-84)
1973-06-19	Mr. Mitchell observed that the public's great anxiety about inflation and its demand for action was entirely understandable. The politicians' desire for action also was understandable, since they had to live in the light of the way they saisfied the public's demands. He was not so sure, however, that the Committee - except for its visible public posture - ought to become that alarmed about the inflation problem. (Mitchell, p. 66-67)
1973-06-19	Secondly, the course of economic activity in the period ahead would depend fundamentally on the state of confidence, and the present strongly restrictive stance of System policy represented a significant contribution to confidence. Under other circumstances, the recent extraordinary rise in interest rates and the early-June increase in the discount rate to its highest level in more than 50 years might well have brought the Federal Reserve under sharp attack in the press and in Congress; the fact that there had been no such attack was an indication that confidence in the System itself was high. (Burns, p.110)
1973-07-17	Mr. Sheehan added that he felt monetary policy had been generally appropriate over the past year or so. With the benefit of hindsight, he thought that more restraint might have been applied earlier, but as he had suggested on a number of occasions such a policy could well have precipitated a legislative freeze on interest rates. (Sheehan, p.94)
1973-09-18	Projections made by his staff suggested that the rates of monetary growth under alternative C would result in a recession in 1974. Even if the Committee were willing to accept that, it was not a practical alternative. As soon as a recession began to develop and unemployment began to rise, pressures would become irresistible to reverse course and generate rapid rates of monetary growth... A better course would be to aim to return M1 to the 5-1/4 per cent growth path over a reasonable period of time. (Eastburn p.48)
1973-09-18	Mr. Balles remarked that he agreed with the view of most forecasters, including those within the System, that a recession next year was not in view and that the most likely course was nothing worse than several quarters of subnormal growth in real GNP. Of course, the outlook could change if the Committee attempted to prevent a decline in interest rates and, consequently, became too restrictive in terms of rates of growth in the aggregates. The reasons for permitting declines in interest rates were compelling so long as they were consistent with attainment of the Committee's longer-run targets for the aggregates. Declines in market rates would lessen the problem of disintermediation, especially for the nonbank thrift institutions, and would improve the supply of mortgage credit. Political pressures on the System would be reduced. (Balles, p.50-51)
1973-09-18	Mr. Balles called attention to a poll taken at a meeting of the National Association of Business Economists-- and reported in yesterday's papers--in which 80 per cent of the group had indicated a belief that the System had been doing only a poor to fair job… The critics apparently interpreted the behavior of the aggregates as reflecting a stop-and-go policy. An effort by the Committee now to resist downward pressures in interest rates arising from a downward shift in the demand for money would provide additional evidence in support of that interpretation. (Balles, p.51)
1973-09-18	When the economy was still strong and inflation was running wild, the Chairman observed, it was important to have one group in the Government maintaining a restrictive policy rather than yielding to strong pressures to ease. The Federal Reserve would serve the country well if it continued for a little while longer to pursue the policies that had caused it to be unpopular. (Burns, p.58)

1973-10-10	To open the discussion, the Chairman continued, he might note that he had strongly advocated the highly restrictive monetary policy that in fact had been pursued in recent months… Indeed, it was possible that the restraint had been carried further than intended... System officials had repeatedly stated to Congress and the public that the Federal Reserve intended to pursue a monetary poilcy that would permit moderate growth of the monetary aggregates. If the System were to allow the period of very low or negative growth in the money stock to continue much longer, it would not only be damaging its credibility; it would be failing to meet its responsibilities to the economy and to the nation. (Burns, p. 4-5)
1973-10-16	The immediate goal should be to spur growth in the monetary aggregates. He wanted to pursue that goal not only because he believed it was the correct policy but also because the credibility of the System might turn on its attainment. Market participants and the public at large had been assured, through statements by the Chairman and in other ways, that the Federal Reserve would not permit the monetary aggregates to contract for a prolonged period, and he was concerned about the possible reactions to a failure to make good on that commitment. (Morris, p.47-48)
1973-11-20	Mr. Morris then said he might add another, noneconomic, reason for changing policy today. If a recession did develop by next spring, he would want the record to show that the Committee had recognized the problems generated by the energy crisis and had moved promptly toward ease… (Morris, p.91)
1973-11-20	The Chairman noted, with respect to Mr. Morris' final observation, that the Committee clearly would not want to suggest that it had tightened policy today. (Burns, p.91)
1973-12-18	In concluding, Mr. MacLaury said it was his impression that the Committee had been concerned last winter about possible reactions in the Congress if interest rates had been allowed to rise rapidly at that time. It seemed to him that there would be even greater grounds for concern about reactions if the Committee should fail to evidence in some way its recognition of the change in the economic outlook. The directors of the Minneapolis Reserve Bank did not believe that discount rate action would be appropriate at this time, but they did feel that --to use the words of Chairman Burns--a modest and cautious easing of monetary policy would be desirable. (MacLaury, p.81)
1974-01-22	M r. Clay commented that this nation had a very long memory for the depression of the 1930's and it lacked any real understanding of the damage that inflation could do to the economy and to the future of the people… The current situation was an example in that there was a willingness to validate the inflation in order to avoid a slowdown in economic activity and a rise in unemployment. Moreover, the Administration suggested that it would stand ready to provide additional fiscal stimulus in the event that the weakening proved to be worse than expected. (Clay, p.106)
1974-02-20	If headway were not made this year in dealing with the problem, the country would be experiencing a Latin American type of inflation, and the American people would not tolerate that for long. One way or another, highly restrictive policies would become inevitable and the nation might have to go through a long and serious economic contraction. By leaning on the side of caution now, the Committee might be able to make some contribution to preventing such an unfortunate development. (Burns, p.82)
1974-03-19	Mr. Kimbrel remarked that inflation continued to be the primary concern, and the rate of increase in prices in the United States relative to that in other countries raised questions about the credibility of Federal Reserve policies to deal with it. Nonfarm employment had declined only in Florida of the six states in the District, and there the reductions had been localized. Florida bankers had reported that they understood their own problem and ultimately would be able to deal with it. However, they were much more concerned about inflation than about the energy crisis or their immediate difficulties. (Kimbrel, p.132)

1974-03-19	At this point, Mr. Wallich remarked, it would be a mistake to accelerate the recovery; the objective should be to pursue a path of monetary growth such that economic activity continued to expand, but at a rate not necessarily much faster than its potential and perhaps even below. Although that might lead to political problems, real GNP would be rising and the economy would not be going into recession... He would reject as both substantively and politically unsound a policy of so tight a rein that economic activity failed to recover at all and excess capacity built up rapidly. (Wallich, p. 134-135)
1974-03-19	Because the System had substantial independence, the Chairman observed, it could resist political pressures to pursue inflationary policies, and it should do so. Moreover, at the present time neither the Administration nor the Congress was urging the Federal Reserve to pursue a more expansionary course. One of the distinguished liberal members of the Congress recently had commented to him that the System was not exercising with sufficient determination the indepedendent power that the Congress had deliberately granted to it. (Burns, p.139)
1974-04-16	However, he might note that, although he regularly received a great deal of protest mail from the public, he had not as yet received any communications from Congressmen critical of the recent increase in interest rates. He suspected that Congressmen, as well as others, were not surprised by rising interest rates at a time when prices of goods and services were surging and when there were expectations of substantial rises in wage rates… The criticisms of interest rate trends that he had been receiving recently were mainly from the stock exchange community and occasionally from owners of small businesses. (Burns, p.72)
1974-04-16	Chairman Burns remarked, with respect to the current political environment, that the Administration's position at the beginning of the year was that a recession must be prevented and that whatever needed to be done would be done. Members of the Administration--including the President--had been weighing the economic situation, and in view of signs of improvement in economic activity and of intensification of the inflation, the present position was that a tax cut--such as had been proposed by same members of the Congress--must be opposed. (Burns, p.85)
1974-04-16	Mr. Wallich commented that he welcomed the Chairman's suggestion for a 5-1/2 or 5-3/4 per cent longer-run rate of growth in M1. He would be concerned about adoption of too restrictive a policy, because it was quite early in the business cycle upturn to lean toward a hard line - even though the severity of the inflation probably made both higher rates of unemployment and other remedial programs more acceptable politically and socially than at other times. (Wallich, p. 111)
1974-06-18	Mr. Balles said he might add one further observation. Over the weekend he had participated in a program along with Congressman Ullman of Oregon… Congressman Ullman had stated in his opening remarks that he was totally opposed to the present high interest rate policy. However, he had gone on to say that the Federal Reserve really had no choice; that with fiscal policy maqking no contribution to combatting the extremely serious problem of rampant inflation, he had reluctantly concluded that the Federal Reserve was following the right course. Both in his speech and in a private discussion afterwards, Congressman Ullman had implied that that point of view had considerable support in the Congress. Mr. Balles expressed the hope that the Committee members would not underestimate the extent of Congressional support for its present posture. He thought a majority of the Congress would concur in the System's efforts not only to slow the actual rate of price advance but also to dampen inflationary expectations. (Balles, p. 61)
1974-06-18	Chairman Burns said he might offer his appraisal of the existing support for current Federal Reserve policy. He agreed that the support in the Congress was strong; he had been receiving almost no critical mail from that source. Of the letters that reached his desk from individuals across the country, a majority were still commendatory. (Burns, p. 62)

1974-07-16	Mr. Gramley noted that there had been a number of comments about the willingness of the public to accept a 1 per cent growth rate in real GNP for the sake of controlling inflation. In his opinion, however, the real issue was whether aiming for such a low rate of growth would entail a significant risk that the economy might slide into a recession. If that occurred, there undoubtedly would be strong pressures for relaxation of both monetary and fiscal policy. (Gramley, p. 32-33)
1974-07-16	Mr. Mitchell then said he expected that the Committee members who were scheduled to appear at the House Banking and Currency Committee hearings would find that members of that Committee, at least, did not share the view that the American public would accept a 1 per cent growth rate for real GNP.
1974-07-16	Chairman Burns remarked that he had received a different impression in his appearance before the House Ways and Means Committee yesterday. He had expressed his view that little or no economic growth could be expected for some months, and that that outlook should be accepted as a matter of policy under present circumstances. None of the members of the Ways and Means Committee, not even the more liberal members, expressed any shock or criticism. More generally, in his many recent conversations with Congressmen he had found widespread acceptance of the need for slow economic growth; they reported that their constituents were more anxious about inflation than about unemployment. (Burns, p. 34)
1974-07-16	At the moment, Mr. Bucher continued, the war against inflation had strong support in the Congress and among the public at large. But those positive attitudes could be changed quickly… While he was willing to incur some risks in that regard, a monetary policy that was expected to result in growth of less than 1 per cent in real GNP over the next year was too close to the brink. (Bucher, p. 77)
1974-07-16	Mr. Sheehan said he agreed in general with the views expressed by Mr. Black… If the real growth rate were kept positive the Committee would experience less pressure to ease from the Congress and the public and would be better able to continue its fight against inflation. (Sheehan, p. 78)
1974-08-20	Mr. Kimbrel observed that he was encouraged by the present situation, because it appeared that monetary policy was beginning to have some bite. At the same time, inflation continued to be a serious threat… Therefore, it was important to capitalize on the present mood of the country and of the Congress to work to contain inflation. (Kimbrel, p. 61)
1974-09-10	Continuing, Mr. Morris observed that the most desirable course of economic activity… would be one that moved the unemployment rate up to 6 per cent and held it there for the next 2 years. The American people now would be willing to accept a 6 per cent rate as a cost of combatting inflation. More slack than that would not make much of a contribution toward achieving price stability, and it would run the risk of generating political forces in favor of efforts to reduce the level of unemployment - efforts which might then result in the more typical rapid recovery in acitivity. It would be better to pursue a policy of restraint that could be maintained for awhile. (Morris, p. 83)
1974-11-19	Chairman Burns commented that while Mr. Morris' assessment of the risks of an overshoot might be correct in terms of the rate of [money] growth for the second half of the year, rates of growth for individual months also received public attention. In his judgment, a 12 per cent rate of growth in the November-December period would provoke editorial comment and expressions of opinion from the business and financial commmunity, from the Congress, and from abroad to the effect that the Federal Reserve had thrown in the sponge with respect to the fight against inflation. (Burns, p. 50)
1974-11-19	In his view, tolerance was still high among the people and in the Congress for continuing efforts to reduce the rate of inflation. Over the remainder of 1974 policy should be eased only slightly… (Coldwell, p. 61)

1975-01-21	Mr. Morris added that he did not find any of the alternative sets of specifications offered by the staff to be fully adequate, but if he had to choose one it would be alternative A. He could foresee political problems for the Committee later this year if it followed the policy he had suggested. Clearly, the more short-term rates were reduced now, the larger would be the increase needed later to maintain control over the monetary aggregates in an expanding economy... It seemed urgent to him that steps be taken now to produce an upturn in economic activity during the second half of the year that was at least strong enough to permit the unemployment rate to level off at around 8 per cent. (Morris, p.68-69)
1975-01-21	Nevertheless, he thought the System could not be completely immune to recent criticisms, from Congressmen and others, that it was making the recession deeper and longer than necessary… Unfortunately, growth rates in the monetary aggregates had been low for a rather extended period--since about mid-1974--and market observers were assuming that that outcome had been intended. (Balles, p.75-76)
1975-02-19	He would be testifying before the House Banking Committee this evening, and before the Senate Banking Committee on February 25. The hearings in the Senate would be concerned with the concurrent resolution that had been drafted by Senators Proxmire and Humphrey, with which the members were no doubt familiar. He intended to argue that the resolution was entirely unnecessary, in the sense that it instructed the Federal Reserve to do what it already was doing. That is, the Federal Reserve clearly wanted a substantially more rapid rate of growth in the monetary aggregates than had been recorded in the past few months.. (Burns, p.9)
1975-02-19	Accordingly, Mr. Balles said, he favored alternative A. For many months M1 had fallen below the Committee's targets, and now both the economics of the situation and Congressional concern pointed in the direction of pursuing the monetary growth rates under alternative A. (Balles, p.61)
1975-02-19	Chairman Burns remarked that Committee members wanted to follow the policies that they believed to be appropriate in the current economic situation; they and the country would have to live for a long time with any mistakes that they might make. It would be a tragic mistake to yield to political pressures; the political pressures of today would not necessarily be those of tomorrow. (Burns, p.61-62) [referred to Balles' remarks above]
1975-02-19	He was concerned that there would be critical public reaction to continuation of a monetary policy that had produced very little growth in the narrow money stock over the past 6 months, a period in which the economy was moving into the worst recession since the 1930's. Continued pursuit of such a policy and failure to stimulate the desired rates of monetary growth promptly could have some undesirable long-run implications. (Eastburn, p.68)
1975-02-19	Mr. MacLaury said he agreed that political pressures, which would be intensifying soon enough, could not be allowed to influence System policy. With respect to the longer-run targets, nothing had happened since the last meeting to suggest that the Committee should be prepared to accept a lower rate for M1 than it had then. Accordingly, he favored alternative A. The funds rate had declined too slowly over the past half year... (MacLaury, p.79-80)
1975-03-18	If counter-recessionary measures are insufficient or too-long delayed, here and elsewhere, acute political pressures could lead to excessive stimulation later on… From the viewpoint of the three major countries and for the world as a whole, it would be far preferable that an early and steady economic expansion be set in motion. (Solomon, p.15)
1975-03-18	Mr. Hayes said there was no question that recent Federal Reserve policy had been subject to unusually sharp public criticism as a result of the rather prolonged period of sub-normal growth of the monetary aggregates at a time when economic activity had been weakening pervasively and unemployment had been rising. (Hayes, p.73)

1975-04-15	Ordinarily, Mr. MacLaury continued, such a rise in rates would elicit sharp criticism in Congress. However, if the Committee and Congress could agree now that a 7 per cent increase in M1, would be reasonable for the coming year, and if the Committee did not change its mind in the meantime, Congress would be less likely—or at least would have fewer grounds--to criticize the interest rate increases needed to achieve that target… Moreover, he thought a 7 per cent long-run target would be more acceptable to Congress than a 6-1/2 per cent target. (MacLaury, p.86-87)
1975-05-20	Chairman Burns observed that in their budgetary planning the Budget Committee of the Congress were assuming a mid-1976 unemployment rate of about 7-1/2 per cent. It was significant that any Congrefssional committee was willing to tolerate a rate that high over so long a period. (Burns, p. 31)
1975-05-20	Mr. Morris observed that in his view acceptance of the staff projection led to the conclusion that the policy course being pursued by the Committee could not be defended before the Congress or the American people. Growth in real GNP of 5 per cent over the four quarters to the second quarter of next year, as projected, was not acceptable, and that slow a recovery could not be justified in the interest of dampening inflationary pressures... Continuing, Mr. Morris said he could sympathize with the position of not accepting the course of economic activity suggested by the judgmental projections unless and until some confirmation was provided by current economic indicators and, consequently, of holding to a strategy of relatively moderate growth in the money supply until such time as evidence indicated the need for a change. That was an entirely logical and valid strategy for the Committee to adhere to, although it might cause some problems with Congress later on. (Morris, p. 33-34)
1975-05-20	While he [Mr. Hayes] was not impervious to the political and social disadvantages of the economic slack and was in favor of action to reduce it, he would not attempt to do so by deliberately fostering a rapid surge in growth of the aggregates. (Hayes, p. 45)
1975-05-20	If the Committee wished to wring inflationary pressures from the economy during only one cycle of recession and recovery, the present level and projected growth of the money supply were about right. Achievement of that objective would take a long time, and it was uncertain that the Congress would find it acceptable... His inclination was against the strategy of front-loading, on the grounds that pressures for monetary expansion were likely to develop later on and it would be desirable to have some flexibility to yield to a degree. If the System expanded the money supply more rapidly now, it would be compelled to resist the pressures rigidly later on. Therefore, his preference was to continue policy on its present course. (Wallich, p.52-53)
1975-05-20	He did not like the prospect of an unemployment rate above 9 per cent through June 1976, and he thought Congress would like such a development even less. Still, he was reasonably well satisfied with the present posture of monetary policy; he would suggest, however, that the Committee err on the side of ease. (Coldwell, p.59)
1975-06-17	He could, of course, be wrong in that view, and he realized that an enticing case could be made on economic grounds in favor of front-end loading in working toward the Committee's longer-run targets for the aggregates. In his judgment, however, the political risks of having to let interest rates rise more rapidly later to curb expansion in the aggregates outweighed the economic arguments for front-end loading. (MacLaury, p.103)
1975-06-17	Mr. Winn said he wanted to echo Mr. MacLaury's concern about the problems created for policy by high rates of unemployment. Yesterday, he had found sobering the staff projection that current economic policy would be associated with a continuing high rate of unemployment next year. In light of the political environment that would then be prevailing, the Federal Reserve had to be as innovative as possible in making suggestions for reducing unemployment, in order not to sacrifice its anti-inflationary objectives. (Winn, p.108)

1975-07-15	He had been concerned about the conclusion of the recently published report of the Congressional Budget Office that money supply growth within the Committee's published target ranges would not be adequate for the economy but that the Federal Reserve would recognize the insufficiency and allow M to grow at a rate of about 8-1/2 per cent over the next 18 months. That report was representative of the problem of maintaining the credibility of the Federal Reserve with Congress. In his judgment, narrow ranges for the aggregates—allowing too little leeway on the upside--could involve a price in terms of the System's Congressional relations. (Morris, p.58-59)
1975-07-15	Chairman Burns said it was possible that a problem with Congress would arise [if Committee did not set money growth targets high enough; see Morris above]. He might note, however, that the recent report of the Senate Banking Committee had strongly endorsed the target ranges adopted by the FOMC. He found that endorsement quite encouraging. (Burns, p. 59)
1975-07-15	Personally, he saw no reason for giving up; as he had said repeatedly, the Committee could not in good conscience yield to pressures for unduly rapid monetary growth. Accordingly, he would bite the bullet now and begin to move toward a moderately tighter policy--as close to the alternative C specifications as feasible. (Wallich, p.61)
1975-08-19	…There nevertheless was a common enemy: a group of economists and politicians who might be characterized as inflationists, whose recommendations for monetary policy went far beyond what might be characterized as moderate. In the interest of promoting a sustainable recovery, it was important to discredit the analysis of the inflationists which had a certain superficial appeal… the gains of a highly stimulative policy in terms of reduced unemployment had been temporary whereas the inflationary effects had been more lasting, and pursuit of such a policy at this time would quickly lead to serious trouble. (Leonard, p.30-31)
1975-09-16	Mr. Eastburn remarked that he was concerned about the unemployment situation, particularly because a substantial number of people had been unemployed for 15 weeks or more and because the staff projections suggested that the unemployment rate would remain high for an extended period. Pressures to take action—including monetary policy action--were likely to intensify, especially as the 1976 political campaigns got under way. (Eastburn, p.30)
1975-09-16	Mr. Mayo observed that he was quite pleased with the sound but slow economic recovery portrayed by the staff's projection and that he was satisfied with the 7-1/4 per cent longer-run M1 path assumed in developing the projection. In that regard, he thought the Committee's decision to express its longer-run objectives for the aggregates in terms of ranges rather than specific growth rates had been a wise one. The ranges offered elbow room for variations without the need to modify announced targets which - like the 5 to 7-1/2 per cent range for M1 - had won widespread acceptance byt he public and the Congress. (Mayo, p. 53)
1975-10-21	It seemed unlikely that high rates of unemployment would be tolerated for so long a period of time. It seemed more likely that pressures would build up for System action and for all kinds of ad hoc improvisations to reduce unemployment, which could be dangerous. (Eastburn, p.22-23)

1975-10-21	Considering M1 first, the Chairman remarked, the Committee's ultimate objective… was to reduce growth to a substantially lower rate, so that it would be consistent with general price stability. That process might perhaps take 3 to 5 years, although the length of the period had never been definitely specified and probably could not be... If the members intended to reduce M1 growth to such a rate [1-2 percent] within 3 to 5 years, one could argue that the present was not too early to begin tapering off the Committee's targets... However, Chairman Burns observed, the analysis of the problem obviously could not stop there. In his judgment there were powerful reasons for favoring no change from the present target range for M1... Finally, a reduction in the target ranges now would be widely noticed and widely criticized, and a good deal of misunderstanding in the Congress and among the public would be fostered in the process. (Burns, p. 51-52)
1975-10-21	While Congress and the general public now focused almost exclusively on Ml, if the ranges for M2 and M3 were reduced those magnitudes would be seized upon for discussion and comment and would suddenly achieve some prominence. It would be argued that the Committee was moving toward a more restrictive posture, and in some quarters that argument might take a somewhat demagogic form, along the following lines: the Committee had the power to set any level of interest rates it desired, and it anticipated disintermediation because its objective was to bring about a rise in interest rates. He thought it would be desirable, if possible, to avoid inviting such criticism at this time. (Burns, p.54)
1975-12-16	He was also pleased with the nation's attitude, as he sensed it, that it was necessary to accept a somewhat slower recovery in order to overcome inflation. (Clay. p.68)
1976-05-18	I can't see any risk of aborting recovery or substantially damaging confidence by continuing gradually to show some resistance to the kind of monetary aggregates we've been getting in the last couple of months. Indeed, on the contrary, as I think you said Mr. Chairman the country has looked to us for resistance to the resurgence of inflation, and I think we ought to continue. We may indeed inspire sustained confidence by continuing to act as we have, and by that I mean resisting monetary aggregate growth that seems on the high side. (MacLaury, Tape 6, p.9)
1976-07-20	… it seems to me that as we move on into the fall, and if the staff's projection is correct and things start moving a little more rapidly,… to move that upper range down 3 months from now is going to be a little more difficult… I would like to see us move... the upper range of M1 down 1/2 per cent this time which will bring us down to 6-1/2 I believe it is. Understanding that it doesn't mean a great deal, but for public view I would like to see us do it now. I think it's easier to do now that it would be three months from now. (Guffey, Tape #8, p. 3)
1976-07-20	I think that it will be more difficult in October-November of the election time to make a further adjustment downward in the M1 range than it is to do so today. And I think for these various reasons I would opt for a ½ point reduction in the upper end of the range today. (MacLaury, Tape 8, p.4)
1976-07-20	[Volcker]: My own reconciliation of this was that we ought to lower the M1 ranges a shade on the presumption that this could be explained as not a significant change in policy or any change in policy at all from what we arrived at last time… [Burns]: Well, i must give you a thoroughly candid response. I think I can explain it to your satisfaction and even to my own. But I do not think I can explain it to the satisfiaction of the general public including Congress and the national[?] community." (Burns, Tape 2, p. 8-9)

1976-10-19	In these tours, which we refer to as our Autumn grand tour in the 8th district, we meet with bankers and with businessmen, usually substantial businessmen…at the end of each of these meetings, we poll these people in a similar way too; we give them 3 mythical, or general, or simplistic alternatives – that of stimulating the economy or greater restraint or holding line. There was not one individual who indicated a desire for economic or monetary stimulus. The majority of them said don't rock the boat. If there was any deviation from that, it was a little bit on the side of greater monetary restraint. (Roos, Tape 5, p.8-9)
1976-10-19	I think it is important that we continue making progress toward achieving monetary growth rates that are more nearly consistent with price stability… Now, the criticism that might be leveled against us on the ground that this points to a more restrictive monetary policy would not be well founded. (Burns, Tape 7, p.5-6)
1976-11-08	There is, I fully recognize, nevertheless a significant objection that could be raised against lowering the upper limit of M1 to 6 ½ percent. The objection is, or might well be, that such a move would be misinterpreted by many, that it would be regarded as a restrictive monetary measure, and that – at a time when the economy so to speak is pausing – that such a time is hardly opportune for restrictive measures or for measures that could be so interpreted. (Burns, Tape 1, p.2-3)
1976-11-08	The other things, though, that do appear to be concerning businessmen in our area is still the spectre of inflation… I sense that the business community is rather eager for us to reassure them with some contributions to stability. It is against this background, Mr. Chairman, that I would like to see us continue our plan of reducing gradually the upper range. (Kimbrel, Tape 3, p.2-3)
1976-11-16	Mr. Chairman, I simply reiterate the references that have been made to the conservative outlook or feeling of caution businessmen seem to be expressing at the present time… And there is, amongst the groups that I have contact with, widespread feeling that it is important that the anti-inflation posture be maintained. (Baughman, Tape 2, p.1)
1976-11-16	I feel that the easing should be slight because there is a widespread view around the country among business people, financial people that the Federal Reserve, more than ever, is the main bulwark against inflation, and that the basic monetary policy received by the Federal Reserve has served our country well and should be continued. (Burns, Tape 4, p.4)
1977-01-18	So I think, although I am not concerned about overheating things for a year immediately ahead, that the trend in these fiscal numbers does give me real pause. And I think it also may cause very considerable pressures for the central bank if in fact it brings some crowding out, if it brings some tightening in the market which is likely I think, and higher interest rates. The usual kinds of difficulties we have when interest rates are rising and housing people can speak out, and that kind of effect. (Partee, Tape 5, p. 11)
1977-01-18	Now, in approaching the problem of setting monetary growth rates for the year ahead, I start with the basic thought that if at all feasible we should once again make this small move in the direction of establishing monetary growth rates that are tolerably consistent with eventual return, or eventual restoration of a stable price level. Now this basic thought in my own mind is clouded, however, by other considerations, namely unemployment is still unduly high; we have a new administration. The new administration has proposed a fiscal plan for reducing unemployment and any lowering of monetary growth rates at this time would be widely interpreted, and not only in the political arena, as an attempt on the part of the Federal Reserve to frustrate the efforts of a newly elected President, newly elected Congress, to get our economy "moving once again". (Burns, Tape 7, p.2)
1977-01-18	Mr. Chairman, I've struggled with this dilemma that you described so well, and I reached pretty much the same sort of conclusion that you have – that despite the political problems that do arise from adjusting these rates down that we ought to make a small move. (Black, Tape 7, p.6)

1977-01-18 The change you're proposing [Burns; to reduce money target ranges a bit] is not a change in substance. And it will not be interpreted by the market as a change in substance. And yet I think you will still subject yourself to considerable political flack for a move which does not have substance... I think we would be better off to stay with the present set in this particular context. (Morris, Tape 7, p. 17)

1977-01-18 To lower the targets, I think, comes down to a point of really the degree of harrassment you want to take at your hearing, because I think you will get harrassed by a Congress who says, "well you are trying to frustrate us, and you're not going to provide the funds necessary to make our fiscal policy work." (Coldwell, Tape 8, p.5)

1977-01-18 It does occur to me, listening to this conversation, that I wonder as to the wisdom of lowering M3 and particularly drawing the fire that may come from it as a result of the M3 figures being made up of savings and loan and other types of deposit, which may imply that we are indeed going to do something to housing very early in 1977 or through 1977. We need not draw that fire, so I'd stick with just going down on the M2 side. (Guffey, Tape 8, p.10)

1977-01-18 And if we could save a half point there, why we are going to need it I'm quite sure when we get - if there is a rebate and if it's of the size people have been talking about. And we should, I think, start now to plan our strategies so that we don't seem to have the same response that people would imagine as a contradiction to the fiscal policy action; and we did - the kind of response we got in the spring of '75.

1977-03-15 As far as public psychology is concerned, I just want to add one more observation. There was a feeling, rather widespread, within Congress at least, that we deliberately set out to frustrate the will of the Congress in connection with the tax rebates in 1975. (Burns, Tape 4, p.10)

1977-04-19 And therefore my recommendation to the Committee… would be to lower the upper limit of M-2 and M-3 by 1/2 percentage point, leave M-1 unchanged, do nothing about the lower limit of M-2 or M-3, but simply lower the upper limit by a half percentage point. That is a minium adjustment. We would still be working very most gradually towards the objective of bringing the monetary growth rates down so that in time they will be consistent with the general price stability. Now one argument that i would make in this direction is or for making some small move, I think that is now entirely consistent with what the President has stated, and the way to go or an objective for the inflation rate bringing the inflation rate down by something like 2 percentage points by the end of 1979. (Burns, Tape 5, p. 4)

1977-04-19 It seems to me that the time couldn't be better for a more meaningful reduction in these aggregate figures. The President has enunciated a desire to get to 4 percent in a couple of years in terms of rate of inflation growth, dropped the stimulus package; everybody is almost unanimous in their feeling that what the economy needs, or at least what business needs to move it ahead, is an indication that everyone is serious about dealing with the problem of inflation. It seems to me that if we were to follow in this direction that if Congress took unwise action which would have a detrimental economic result in the sort of energy legislation that it passed, it seems to me that by our doing this there would be less of a reason for Congress to do anything that would artifically stand in the way of stable economic growth and I just feel that this would reinforce confidence in the economy, it would reinforce what the President and the administration said they want to do... (Roos, Tape 5, p.6)

1977-04-19 Well the one good thing about that message [President's anti-inflation message] is the, there are two good things about that. First that there was such a message concerned with the inflation problem, nevermind what this specific program. The second good thing about it is that the President indicated that it would be the objective of the administration to reduce the inflation rate. And bring it down to 4 per cent by 1979 or the end of 1979. (Burns, Tape 5, p. 10)

1977-04-19 The President's inflation message, it seems to me we ought to attach ourselves to very firmly and take this objective of getting inflation down by 1 per cent or so per year very much to heart and help the President by getting our aggregates down over time. (Wallich, Tape 6, p. 3)

1977-07-19 Rather than using the 6 to 9, however, that he favored on the M2, I would favor just knocking the ½ point off on the top end of M2 to give you 7 to 9, and a ½ point off the top end of M3. This would have the effect of lowering the midpoint of the M1 target by a ½ percentage point, and the midpoint of the other 2 targets by ¼ of a percentage. Now that may be politically hard to do at this time, but that's approximately where I believe we ought to move. (Black, Tape E, p.7)

1977-07-19 Let's be clear about that last sentence of yours. As far as our doing something, we do what we think is right. Now there are no political factors that make it hard to reason. To the extent that there are political factors, I think they're of another kind. we have very troublesome legislation in the Congress, and what we do and the way our testimony goes on the 29th when these targets will be announced, may have some effect on the course of the legislation in the Congress. I think to the extent that there is a political factor here, it's really legislative; legislation involving or affecting the Federal Reserve. (Burns, Tape E, p. 7)

1977-07-19 I can well appreciate that what I would call our first tier critics if we were to announce a set of numbers such as are presented in alternative D will charge that we are making a significant tightening of policy. And it will be hard to explain that away in terms of the base drift. (Baughman, Tape E, p. 22)

1977-07-19 Gentlemen, we're faced with a very hard decision. Speaking personally for a moment, I wish I could join my collageues who would - were inclined to move towards somewhat lower growth rates. I have to - I wish I could. Tempermentally, yes. That's what I would prefer to do. But I do have an obligation to this Committee and to the System, as well as to the country. I'll have to testify before the Committee, I will have to defend whatever this Committee decides... If I could argue with conviction that that would put significant downward pressure on the price level, you see, yes I would be in good shape. but I can't... It may put some downward pressure on prices, it may put some downward pressure on activity... I don't mind being attacked, but I want to be in a position, really, to answer the attacks in an effective manner. And I find it very difficult to do that at the present time because of the hesitation that some people are going to read into the economic events... and I am concerned about the legislation that we have before the Congress. (Burns, Tape F, p. 1-3)

1977-07-19 Well, you know the -- I look upon the upper limit as an insurance policy. I look upon it also as something that can help us through a difficult legislative period... As far as the business and financial community is concerned, I'm not aware of any great dissatisfaction with the monetary policy pursued by the Federal Reserve System. The indications to me are that, by and large, the policy is approved. On the other hand, we do have many critics in the Congress, and for that matter in a section of the American public. (Burns, Tape F, p.9)

1977-08-16 I think the recent rates of growth we have had are unsustainable. At the same time, I think that unfortunately we've overlooked the result that our rates of unemployment are still unacceptable politically or socially. And it's going to take rates of growth above 4% to make any net change in that percentage of unemployment… I do think that we are going to have to be alert toward significant deviation from our long-term targets in monetary aggregates more than underlying circumstances would have otherwise dictated. And I think that that will be the best tool that we can utilize to assure the type of expansion in our society that would be socially & politically acceptable to us and the rest of the world. (Jackson, Tape 5, p.10-12)

1977-08-16 Well you know… I appreciate really what you say about the discount rate, but let me remind you that the discount rate went to 8 per cent in… 1974 at a time when the prime rate was 1 and the commercial paper rate 12-1/2 and the federal funds rate a little higher than 13. Let me remind you that the 8 per cent discount rate was the highest in our nation's history. Let me remind you that the next highest if my memory is correct occurred in 1920 when Governor Harding was the head of the Federal Reserve System. Let me remind you finally that he lost his head when the rate moved, soon after the rate moved to 7 per cent. Now this is just a recital of some more or less connected historical facts. (Burns, Tape 5, p. 19)

1977-09-20 To maintain our credibility, what does that mean? First we want the market and the country at large to take seriously our protestation since we believe in it seriously as we are determined to do what we can to help unwind the inflation. Alright, that's essential to maintain credibility. [It] is equally essential to be alive to what is happening in the real economy; to the extent that you have elements of weakness in the economy, if we ignore those there will be no gain in credibility for the System. That people, responsible people across the country will scratch their heads and say “don’t these people know what is happening in the real economy? Don’t they care?” So it’s not a one way street. (Burns, Tape 7, p.16)

1977-10-18 I do not exaggerate when I say, and we have met with many industrialists in our district, and at the very top of their priority concerns, their concerns which they say has a very or have a very real impact on their economic planning, their investment decisions, is the question of where is inflation going to go and what are you fellows, this is what they inevitably say, are you really going to do what you say you're going to do. Are you going to come to grips with this or are you going to equivocate. (Roos, Tape 7, p. 5)

1977-10-18 I would accept B very strongly for a very specific reason. I don't want the Federal Reserev to tip the scales in this matter. When I listen to the public world I hear more concern about rising interest rates than I do about inflation. (Gardiner, Tape 8, p. 14-15)

1978-01-17 In terms of the attitudes of the businessmen in our District, they have been concerned for the past year about our ability and the economy’s ability to come to grips with inflation. That is unquestionably their number one concern. Whereas their sentiment has not changed, those who have followed carefully developments in monetary policy, at least in our area, are losing some confidence in our willingness or our determination to do what they feel is necessary to come to grips with inflation in the 12, 24, or 36 months ahead… If there has been an increase in the negative attitude on the part of leaders of our larger businesses it has been [because of] concern about this inflation problem. (Roos, p.30-31)

1978-02-28 On M3, I would be sympathetic with Bob Mayo’s point of view, except that I don’t really believe that the House Banking Committee is the group to tell that growth will be a lot less unless we can get an increase in Regulation Q ceilings. I think it would just cause trouble for the House Banking Committee, whereas the person that has to be told that sits in an office in another building in town. And there the problem is to convince them rather than just to assert it.... So I guess I'm just being a coward today, but I think I would just cut the M3 range by 1/2 point as the Chairman has suggested... So, for all those longish reasons, Mr. Chairman, I support exactly, I suppose, what you proposed. But for M3, I would only cut the range by 1/2 point... simply because I think it would cause more trouble than it's worth to cut it a full point at this stage. (Partee, p.36)

1978-02-28 And that gives me a little concern about what we do about M2 and M3. I recognize the difficulties of reducing those numbers, psychologically and in terms of the audience of the Banking Committee in particular. (Volcker, p.38)

1978-03-21 [A lower growth rate] is something that I think many of the economic advisers in the Administration are now willing to accept because the alternative is to continue to see the dollar under pressure… (Miller, p. 9)

1978-03-21 Well, confidentially, the Administration is examining what more aggressive anti-inflation program could be undertaken within the policy of moderation that has been indicated in the economic package... It seems to be a rather universal feeling that inflation is the number one problem. The employment situation has behaved better than the Administration planned, and better than our expectations, which means that the time is there to pay attention to this inflation [problem]. If we don't pay attention to it soon, inevitably we're going to bring about conditions in money markets, prices, and investment that will lead to a recession. (Miller, p.32)

1978-03-21 Miller: So somewhere along the way, if [inflation] is perceived to be serious enough, I think it's an executive action that has to be taken. My guess is that such an action - an forceful and believable action - would not be unpopular, but would be popular. Baughman: I would second that. I sense a real demand for it out in the country. (Miller, Baughman, p. 34)

1978-03-21 That gets into the Humphrey-Hawkins bill. [Let's assume] we get the passage of the current congressional package on the Humphrey-Hawkins bill. If Henry is right, and there is a good deal in what he says, how does one go up there and testify how we are on the path and conducting policies toward whatever figure they have in there for Humphrey-Hawkins? [It] is not very far off. It seems to me that we are in a very awkward position. I don't know whether that bill is absolutely going to pass. It's very hard to oppose it. But the awkwardness of our position struck me, as I heard Governor Wallich speak. (Volcker, p. 37)

1978-04-18 One thing I do have an obligation to tell you is that when I first took office and appeared on March 9 before the House Banking Committee, Chairman Reuss gave me a little static about the ranges on M3. He thought the dropping of the M3 ranges indicated a decision by the Federal Reserve to curtail the flow of funds into the housing market; he was concerned about that. Last Monday, a week ago, I had the second half of my appearance before that Committee… On that occasion he again reminded me that I had an obligation to inform the FOMC of his concern about this. I am now so informing you so that you will all know he is concerned about why we want to handle M3 in that way and he wanted me to bring this to your attention with redoubled urgency. (Miller, p.1)

1978-04-18 If any of you want 400 letters, testify before Congress that we might be raising the rate and you will get 400 letters! (Miller, p.15)

1978-04-18 But what I think [is] really so very important is an unemployment rate leveling off at 5.8 and tending to drift up as it does in the still longer-run model projection that Mr. Kichline presented in memo form. That is unacceptable to most people in Congress. It is unacceptable, I think, to the Administration. It is unacceptable to the drafters of the Humphrey-Hawkins bill and it is probably unacceptable to large segments of the population. So if that rate stops there or even starts to look as if it is going to go up, it is going to bring further action that we don't have in our staff projection and that we can't quite anticipate. (Partee, p.20-21)

1978-04-18 There are also arguments for maintaining the present M1 range, of course. An increase in the range, under current conditions, would erode the credibility of the Federal Reserve's determination to curb inflation and would not appear supportive of the President's anti-inflation program and it might increase inflationary expectations. (Axilrod, p.27)

1978-05-05 I share Paul's feeling in that I'd like to see the discount rate as a response to these numbers and let market [rates go] up anyway. I don't need to hit too much on the problem of the Treasury. The longer we wait--and being advised in terms of the size of these numbers [unintelligible]--the opposition politically tends to build against the increased rate. If we go up [now], we could be able to increase the [unintelligible] approval rather than disapproval. (Winn, p.5)

1978-05-05 Well, I think you've made a very modest request [Volcker, to raise discount rate] and I could go alongwith it without difficulty. The thing I think we should remember, because this is a political world, is that what we have done so far has been reasonably accepted and I think that will help us if we have to go further. But your request is quite reasonable and I would be able to support it. (Gardner, p. 5)

1978-06-20 Second, the unrest on the inflation [front] seems to me to be increasing. The tax revolt in California was part of this but I sense it is everywhere--the bitterness about prices and the feeling that we are losing ground. And this is true at all levels of income, not just the lower levels. (Winn, p.16)

1978-06-20 Now, all I want to suggest is that the common interest today is inflation. The President has appointed an inflation fighter czar. Everybody is talking about inflation. Everybody is being asked to do something about inflation. I just don't believe these pleas will fall entirely on deaf ears. The public is terrified about inflation. I think that when we set the national mind to achieving something we have to estimate as best we can what will be achieved. (Gardner, p.26)

1978-07-18 I would invite the attention of the Committee to the last page of the staff presentation which says unequivocally that 7-1/4 percent for M1 growth will result in 8.2 percent inflation in the year 1980. Without being specific, I would observe that the year 1980 is going to be a unique and important year and that perhaps the economy would be an issue very much on people's minds in l980. I believe that inflation is the number one issue impeding capital investment. It is the number one issue in the minds of the people of this country today. It is going to be the number one issue, if it is not brought under control, in l980. (Roos, p.31)

1978-08-15 Well, I think we are reaching a fairly sensitive stage in monetary policy. I wasn't able to discern as we went around the table earlier any feeling that there is going to be an explosion of economic growth. Indeed, the average for the Committee members and the other Presidents, too, was that GNP was likely to grow less than the staff projection--perhaps at 3 or 3-1/4 percent or something like that over the period... And I consider that just barely acceptable. I think anything [less] is going to give us a real possibility of a stall and anything more is going to give us a very real possibility of political repercussions of a stimulative nature in the Congress. (Partee, p. 24)

1978-10-17 I just don't think you can talk to people without coming away with a different sense that this is simply not sustainable, in terms of the bitterness that is building up in a very, very broad area. I get public reactions that are different than we put into our forecast. (Winn, p.16)

1978-12-19 I think we have a real danger here. We may very well be in a situation where we will state our monetary policy and it's only going to take the outsiders about two seconds to figure out that because of our monetary policy the President can't achieve his objectives. (Teeters, p. 54)

1979-02-06 I have to say that I'm inclined to think that we'll tip into recession during this period. But even if we do [not] tip into recession, there is a second problem as I see it. And that is that if the staff forecast is correct--and I still think it's on the optimistic side rather than the pessimistic side from the standpoint of real activity--it is below the Administration's goals, particularly for 1980, and we do have to associate what we're doing with the short-run goals of the Administration. (Partee, p. 12)

1979-02-06 Part of the reason that we deviate from the Administration's forecast for 1980 has to do with the statement in the very opening paragraphs [of Part 1 of the Greenbook] where it says "and we assume that interest rates will not be changed over the forecast period." I know that the Administration has forecast, for the first time on record, a decline in interest rates over the coming two years. So in a way they've really put the monkey on our backs. If we relax interest rates we get better results; we get closer to the Administration's projections though we don't make it completely. There's no combination that we've looked at that resulted in a complete reconciliation of the inflation and unemployment goals of the Administration. On the other hand, it seems to me that the unemployment rates [in the staff's forecast] are going to be politically unacceptable. If we force them up, the Congress will force upon us an extremely [expansionary] fiscal policy, which I really don't think we need at this point. (Teeters, p.13)

1979-03-20 Last week I appeared before the House Subcommittee on Monetary Affairs to discuss monetary policy in the context of our Humphrey-Hawkins report, but the discussion soon turned to current monetary policy. Steve and I did our best to defend current monetary policy before the Subcommittee. The reason I mention this is that I'm obliged to report to you that the Chairman of the Subcommittee, Parren Mitchell, wants the FOMC to know that he is concerned. He says he's concerned not as an economist because he isn't an economist, not as a monetarist because he doesn't understand the arcane area of monetarism, but as an historian because he has noted that every time there is substantial and sustained weakness in the money supply, a recession follows. He wonders why the current situation would differ from previous situations. (Partee, p.10-11)

1979-03-20 I was impressed by the Vice President's comment, I believe over the weekend, in which he mentioned monetary policy and continued restraint on the monetary front as being important. (Eastburn, p.15)

1979-03-20 I think the Administration is frustrated. There's nothing much they can do in the fiscal area that would have much impact [in 1979]… So I think they look with great anxiety over to 20th Street and Constitution Avenue to see whether we can contribute to a solution. I don't think they have any particular views on what, if anything, we can do. (Miller, p.15)

1979-03-20 The business of [being accused of] overstaying our [policy of] restraint is still true; that will be true inevitably each time we come to this pattern, regardless of what we do. And I say that advisedly because part of our job description is to be a convenient whipping boy. I don't say that with any bitterness; I think this is part of the function of the Federal Reserve System. We are handy [as a scapegoat]. We can portray an image that is very greatly oversimplified in the public mind--to the extent that they pay attention to us at all--and I am willing to suffer with that. Even our best efforts at economic education seem unable to put a dent in that. (Mayo, p.17)

1979-03-20 Meanwhile, the inflation pressure is threatening the President's wage and price program and if that collapses, we've lost one further instrument. It threatens the dollar and if something happens to [weaken] the dollar, we will have more inflation. All this suggests to me that the dangers are more on the side of inflation than on the side of the real sector. I don't want to minimize those real sector risks; I think they are real. I might add that people who are concerned about excessive boominess and excessive inflation are not just a small minority. I'm surprised how much support one sees around the country, even in the Congress and even among economists whom we have listened to and not usually found on the restrictive side--and even, if I may say so, among some people in the Administration. (Wallich, p.23)

1979-05-22 Finally, in anticipation of the inevitable tendency to swing [policy] around the other way and become expansive if a recession occurs--and we think one will occur--I would hope that in the calm of this day we can resolve not to repeat past errors. Let's resolve not to panic at that time, not to move aggressively toward expansion or to respond to the political pressures to get ourselves out of a softened economy. Basically, I think we ought to be firm. (Roos, p.26)

1979-07-11 We are going to be on trial and have a test in this country for a longer period of time on whether we have the will and the capacity to wind this [inflation] down. I rather think that there is a more sober sense of the urgency and the peril [involved]--a more sober sense that we‘re all going to have to give up something. There is going to have to be some loss of real income in the short term if we‘re ever going to get real income going up again in the long term. (Miller, p.15)

1979-07-11 The sense I get out of this forecast is almost a sense of hopelessness. There's nothing anybody can do. We have a high rate of inflation, a rising rate of unemployment, and a low rate of growth. And you tell me that you want to hold this for three to five years. I don't think that's politically [feasible]. I strongly doubt that this country is willing to stand still for five years, much less a year. So I guess my answer, Mr. Chairman, is that it may take some more difficult medicine than what we have on the horizon right now. Whether this body wishes to contribute its share of that castor oil or leave that to the political side of life, I don't know. (Coldwell, p.17)

1979-08-14 Inflation is our number one enemy. This has been declared far and wide, by the President of the United States and the leaders of the Congress as well as by the Federal Reserve. This may not always be the case. There may be some folding on the fiscal side. (Mayo, p.31)

1979-09-18 With respect to the national perspective, we continue to be concerned about inflation and about the international position of the dollar. We believe the Committee should try to get the numbers under control while it‘s still politically feasible to do so. Our directors have recommended an increase in the discount rate change of 1/2 percentage point, which we suggested. And we would favor further limiting growth of the aggregates. (Roos, p. 32)

1979-09-18 I share the view that has been widely expressed that this isn’t the time for any easing, in the visible sense, of interest rates. I would hope that that’s an ingredient of whatever we decide. I also share the view that has been quite widely expressed that we have to show some resistance to the growth in money. I would note that that remains a source of political support for us. It’s not every day that we get a letter from the leader of the Black Caucus [in the House] exhorting us to show more restraint on the money supply side. So I‘m going to carry that letter close to my heart, whatever we decide today. And [he was] speaking on behalf of the whole subcommittee, at least, of the House Committee on Banking and Currency--the Subcommittee on Domestic Monetary Policy. (Volcker, p.34)

1979-10-06 So we run a risk, almost whatever we do, that [in response] to next week's changes they will say: "It's not quite enough; the interest rates should be a little higher. The Fed undershot again." And we won't get the psychological impact we are looking for. So there may be something to [be gained in] a change in the psychological atmosphere that in some sense will give us more bang for the buck, as I put it. It's possible. It's an easier political sale, and we are obviously moving into an area that is sensitive, to say the least. We do have a background of some Congressional thinking that puts great emphasis on the money supply targets. So, to the extent that we accept that emphasis one might argue that we will get more support. I think that it is a factor to be weighed, but there are those who would say: "The hell with all this theorizing about where the targets are; when Congress sees the interest rate effects, that won't make any difference." So it is not a black or white situation by any means but I think it is something we can take into account. (Volcker, p.8

1979-10-06	I discussed the whole problem on the international side and inevitably on the domestic side with the Administration. I think I can say flatly that they are ready for a strong program; they would have no disagreement with that conclusion at all. They shy away very strongly or have an uneasy feeling about a shift in technique at this point because of the uncertainties of the situation. There's a rather strong feeling, I think I should report, that that is the more risky course for a variety of reasons that I've touched upon…(Volcker, p.9-10)
1979-10-06	I have talked over recent years with a number of people throughout the world in their home offices about the role of money targets and so forth. And I've come to realize that for better or for worse these [targets] are there; there is an acceptance of the idea of a more monetarist approach than we have taken... Anyway, at this point I think we can capitalize psychologically on monetarist support throughout Europe in particular, as well as in the Congress of the United States and much of the journalistic fraternity today. That doesn't mean that I, Bob Mayo, agree with all the arguments of the monetarists, but I recognize that they are there and they are important. They can give us support in what is essentially a psychological situation. (Mayo, p.17)
1980-03-18	We have the April problem that has been referred to, and all of these things incline me toward resolving doubts in the direction of greater tightness in the very short run rather than the opposite. The worst thing we could do is to indicate some backing off at this point when we have an announced anti-inflation program. We have political support and understanding for what we have been doing. People don't expect it to be too easy. There is an understanding that a lot of burden has been placed on credit policy, and there's a willingness to be supportive for the moment in that connection. I would not give all that much weight to the degree of support we're going to get if this is dragged out indefinitely and we have to go through this process once again. (Volcker, p.36)
1980-04-22	All things considered--the amount of pain going on in the housing sector, agriculture, small businesses, and elsewhere--we have a considerable amount of support for keeping the inflation [problem] out in the forefront among the public at large and more directly politically. We get a lot of criticism these days, and I don't want to underestimate that; but there's also quite a lot of understanding about what we've been up to and the importance of it. Certainly the Administration has taken a cautious view and has gotten out in front on the credit program itself in terms of the extraordinary credit measures, and apparently it is willing to live with that. All of this has given rise to an immense amount of confusion in the minds of the public, as nearly as I can read it, which may increase the risks of a substantial recession. But it's entirely premature to think that [people] have forgotten about inflation, particularly when they're going to be faced with these high price numbers for a number of months ahead. (Volcker, p.21-22)
1980-05-20	I think our [undershoot] problem is something to be concerned about. I share some of Henry's concern as to what we do [later], but it seems to me that we have an even more important problem as to what we do now. Consequently, I'm in favor of making an effort to get back on path by September. But I doubt that even the funds range specified in alternative B is going to do that. I think we have to have a wider funds range if we're going to be serious about our efforts, and I'd be inclined to consider a 7 to 14 percent range--not knowing what is happening on that score--as a basis of approaching our target by September rather than December. One reason is because the gap between now and December is going to be a painful thing for you to have to testify about in January or February because I think [the members of the Congressional Committees] are loaded for bear. (Winn, p. 20-21)

1980-07-09	I believe you have been sent a copy of the resolution that Mr. Proxmire and Senator Garn have introduced about Federal Reserve policy. This arose essentially out of the report by Arthur Burns' Committee to Fight Inflation, which is made up of an ex-Secretary of the Treasury, an ex-Chairman of the Federal Reserve Board, and a few distinguished ex-Congressmen. Among other things the report said that Congress, as Mr. Burns had suggested in a speech last September, ought to support the long-term thrust of monetary policy toward restraint against inflation and ought to reinforce that commitment by a Congressional resolution. That language was in the Committee's report and apparently Mr. Proxmire read that and thought it was a good idea. So he has introduced a resolution... It starts off with all these [whereas phrases]-- whereas the Congress has the constitutional power, and whereas the Federal Reserve is an agent of the Congress, and whereas the Congress can tell the Federal Reserve what to do, whereas this and whereas that--[and then says] we support [the Federal Reserve] in this general long-range intention [to restrain inflation]. (Volcker, p.10)
1980-07-09	I don't know if you hear this, Mr. Chairman, or if it is just a product of where I live and work. But we hear constantly the overpowering, almost pleading, request from the groups we bring in, including labor leaders: "For heaven sakes, do what is necessary to bring down inflation, even if it means high unemployment for a while." There is a passionate pleading of that sort, and I really don't exaggerate when I say that. (Roos, p.75)
1980-09-16	But we just have to recognize that if we turn this economy around again and promote another decline in economic activity once the bottom has been reached, this country and the Congress may not have the tolerance to let us continue... I just think we ought to move slower than this. We will be in real trouble if we push so hard that we choke off any possibility of recovery. I want a slow recovery; I think we all do. But I don't want one that is so slow that the economy ends up turning back down again. So, I'm with Governor Teeters. I would support alternative A. (Gramley, p.37-38)
1980-09-16	We are at a stage where we should make a small move on the discount rate. I have the impression that there is something of a last gasp with respect to the credibility of the Federal Reserve out there in terms of coming within our targets by the fourth quarter… I think Governor Gramley is probably right that if we don't come out about there, we are going to get more specific instructions [from Congress] on where we should come out and we may have less freedom of choice in the future. (Baughman, p.39)
1980-10-21	We've either got to bite this bullet now [or later]. I don't like to use the word "politics" but I would rather dish out the bad medicine after the elections this year when everybody--or at least half of the people--is in a euphoric mood for a couple of months than wait until 1981 and face up to this very difficult task, which will not be accepted by the general public too favorably. (Roos, p.35)
1980-12-19	But I brought a letter that I received last week from a builder in our area. The gist of it was: "I'm going down the tubes; I'm going broke. But please, Mr. Roos, express to your colleagues my hope and desire, in spite of my personal anguish, that you stick to your guns because until we resolve the fundamental problems, we are going to have a repetition of this periodically"... The third factor that I would inject into my analysis is the fact that, fortunately, we are no longer the only game in town in that the incoming Administration appears to be willing to base its policy on tough measures, if necessary, to deal with inflation. So we won't be the sole recipients of any dissatisfaction that might occur with some rather bitter medicine that may be needed. (Roos, p.36)

1980-12-19	It seems to me that there is presently a window that the Federal Reserve can move through in anticipation of Administration programs coming on to help us for the first time in the years that I've sat with this Committee. The prospects are that if we adopt strategy I, which incorporates this rather large downward shift in the demand for money--I don't know whether that will occur or not, but it may not need to occur if these other things come to pass--we will have a window to move through to do our part and we perhaps will have another player on the field to help us. I would hope that we would take advantage of it and not wash the economy out to a very long and deep recession but accept one and do those things necessary to achieve [our objectives].
1980-12-19	Maybe I'm getting discouraged in one limited sense, but I will say in that connection that when we take on this inflation fighting job--taken on by ourselves or taken on in a broader context--we should not look around for much of a constituency. If we, in effect, go to the brink or let some of these things happen that we have not allowed to happen during the entire postwar period, people are not expecting that and they are not going to be very happy if and when it happens. And I'm not at all sure that we can change inflationary expectations without it happening. (Volcker, p.62)
1981-02-03	I would normally not want to take political considerations into account, but it seems to me to be an especially bad time to risk any kind of political confrontation. The Administration is seeking some real economic growth. While it calls for a policy of monetary restraint, it also emphasizes the need for a steady monetary policy. The word, 'steady appears in all of their pronouncements about monetary policy. It seems to me that increasing monetary restraint at this time is not a steady monetary policy. So, any increased restraint beyond what we have previously committed ourselves to--for example, [going] to a 1 percentage point reduction--I'm sure would be seen as not very steady. So, the ranges that have been proposed under alternative I would be the most restrictive, consistent with any possible growth at all. (Rice, p.119-120)
1981-02-03	I got a little feeling, as I listened to the conversation, that we're like everybody else in the world on that: Everybody likes to get rid of inflation but when one comes up to actions that might actually do something about inflation, implicitlyor explicitly, one says: "Well, inflation isn't that bad compared to the alternatives." ... So, maybe there's a little tendency to shrink back on what we say we want to do on the inflation side. I don't want to shrink back very far... In terms of the general setting that we have, my own guess would be--and I suppose it can't be anymore than a guess--that almost any range we set that shows a reduction will be readily accepted by the Congress and the Administration and everybody else because we've said we're going to do that. Everybody has [understood] this little lesson that we've got to reduce the ranges in order to deal with inflation, and we're not going to run into a lot of flak in the short run about anything we're talking about or what has been set before us. I obviously can't be sure of that, but that would be my assumption. (Volcker, p. 129)
1981-03-31	Add to the whole problem what the House Banking Committee said--1 was struck by this--which was that they could accept the upper end of the target ranges for monetary growth for 1981 provided that budget and other fiscal policies offset the high unemployment effects that the monetary policy is expected to produce. That seems to me to be a scenario for absolute disaster. If they are going to continue to look to us to hold the line, I don't think we have a choice. We've said what our path is going to be and, if we were to attempt to ease, it's pretty clear that everybody would think we had let the inflationary cat out of the bag. (Schultz, p.29)

1981-05-18	As for the comments that we're receiving from our directors, bankers, and businessmen in the District, they are expressing concern over the plight of the small businessman with these continued high interest rates. They are expressing possibly some sense of frustration in that they really don't see any end in sight and they don't seem to have the feeling that we're making very much progress. (Boykin, p.2)
1981-05-18	Finally, all over the District I'm hearing from small businessmen, especially dealers of U.S. built autos and various other small businesses, that they are actually paying 1 or 2 points over the prime rate. They support us tremendously philosophically, but they wish we would lower interest rates today because their survival is in question now. I haven't been able to verify how much of that is true, but every time I go out to a meeting or sit down at a rotary club talk or wherever people get me in a corner and I ask them: "Do you believe in what the Fed is doing?" They say: "Terrific, you're on the right track; hooray for you and Ronald Reagan." Then if I ask how business is, they say it's terrible. (Ford, p.5)
1981-05-18	Two lumber companies. One is a great big one and one is a small one. And if there's any industry in the country, along with autos, that should be screaming for relief from high interest rates, it seems to me it would certainly be the lumber industry. Yet both of these guys are foursquare for solid monetary restraint, enough to get the job done in bringing inflation down… So, even looking at their own long-run self interest, they favor monetary restraint and are not ready to throw me out the window or out of my job--if they could--because of what we are doing to their businesses. (Balles, p.11)
1981-07-07	However, I think in the last several months our record on monetary policy--our record of holding monetary growth under control-has been quite remarkable; and at least the utterances of the Administration, whether or not one agrees with them philosophically, are somewhat of a departure from anything that has been presented to the citizenry in a long time. It seems to me that the key to the future depends very much on the next 6 to 9 months. If we're able, as we appear to be doing now, to control the growth of money and if the Administration--and the politics of this are somewhat important in terms of people's attitudes--is able to produce and to persist in having a friendly understanding on the part of the public of what it's trying to do, and if we can stick with this over the period of the immediate future, I think the entire ball game might be significantly changed and changed for the better. (Roos, p. 30)
1981-07-07	I certainly would agree with Mr. Solomon, though, that it takes a period of intense price and wage competition to bring inflation down. We have that opportunity over the next four quarters and I think it is very important that we not lose this opportunity for two reasons: (1) because the American public are going to get very impatient if they don't start to see some real effects from the kind of policy we've been carrying out; and (2) because we have another big tax cut coming up on the first of July of next year and that's likely to be very stimulative. (Schultz, p.45)
1981-07-07	Historically, the Federal Reserve has always come up to the hitching post and then backed off simply because the Administration and the Congress have thrown bricks at us or have not been supportive of a policy of restraint. Through the course of recent history at least, we've backed off and we've made a mistake each time. I think we have an opportunity this time to carry forward what we should have done before because for the first time ever we do have, for whatever length of time, the support of the Administration at least. So, we ought to take advantage of that opportunity. That is the background. (Guffey, p.55)
1981-08-18	There certainly is an enormous desire on the part of the country to have lower interest rates at this point. That pressure is building and it's going to build further. I'm sure the Congressmen are getting an earful as they go around the country during their recess—unless they're all at Aspen, and I didn't see any there. And that background is going to become more difficult. (Volcker, p.30)

1981-10-06	I must say that among the bankers I have talked with there's a growing sense of concern about small and medium size businesses. Several of the bankers have commented that there are bankruptcies that are in [train]--that at this point, nothing can be done to defer them and they're just plain going to happen. Despite that, just to echo Tony's comments, I haven't talked to anybody I would regard as a responsible individual who would suggest that we ought to change what we're doing. [They think] the course is certainly the right one. (Volcker, p. 10)
1981-10-06	One thing that I would like to mention is that I have met with the homebuilders in our District and probably the rest of the presidents at least and perhaps the Board members will have an opportunity to meet with homebuilders also. I hear two curious comments. One is that they're about to go out of business and they need some relief. By the same token, and almost in the same breath, they say that they believe Federal Reserve policy to be the correct policy and thus they feel uneasy about even coming to talk with us. They recognize that the relief they need is legislative relief rather than an easing of interest rates through monetary policy. It seems to me a rather curious turn... I met with them last week and their message is for the Federal Reserve to hold tight but that they need relief. (Guffey, p. 17)
1981-10-06	It's really remarkable. I have been meeting a lot with homebuilders; I went up to Boston to talk to the board of directors of the National Association of Homebuilders. Would you believe that their board of directors is 1800 people? That was exactly the [sentiment]: I'm dying, what are you doing to me? But you have to hang in there and get rid of inflation. (Schultz, p. 17)
1981-10-06	It seems to me that we have to think of our vulnerability from a public opinion point of view if the economy remains soft, as it probably will, to the end of the year. If we visibly fail to bring M-1B into its range, won't people who are exaggerating the effect of so-called tight policy by the Fed have something to hang us with when they actually see that M-1B has come in below [its range]. I don't know whether that's a greater danger than the possibility of some misinterpretation of [the growth that] would be necessary to bring it into the range. It seems to me, if we are thinking of public opinion --and maybe we shouldn't be--that the question is whether the heat of coming in below the range and being accused of precipitating a recession is greater or less than the possible misinterpretation of a degree of temporary expansiveness to bring M-1B into the range. Those are two fundamental issues [that bear on] public response. (Roos, p.19)
1981-10-06	Let me tell you just from a public relations standpoint that there is great restiveness and anger, as I said before, growing out there. That would be relieved, obviously, by some decline in interest rates. But in some way the worst thing that could happen to us is to have a great sense of relief and not policy--and then have them racing up again. I think the public patience for climbing up the hill very rapidly again may be extremely limited. (Volcker, p.25)
1981-10-06	Well, I want to take off from a comment that Mr. Roos made on the subject of credibility. That's an issue that all of us have wondered about and thought about, particularly in view of the fact that there is a lot of pressure on this institution. We've had a lot of bills introduced in the Congress to restructure the Federal Reserve or to do away with it or, perhaps the one that makes the most sense, to impeach all members of the open Market Committee! At any rate, it strikes me that our credibility is not at issue when it comes to whether we hit the bottom of the target on M-1B or not. Our credibility is really at issue in the more basic question of whether we are going to do the job that I think we were in essence created to do. It seems to me that the basic function of a central bank is to avoid deflation on one hand and inflation on the other... I don't fear all of these bills that are in the Congress to change the Federal Reserve if we do our basic job of finally getting inflation under control. (Schultz, p.28)

1981-10-06	I feel very strongly--I think many of us do, and I think Lyle and Henry were both saying this although in slightly different sounding ways-that we really need a sustained period of zero or very low real growth to change inflationary expectations. And, politically, in terms of the tolerance for our monetary policy, it also is somewhat better than the roller coaster. In addition, this time, given our present techniques, if we have a roller coaster in the real economy, we're likely to see the Henry Kaufman thesis prove true: That if we have a sustained upswing next year, interest rates will go to levels even higher than they did in the earlier peak. (Solomon, p. 29)
1981-10-06	I don't know whether we're faced with the problem of increasing retardation in business activity or whether this is temporary and the economy will bounce back. I'd hate to see us with any of these limits with a negative rate of growth of M-1B in October. That's not viable in terms of the political side. (Winn, p.38)
1981-11-17	Willis Winn brought in a letter this morning which he says is typical of what he has been getting from businessmen. In effect it says that the Fed is being too tight and it's causing the recession and not letting the President's program work. It's that kind of argument. (Schultz, p.17)
1982-02-01	Well, the thing that troubles me most in your forecast is the level of unemployment. There is very little progress made during the period of the next couple years... I sense in the labor movement and in the political movement a stirring that I don't think is going to let this thing grind out in the kind of sequence that we see. Then supplement that with further bankruptcies in some of these sectors, and it seems to me that we haven't factored into this [forecast] a scenario that could be quite explosive. (Winn, p. 6-7)
1982-02-01	Well, my problem is that I'm not satisfied with the forecast. If we stick to these targets, we end up with virtually no growth for the fourth year in a row and unemployment of 9 percent or above. I think that's politically very dangerous. We're courting a lot of trouble for the Congress, the Administration, and the American people [if we try] to hold unemployment at 9-1/2 percent. We said we were going to review these targets. We set tentative targets and that has turned out in my mind to be a major mistake because we are setting targets for the subsequent year when we're right in the midst of the formulation of fiscal policy for that year on the Hill.... We ought to look at this and ask: What gives us an acceptable level of real growth and some decline in the unemployment rate next year? And that leads me to say that we should go at least to last year's M1 target of 3 to 6 percent. (Teeters, p. 43)
1982-02-01	There's one potential [change] that has been mentioned before that might be acceptable as far as I'm concerned, and that is the movement of the lower end of M1 from the 2-1/2 percent that we originally set to 3 percent... And if moving the lower band from 2-1/2 to 3 percent would serve the Chairman's purpose when he testifies before the Congressional Committees to give a view that we are going to be a bit more expansive in 1982 than what we achieved in 1981, then I would opt to increase the bottom end of that M1 range from 2-1/2 to 3 percent. That produces a midpoint, if anybody worries about midpoints, of 4-1/4 percent as opposed to 4 percent, and that's some 2 percentage points more than we achieved in 1981. It tells a pretty good story. (Guffey, p. 45-46)
1982-02-01	Does no one share my concern that the forecast is too low? If all our temporary problems get [unintelligible] in essence that we are negating the President's program. I find myself in the odd position of being the only supporter of President Reagan in the room here. Basically, [the staff is] projecting a major continued recession at very low rates of [activity]. And the overall policy may be too tight. Whether we have problems with the base or any of the rest of it, we are just making monetary policy too restrictive to get the sort of recovery that I think all of us want. (Teeters, p. 83)

1982-02-01	MR. ROOS. Whatever adjustment is made in March or April, especially if you have a meeting with the President, anything that can be construed as being more expansionary at that time of the year will be interpreted immediately as the Fed caving in to political pressure in view of the November elections. They are going to be watching us. The question I hear is: Are you fellows going to be able to stand the heat from the politicians during an election year? And I think we have to be awfully careful that we do not fall into that trap and do something that may be better but that will be interpreted, in effect, as our climbing into bed with this Administration or any other-- MR. SCHULTZ. I think we have that problem right now, Larry. \(Roos, p. 97)
1982-02-01	MR. GRAMLEY. It will be worse if, in fact, the quotation from Mr. Meese that Bill Ford mentioned is correct--that the President is going to pull you over for a little conference. We have not heard that officially yet. We would be better off as a Committee to make our decisions before that occurs. (Gramley, p. 97)
1982-02-01	The political consequences of being the sole cause of a continuing 9 percent rate of unemployment can be greater than anybody is talking about around this table. (Teeters, p. 98)
1982-02-01	You people are going to be under a lot of political pressure this year and a lot of outside pressure, and I have a little political advice for you... It is my belief that over time what is right is the best politics. I believe that if you do what is right and you are steadfast and consistent in your policies, the political pressures will ease and you will not be in great danger from them... Again, I think the pressures are going to be enormous because, whatever you do, the economy is not just going to get better very quickly. And the question that is going to be asked of you is: How much pain are you willing to inflict on the economy?... And the answer is: What is the alternative? If you stop now in this fight against inflation, if you do not carry it through, what kind of pain are you going to inflict on the economy then? It is an issue that just has to be faced and I believe it is a lot easier to face it now and overcome the problem now than it will be later on. Finally, I would urge you to remember that you have a remarkable degree of support out there. Nobody is going to love a central bank; and heaven knows, nobody loves high interest rates. But the fact is that the Federal Reserve has built up an awful lot of respect out there. People in this country want to believe in something and you are about all there is to believe in at this time. I think there are a lot of people ready to come to your defense… A lot of people out there want to support you. I think you really do need to try to keep in contact with those people and marshal that support when it becomes necessary, because the fact of the matter is that you are still the only game in town. (Schultz, p. 108-109)
1982-03-29	On Wednesday, we had the chief executive officers of about fifteen of our largest St. Louis-based firms in for lunch. These are large companies which in many instances are multinational in scope. The following day we had eight of the chief labor leaders in our area in for lunch. There was an interesting similarity in their attitudes. There's no question that the industries and, of course labor in terms of unemployment, are feeling very severe recessionary pressures. On the other hand--and I was especially interested in this reaction coming from the labor side--these people recognize that this was part of the process of bringing down inflation. They felt that whoever made the monetary policy and fiscal policy decisions of a year or two ago must have known that this downtrend would occur. They see it as a temporary phenomenon. As Bill said, they anticipate a recovery. And even from the labor group there was a strong recognition, and hope really, that we will continue to look to solving the long-term fundamental problems rather than reacting to the pain of the moment. Even though these people were very outspoken in their expression of momentary pain, they were optimistic for the future. And they were very strong in their support of monetary policy as in their view being much more assured of hanging in there, if you will, than fiscal [policy]. (Roos, p. 24)

1982-03-29	Well, I'm sure you realize that this is one part of the country where they're just really screaming, pleading, and begging for relief on the interest rates before they have all gone down the tubes, with 40 percent of Oregon's lumber mills being closed and probably closed permanently. It's the kind of thing that led AuCoin, the Democratic congressman from Oregon on the banking committee, who is not always hostile and is sometimes friendly towards the Fed, to get behind one of the resolutions to force the Fed to do something. He is getting tremendous pressure from his constituents... (Balles, p. 32)
1982-05-18	So, at least among the people that I talk to in my District, the attitudes--while they weren't good at the time of our last FOMC meeting--are now [focused on] looking out three or four years. And they are saying the damage that the current climate has done is in areas where they think their longer-term competitive position is at stake. And while I think in general they are still supportive of what the Fed is doing, there is some erosion in that support because a number of them are beginning to think that perhaps the situation is getting counterproductive because of the effect it's going to have on their own competitive positions several years out. (Boehne, p. 12-13)
1982-05-18	The one point that comes through to me constantly is this plea: Please tell your colleagues that the one thing that could push us over the brink is if [monetary policy] becomes expansive because that would move interest rates up. In other words, the basic feeling is that we're down the road in our cure process and they anticipate a recovery and hope that we, in our infinite wisdom, don't do anything to upset that recovery. (Roos, p. 18)
1982-05-18	I have to discuss a bit a letter from Mr. Reuss discussing various resolutions in Congress and what we would do about them... Page 1 says the Senate Budget Committee has tentatively adopted a budget resolution... It says that it is the sense of the Congress that if the Congress acts to restore fiscal responsibility--that's a big if--and reduces projected budget deficits in a substantial and permanent way, though I don't know how one makes that judgment, then the Federal Reserve's Open Market Committee shall reevaluate its monetary targets in order to assure that they are fully complementary to a new and more restrained fiscal policy... Then he has 2 or 3 pages about how the Constitution says that Congress shall have the power to coin money and the Federal Reserve is its agent... [He says] it is vital for the Congress to know whether the Federal Reserve will now accede to the directive of Congress or instead assert that it is a fully independent fourth branch of government accountable to no one... If Congress had a law that told us to do something, we'd have to do it. But a resolution is a much more tricky thing to handle. I think we probably ought to duck the question of how binding a resolution is, in the last analysis. But obviously we'd have to take it seriously and I'd say so. (Volcker, p.42-43)
1982-06-30	Somebody mentioned other ideas about getting interest rates down. It's a relevant comment in the sense that, obviously, there is a lot of concern about interest rates and a lot of ideas or non-ideas being circulated about what to do about interest rates, such as credit controls. One idea I have heard is that the Democrats are going to have a push to reinstate the Credit Control Act. We're going to have to testify on that, right? National usury ceilings and a tax on interest rates are two others; I don't know whether there are any others. I don't see much promise in those ideas, but they are circulating. It's symptomatic of the time. I don't know whether anybody around here has any bright ideas. But, that's the background in which we're working. (Volcker, p. 32-33)

1982-06-30	... it's important--and here I want to emphasize what Henry said--that there not be an impression in the markets of a sudden reversal or shift toward easing. It would be very politically suspect. They see the pressure on us with widespread speculation now that we will ease. And yet at the same time there's a gloom and doom atmosphere out there and very little expectation that interest rates will fall. There's an ambivalent feeling. On the one hand, they see the pressure on us [to ease] and some people think we may ultimately give into it. But nobody expects that we're going to give into it that quickly. Therefore, I think it would come as quite a surprise if there were a sudden drop in rates. (Solomon, p. 53)
1982-06-30	[Congressional resolution:] "It is the sense of the Congress that if Congress acts to restore fiscal responsibility and reduces projected budget deficits in a substantial and permanent way, then the Federal Reserve's Open Market Committee shall reevaluate its monetary targets in order to assure that they are fully complementary to a new and more restrained fiscal policy."... Well, I'm not really prepared to work on that assumption. I will not psychoanalyze them. But they did pass a resolution and for that reason I think we have to take it seriously. Volcker, p. 89, 92)
1982-10-05	It's quite clear in my mind where the risks are. I think I made it quite clear in terms of economic developments around the world. But if one wants to put it in terms of risk to the institution: If we get this one wrong, we are going to have legislation next year without a doubt. We may get it anyway. It's a matter of judgment as to how that might come out and where the risks are, but I think I know where the risks are. I'm not sure how it looks just in strict electoral terms, since that question has been raised, to sit here in some sense artificially doing nothing and then have to make a big move right after the election. I'm not sure that would wash very well in terms of anybody's opinion of our professional competence as an institution, if one were convinced that this [change was appropriate]. (Volcker, p. 50-51)
1982-11-16	In addition, more and more people and more and more members of Congress are pointing the finger at us, saying that the lack of recovery is solely a result of either high nominal or real interest rates. If that continues and more blame is heaped on us, the possibility of major institutional changes is looming in the next year. I wouldn't change [policy] solely for that reason, but the economic and international outlook are such that we can't afford to stay at these rates. Therefore, I would strongly support "A." (Teeters, p. 24)
1982-11-16	I agree with Governor Teeters that the international considerations are pointing strongly in that direction, too, as well as considerations about what Congress might do. It's not just a question of potential anti-Federal Reserve legislation, but we badly need to have action that is going to reduce the prospect for growing deficits in the out years. And it's going to be extremely difficult, if not impossible, for the Congress to go in that direction if the economy is still falling. (Gramley, p. 25)
1982-11-16	But if we go for "A" or anything like "A" to "B," I think we will start to see these things turn against us, and with the economy surging we really will be in the soup six or nine months from now. So, while I'm worried about what the Congress is going to do to us and I'm also very worried about the fact that most of you may be right and we may be [witnessing] a historical discontinuity, I still think we should lean on the side of not overdoing the monetary stimulus to complement the excessive fiscal stimulus that everybody agrees we now have. I'd go for "C." (Ford, p. 33)
1982-12-21	What bothers me about the Administration forecast is that they are likely to have a higher inflation forecast by a significant margin, not only for [the coming] year but a pretty high inflation forecast out into the future relative to what I think is going to happen... And they are saying, and everybody else is saying, we ought to be satisfied with a higher inflation forecast and have a more expansionary policy. That's my biggest concern. . (Volcker, p. 51-52)

1982-12-21 Suppose next year or the year after we begin to see inflationary pressures develop and we have to start tightening. If M2 and M3 were growing weakly and unemployment were over 10 percent, what is our reason for tightening? What do we offer? I feel that the fig leaf is pretty much tattered and that the mood of the Congress is pretty realistic. The country knows what we are doing and, therefore, that we have an important effect on economic activity as well as inflation. It seems that there ought to be a way of formulating our policy so that it meets the political realities and is a little more honest, and yet doesn't lock us into the bind that we all are familiar with. (Solomon, p. 37)