# Federal Reserve Board Oral History Project

Interview with

## Joseph R. Coyne

Former Assistant to the Board for Public Affairs

Date: August 26, 2008

Location: Washington, D.C.

Interviewers: David Skidmore and David H. Small

## Federal Reserve Board Oral History Project

In connection with the centennial anniversary of the Federal Reserve in 2013, the Board undertook an oral history project to collect personal recollections of a range of former Governors and senior staff members, including their background and education before working at the Board; important economic, monetary policy, and regulatory developments during their careers; and impressions of the institution's culture.

Following the interview, each participant was given the opportunity to edit and revise the transcript. In some cases, the Board staff also removed confidential FOMC and Board material in accordance with records retention and disposition schedules covering FOMC and Board records that were approved by the National Archives and Records Administration.

Note that the views of the participants and interviewers are their own and are not in any way approved or endorsed by the Board of Governors of the Federal Reserve System. Because the conversations are based on personal recollections, they may include misstatements and errors.

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MR. SKIDMORE. Today is August 26, 2008. This interview is part of the Oral History Project of the Board of Governors of the Federal Reserve System. I'm David Skidmore of the Board's Public Affairs Office. I'm joined by David H. Small of the FOMC (Federal Open Market Committee) Secretariat in the Division of Monetary Affairs. We're interviewing Joseph R. Coyne, former assistant to the Board for Public Affairs, who worked at the Board from 1968 to 1998.

**Professional Background**

MR. SKIDMORE. Before you joined the Fed in the late 1960s, you were a reporter for the Associated Press (AP). What was it like to cover economic and financial news in Washington? To what extent did you interact with the Fed as a reporter?

MR. COYNE. I started as a reporter in Binghamton, New York, with the *Binghamton Sun,* which is no longer in existence. The *Binghamton Press,* a Gannett paper, bought it subsequently. I was there for about nine months.

Then a friend of mine who worked at the AP in Philadelphia called me and said there was an opening in Philly. He asked if I was interested, and I said, "Of course." He set up an interview with the bureau chief. After I went through the interview process, I got a telephone call and was offered the job. I resigned from the *Binghamton Sun* and started with the Philadelphia bureau, which was more of a relay bureau. It was the head office in Pennsylvania. Pittsburgh and Harrisburg were the other offices. I was in Philadelphia for a while. When legislative sessions started, the Philadelphia bureau, which was the chief bureau, transferred a person either from Pittsburgh or Philadelphia to Harrisburg for the legislative session. So they transferred me to Harrisburg. I was the night editor for a while, and then, when the legislature went out of session, I was covering hearings and other stories around the Harrisburg area.

Then there was an opening in Atlantic City. At the time, Atlantic City was one of the biggest convention centers in the country. It no longer is, of course. The AP had one man there. I was assigned to Atlantic City. It was a tough job, because it was seven days a week. Occasionally, Washington or New York would send an expert for a particular convention, like the labor convention. I had to cover most of the conventions myself. After being there for several years, I got a call from the Newark bureau. Newark was the control bureau for New Jersey. They said they had an opening in Washington on the regional staff and asked if I would be interested. I called my wife. I didn't have to wait long for an answer. She, too, wanted to leave. So I transferred to Washington.

When I came here, I was on the regional staff covering New York and New Jersey, which gave me a lot of experience with the Congress, because New York at the time had 45 House members. Later, the regional staff was cut back, and I picked up Pennsylvania and Delaware. So I had four states. I didn't bother with Delaware, because the Wilmington paper had a man in Washington. But Pennsylvania had about 30 House members at the time. So I was covering a lot of people. After a couple of years, there was a reshuffling in the Washington staff. I was asked by the managing editor if I wanted to join the general staff, and would I like the Treasury or the Pentagon. I said, "The Treasury sounds good." He had another candidate. He asked him the same question. He also said, "Treasury." He got the Pentagon, and I got the Treasury.

MR. SKIDMORE. Why did you say the Treasury instead of the Pentagon? Was this in the 1960s before the height of the Vietnam War?

MR. COYNE. Oh, yes, this was well before the height of the Vietnam War. The financial area was of much more interest to me than the Pentagon. So I wound up covering the Treasury, the Federal Reserve, anything that involved economics or finance. I got help on the

International Monetary Fund and the World Bank from the foreign side. I was very busy. I covered the Securities and Exchange Commission and the Department of Commerce. So I was getting a lot of economic experience just by covering the news that was coming out. I concentrated mostly on the Treasury, because there was a press room in the Treasury where the UP (United Press), AP, and the *Wall Street Journal* had desks. We were joined later by Reuters.

I was covering the Federal Reserve at the time. Charles Molony was the person in charge of public affairs. He was an old-timer. William McChesney Martin, Jr., was the Chairman. I knew Charlie well, and I relied on him for many things. He was reliable and honest. While covering the Fed, I visited the building on occasion, but didn't know too many staff people.

At any rate, the Fed was getting new responsibilities. The Congress was working on truth-in-lending legislation and insisted that the Fed implement any truth-in-lending law that passed. So the Fed was the principal rulewriting agency for that law.[1] There was also a bank safety–type bill. That was assigned to the Fed also.

In the meantime, Charlie's assistant quit; he accepted an assignment with the Federal Home Loan Bank Board, so Charlie decided to hire two people. He hired me and the former financial editor from the *Los Angeles Times*. After I got acclimated to the Public Affairs Office, Charlie asked me to join the taskforce that was writing the truth-in-lending regulation. I was to be the public affairs man on that subject—press releases, questions and answers, arranging everything that goes out, and giving suggestions on the regulation itself.

My first suggestion was, in fact, accepted. Frederic Solomon, the director of the Division of Supervision and Regulation at the time, was the leader of that taskforce, and Griffith L.

[1] The Truth in Lending Act of 1968, among other things, requires creditors to give consumers uniform information about the terms and conditions of an extension of credit. The Board has rulewriting authority, and its Regulation Z implements the Truth in Lending Act.

"Griff" Garwood was a member of it. I had a feeling, an afterthought, that they were grooming Griff to take over the truth-in-lending area completely, which he eventually did. The regulation implementing the Truth in Lending Act, Regulation Z, had all these tables in it. I suggested to Mr. Solomon—I called him Mr. Solomon then, not Fred—that it would be better if the rate tables were in an appendix. So the taskforce did so, and it cleared up the regulation quite a bit.

MR. SKIDMORE. Before leaving your reporting days, how central was the Fed to your beat? Were you frustrated with the Fed at all? Or did you basically feel that, as a reporter, it was an organization that you could cover well? Do you recall the attitudes of the press in general towards the Federal Reserve?

MR. COYNE. I think the attitudes of the press in general were good. Not too many press people got over here, because it was out of the way. Even the *Wall Street Journal* people didn't get over here much in those days. The financial press room was in the Treasury. So I knew more people in the Treasury than I did here. Nonetheless, the Fed was an important agency on the run, and everybody took a keen interest in it.

**Early Years at the Fed**

MR. SKIDMORE. When you came here, your first assignment was doing the public affairs work with the development of the Truth in Lending Act regulation. What was it like going from being a reporter covering the Federal Reserve to being on the other side of the table and being a spokesperson for the Federal Reserve?

MR. COYNE. The biggest change was learning an awful lot of detail about what was going on that I didn't know before. Instead of writing about a general regulation, I had to get into all the details of a specific regulation. I had to read the Truth in Lending Act regulation very carefully, because I was assigned to write all the public announcements. I got to know a lot of the people that were in Banking Supervision and Regulation, especially the division director and his associates, and other people who eventually became division directors themselves, like Griff Garwood. It was an intensive experience rather than just a brief story. You had to get deeply involved in it.

MR. SKIDMORE. When you first came here, what struck you about the Federal Reserve and how it operated? Was there anything that surprised you?

MR. COYNE. I don't think so. The Fed had a good reputation. William McChesney Martin saw to that. And Charlie, who was my boss—I learned later after I got here—was more than just the public affairs officer; he was the confidant of the Chairman. Occasionally, I would have to see him after hours. I'd go over to Charlie's office, and the Chairman would be sitting in a chair consulting with Charlie. The Chairman's office was right across from Charlie's.

MR. SKIDMORE. Charlie had an office here on "Board members' row."

MR. COYNE. Yes, he did. Later, when I took over, the offices were moved around the side with the congressional office. Then the staff director for management was in that office.

MR. SKIDMORE. Charlie Molony was here for quite a few years. What was he like to work with? What kind of advice did he give you? What did you learn from him when you first got here?

MR. COYNE. He was a good teacher. I made a lot of mistakes in the beginning, and he was very patient. He was an expert on the Fed. He had been here a very long time. And William McChesney Martin was here a long time. He served 19 years as Chairman, the longest-serving Chairman, serving just a few months longer than Alan Greenspan. I got to know the Governors and a lot of the staff, so when Charlie retired, I was appointed in his place.

MR. SMALL. What was the general pace of the public relations office in press reports, press access to the Chairman, the Chairman giving speeches, and whether other Governors gave speeches?

MR. COYNE. It was much more relaxed in the early days. There were no crises. When Martin was Chairman, things were going along pretty well. You didn't have inflation taking off like we did later. You didn't have everything failing like you had in some periods. So it was more relaxed. The Governors gave a few speeches. I don't think they gave too many in those days.

But it got more hectic as time went on, especially after Martin retired. Arthur F. Burns became Chairman. I was still the special assistant at that time. Arthur Burns insisted at one point that all speeches be reviewed by his office—not just Governors' speeches, but Reserve Bank presidents' speeches. That role fell to Robert C. "Bob" Holland, the Secretary of the Board. Later, I had to review all the speeches.

MR. SMALL. Was it pro forma, or was actual editing being done and comments made?

MR. COYNE. There was editing and comments.

MR. SMALL. Substantive.

MR. COYNE. Yes, substantive, if necessary. After Chairman Burns left, there was no further order, but some of the presidents kept sending me their speeches for their own protection, because they didn't want to say anything that was fiery and might get taken out of context by a reporter. One time, Anthony M. "Tony" Solomon, president of the Federal Reserve Bank of New York, was giving a speech the next day, and he hadn't prepared it early. His secretary called me and said, "Tony is writing his speech right now and wants you to review it. We'll fax the pages down to you. Can you stay?" I said, "As long as he wants me to." I went through his whole speech.

All the Governors had me going over their speeches. When Governor Andrew F. Brimmer was here, he wrote speeches that were 100 pages long. He explained to me that he was writing a thesis paper. When he gave his speech, he summarized the paper, but he wanted the entire paper published. I had to read every page. So there was a lot of work to do.

MR. SMALL. Would you compare and contrast between Chairmen Martin and Burns?

MR. COYNE. Chairman Burns had more of a tendency to control things internally. In Chairman Martin's time, things were more relaxed. The differences between the two Chairmen were mostly personality rather than anything else. Chairman Martin was more laid back. Chairman Burns was more hands on.

MR. SKIDMORE. When you took over the role of reviewing speeches and you had some of the presidents bristling, how did you handle that?

MR. COYNE. I did what I was supposed to do. I reviewed their speeches and gave them comments. If they took the comments, fine.

MR. SKIDMORE. So you didn't engage with them on the bristling part of it?

MR. COYNE. No, no, I didn't. I did what I was supposed to do.

**Being Head of Public Relations at the Board**

MR. SKIDMORE. When you became head of the office under Chairman Burns, how did your work life change? What was it like carrying the responsibility of heading the office without Charlie there to rely on?

MR. COYNE. Well, I wasn't alone. I had an assistant, Frank O'Brien, who had been at the Treasury. He was very capable. He had a lot of experience. I eventually had to hire another person, a woman from the Dallas Fed, who I put in charge of truth-in-lending and other consumer regulations.

Chairman Burns had a different technique from later Chairmen. He used to have staff meetings. The Board secretary would set up a meeting. Some division directors, the congressional man, and I would be there. We'd bring up things that had to be brought up. If we had to see the Chairman personally, he would always accommodate you. But he liked to have the staff meetings to get everybody's situation cleaned up in one fell swoop.

Chairman William Miller was a businessman and eventually left the Fed chairmanship to become Secretary of the Treasury. He didn't have a lot of staff meetings, but you could see him any time you wanted. He had an open door.

When Chairman Volcker came on, we were facing rapidly rising inflation. He knew that something had to be done. Also, he changed the work ethic a good bit. He had a personal assistant where the others did not have one. His personal assistant was an economist. The first one was E. Gerald "Jerry" Corrigan, who he brought down from New York. Right after Jerry got here, he showed up at my door and said, "The Chairman wants you to handle all his speaking engagements, sift through them, give him recommendations, and tell him which ones he should do and which ones he should turn down." Then he said, "We are to share the travel schedule. Any time he appears in public out of town, one of us is to go with him. We will alternate the trips." That was new. Earlier Chairmen went out alone. But things were getting very sensitive at this point, so Chairman Volcker wanted somebody with him. Our role was to make sure he had everything he needed and was familiar with the groups he was seeing. We, of course, had to deal with the press during trips. Jerry eventually was appointed president of the Federal Reserve

Bank of New York, so the Chairman borrowed other economists from the Reserve Banks and the Board to serve as his assistant over the course of his eight years at the Board.

When Chairman Greenspan came to the Board, I asked him if he wanted a personal assistant, but he said, "No." So all the out-of-town travel fell to me when he made a public appearance.

MR. SKIDMORE. What was the travel like? Was it a burden? What was the secret of being a good aide to the Chairman on travel?

MR. COYNE. It wasn't a burden, but you had to make sure he was prepared. If we were visiting a Reserve Bank, I always had a list of the directors so he would know who he was facing when attending the meeting.

It was important for the Chairman to visit Reserve Banks on a regular basis. He'd meet regularly with the boards of directors. They are the Fed's eyes and ears on what's happening in the economy. All the Chairmen I served made it a point to meet periodically with the Reserve Bank boards.

MR. SMALL. Was there something about having the skills of a reporter that was valuable to your job heading public relations at the Board?

MR. COYNE. Having a reporter in that job is important. Being a reporter, you know how reporters think, so you're on guard. We set up a whole series of briefings for each new Governor. I briefed them on how to deal with the press and what services we could provide. Other division directors briefed them on the operations of their departments.

MR. SMALL. What type of tips would you give?

MR. COYNE. Well, of course, you don't say anything about current policy. You don't project your view. For example, Laurence H. "Larry" Meyer [1996–2002] came to the Board as a new Governor when I was here. He had been quoted frequently by the press. He was from St. Louis, and he was an economic consultant and Fed watcher. So the press would call him and ask for his thoughts on policy. I told him, “You’re now a Governor. You can’t go out and predict what policy is going to be. You’re making policy, so you can’t talk about policy in the future, because you now have a voice in what it’s going to be.” He later called me his first teacher at the Fed.

MR. SMALL. Do you remember anything about speeches that seemed fine going out but that were wrongly interpreted?

MR. COYNE. That wasn’t so much a problem. I reviewed all the Governors’ speeches beforehand and usually caught things that were, let’s say, fiery. The Governors never complained about it.

**Controlling Press Access to Governors**

MR. SMALL. How was press access to the Chairman and Governors controlled?

MR. COYNE. The Chairman’s Office would refer any press calls to me. If the Chairman agreed to see the reporter, I’d set up an interview. The understanding with the reporter, however, was, everything the Chairman said was off the record. They could get it for guidance only. They couldn’t quote him. That was a well-established rule, which was in place before I came. The other Governors followed the same procedure.

MR. SMALL. Did that standard—for guidance only—apply at the Treasury or elsewhere?

MR. COYNE. I don’t know. Normally, most of the requests came from reporters who were assigned by major news organizations to cover the Fed. I would join them in the

Chairman's office for their discussions. I sometimes sat in with the other Governors if they requested it.

Governor Wayne D. Angell once had a request for interviews from two Japanese reporters, and he told me about it. I said, "You don't want to see Japanese reporters. They don't speak very good English. They'll get things wrong." He said, "I'm going to see them, and you're to sit in with me." I said, "Don't schedule them so they run into each other." He scheduled them both for one day. I sat through the first one, which was difficult. I sat through the second one, which also was difficult. As the second reporter left, Governor Angell turned to me and said, "That's the last of the Japanese reporters for a while." He never saw another one.

There was one Japanese reporter that I did recommend that the Chairman see. He spoke excellent English, and I knew he was reliable.

MR. SMALL. Did reporters usually initiate these meetings? Did the Chairman sometimes initiate a meeting with reporters to communicate some message?

MR. COYNE. I would have to say, in the vast majority, perhaps in all the cases, it was on the initiation of the reporter. I was here 30 years, and I can't remember any time when the Chairman requested I bring in a reporter. Things were such that the reporters knew when they had to see the Chairman.

MR. SKIDMORE. So when you first got here, who were the prominent journalists on the beat?

MR. COYNE. Bart Rowen and John Berry at the *Washington Post* were very good. The *Wall Street Journal* had some good ones. Alan Murray was one. Jonathan Fuerbringer, who was with the *New York Times* for a while, was very good.

MR. SKIDMORE. Was there any broadcast interest in those days?

MR. COYNE. Broadcast media was not as strong as it is today. In fact, it was rare. We did get requests for Chairman Volcker to appear on some of the television Sunday shows, and he did. But they didn't ask for personal interviews. They wanted him to appear on the Sunday shows like *Meet the Press* and *Face the Nation.*

MR. SKIDMORE. As the public affairs officer, how did you feel about such appearances?

MR. COYNE. I don't think Chairman Burns got any requests.[2] But Chairmen Greenspan and Volcker knew exactly how to handle themselves, and I didn't have any problem with them going on those TV shows. They handled themselves very well.

MR. SKIDMORE. Other than the *New York Times,* the *Washington Post,* and the *Wall Street Journal,* what other publications did you have to concern yourself with?

MR. COYNE. The London *Financial Times* was one of them. But the *Times,* the *Post,* and the *Journal* were the big ones.

MR. SKIDMORE. How did you work with them, as opposed to the wire media?

MR. COYNE. The wire media were the first to get everything, as you know, because our drop point was the Treasury press room. I don't know what you do today. It's probably different.

MR. SKIDMORE. We still do the same thing.

MR. COYNE. Reporters congregated in the Treasury press room when they knew that an announcement was coming from the Federal Reserve, especially on an FOMC day. At one meeting, the manager of the New York Trading Desk and myself were asked to recommend a time to announce FOMC actions. After reviewing previous history on the timing of money

[2] Editor's note: Chairman Burns appeared on "Face the Nation" on August 24, 1975.

supply figures, we recommended a release time of 2:15 p.m. The FOMC approved our recommendation, and I understand that decision is still in effect.

**Press Coverage of the Fed**

MR. SKIDMORE. Did journalists' approach to covering the Fed change over your tenure? And, if so, how?

MR. COYNE. At first, there weren't as many journalists, and they covered us mainly by what we announced. Later on, they got a little more interested, especially when the Fed was the only agency in town that could stop what was happening. So they became much more interested in us. There are a lot more requests to see people, and a lot more questions were coming in all the time. The entire staff was busy.

MR. SKIDMORE. How did your views of journalists and journalism change from the time you were at the AP until after you'd been here doing public affairs work?

MR. COYNE. I don't know if it changed. I was just on the other side of the aisle. I knew what reporters faced when they were dealing with an agency, and I tried to be as helpful to them as possible without violating any of the rules. I had access to all kinds of confidential and secret information, which I preserved. They knew I knew this. But I didn't tell them.

MR. SMALL. Do you remember any leaks or what the process was following one?

MR. COYNE. I can't remember any. The Governors and anybody who had access to the FOMC material knew how to handle it, because the material was all restricted. And I had full access to it. And most of the people in the meeting had access to it. I don't ever recall a leak out of the FOMC in any case.

**Chairmen Relationships with the Press**

MR. SKIDMORE. Can you tell us how Burns, Volcker, and Greenspan differed in their attitudes toward the press?

MR. COYNE. That's hard to say. I don't know if there were really any differences with Greenspan and Volcker. I used the same techniques with both Chairmen, and it worked out pretty well. They both were receptive to meeting with the press, especially with the reporters they knew. They didn't like to meet with people they didn't know. So we tried to concentrate on the reporters that they knew. Keep in mind, when Chairman Burns was here, the reporters weren't hounding us all the time, because things were a little calmer. When Volcker and Greenspan were here, things were jumping, so to speak.

MR. SKIDMORE. Towards the end of the Greenspan era, there was a lot written about the "cult of the Chairman." Bob Woodward wrote a book titled *Maestro.* And there was a magazine illustration that depicted Greenspan as the Buddha. How did that cult of the Chairman develop?

MR. COYNE. I think it happened because the Chairman was at the center of everything that was happening in the economy at the time. The Fed became an important factor in how the economy evolved, which it hadn't been before, or at least people didn't notice before. All of a sudden, when you get Volcker and Greenspan, everybody notices the economy, and they became very prominent Chairmen. I think that is probably why there was a cult built up. I don't know of any other reason but that more attention was paid to the Fed than ever before.

MR. SKIDMORE. Did that work to the institution's advantage or disadvantage?

MR. COYNE. It worked to the advantage of the institution. It became better known, and people appreciated the efforts that were made by the Fed to keep the economy in line. So I can't say it hurt anything.

MR. SKIDMORE. Were there ways that you tried to manage the increasing focus on the Chairman?

MR. COYNE. Well, it was just strictly managing it. I didn't try to stop it. The Chairman was getting good press out of it. I think it would be wrong to try to block the press. The press has a right to know what's going on. We tried to keep the press advised, just like you do today. We tried to keep the press advised of things within the context of what was confidential.

MR. SMALL. Over time, did the scope of issues that the Chairman commented on change—like fiscal policy, a particular tax package, social security, or trade? Were there debates about whether the Board should engage in certain matters?

MR. COYNE. There is one factor here that creates a lot of this: The Fed is responsible to the Congress. It's a congressional agency. The Administration doesn't control the Fed. The only thing the Administration does is name the Governors. The Congress will never let the Administration get a hold of the Fed. The Congress is going to hang on to the Fed. The Fed goes up to hearings in the Congress, and members of the Congress can ask any question they want of the Fed. They can ask the Fed about trade, they can ask the Fed about things that aren't even ours—as long as they're economic and finance matters. So the Chairmen and the Governors have to be prepared to respond to them. It's the Congress that opens up these windows, and you have to respond, because the Congress is the boss. I used to tell the Board's congressional liaison, Donald J. "Don" Winn, that Wright Patman was the biggest defender we had. One time Wright Patman had H.R. 1. Do you know what it takes to get H.R. 1? The Speaker of the House has to okay H.R. 1. And Patman got it. It was a Federal Reserve Reform Act. Wright Patman was Chairman of the banking committee. The bill never came to a hearing because Wright Patman wanted to be the overseer of the Fed. And I told Don Winn that he's our protector.

MR. SKIDMORE. What did Don think of that?

MR. COYNE. He didn't think so. But we never got a GAO (Government Accountability Office) audit while Wright Patman was there. When he was succeeded, we got a GAO audit. He would never let anything happen to the Fed. That was my belief, anyway.

**Relationships between the Fed and the Administration**

MR. SMALL. How concerned were Chairmen about their ties, or perceived ties, to the Administration? Martin was criticized with the Quadriad and meeting with President Johnson, and Chairman Greenspan showed up at a State of the Union address.[3] And what about commenting on a fiscal package?

MR. COYNE. Chairmen get asked to comment on fiscal packages. They have to answer.

MR. SMALL. Were you here when Greenspan was sitting next to the First Lady, Hillary Clinton, at President Clinton's State of the Union address? It was a very visible moment, right?

MR. SKIDMORE. Before coming to the Fed, when I was a reporter, I called you about that, and you didn't have anything to say except some off-the-record guidance that "If you get

[3] Editor's note: The Quadriad was composed of the chairman of the President's Council of Economic Advisers, the Secretary of the Treasury, the director of the Bureau of the Budget, and the Chairman of the Federal Reserve Board. It met regularly to discuss economic policy issues.

invited to go to the State of the Union address, what's the Chairman to do—say 'no'?" That was your guidance at the time.

MR. COYNE. The relationships with the White House were few and far between. Now if he was asked to go over, he'd go over. The relationships with the Treasury and the Council of Economic Advisers were much more active. And, obviously, the Treasury and the Fed have to work together. They print the money; they make the coins. They're involved in economic policy. So it's natural for the Federal Reserve Chairman and the Treasury Secretary to meet. They should be meeting at least once a week. And the Chairman should be meeting occasionally with the Council of Economic Advisers. But the contact with the White House, when I was here, was quite rare. Direct contact was rare.

MR. SKIDMORE. Can you talk about how Burns and other Chairmen related to the Presidents and Treasury Secretaries?

MR. COYNE. I really don't recall. I think Burns had good relationships with the Treasury Secretary. I think it's important even if you disagree with what the Administration is doing. You have to keep good relationships with the Secretary of the Treasury.

**The Volcker Years: Fighting Inflation, Addressing Protesters, and the Like**

MR. SKIDMORE. Volcker was doing something that was not politically popular: raising interest rates. How did he go about relating to the Treasury Secretaries and to the Presidents during his tenure?

MR. COYNE. He was doing what he had to do, and I think the Secretary of the Treasury knew that. I don't think the Administration was very critical. It stood still because it couldn't do anything. The Congress would give the usual talk, but it couldn't. I think people were scared. And the Fed was the only one that was doing anything or able to do anything.

That period was the most interesting period of my time here. A group of farmers showed up with their tractors on C Street. Who gets the call? I get the call from the guards. I commandeered Peter Keir, a very tall economist, and we invited the farmers in without their tractors. We made them leave the tractors out there. We got in a little meeting room. There were enough of them so we could fit them all in. They had a lawyer with them. We talked to them. They wanted discount window loans because the Fed had made discount window loans of all kinds during the Depression. We kindly told them that wasn't possible. So they went off.

We had a group of consumer activists come, led by Gale Cincotta. She had a hoarse voice and was a demanding type of person. This was an experience that I relished. We got a letter to Chairman Volcker from her group. They were meeting in Baltimore, and she wanted the Chairman to address her group. The Chairman said to me, "Where's the meeting?" I said, "In Baltimore." He said, "Why don't you ask Bob Black to do it?" He was the president of the Richmond Fed. So I called Robert P. "Bob" Black, and he said he would take care of it. He took care of it. He didn't go. He sent his director of public affairs up there to talk to them, who I knew quite well. After he talked to them, they came down here. Their convention was over. They came to Washington on their buses to picket on C Street, and they demanded to see the Chairman. And who gets the call from the guards? Me. I grabbed two tall economists and went down to the C Street entrance and started talking to them. Oh, they were demanding. At any rate, I said to Gale, "All right. Let me see what we can do for you." I went up to the Chairman. I told him what was happening. He said, "Well, I can't have all of them in here. If you can negotiate them down to a reasonable number, maybe I'll do something."

I went down and I talked to Gale at length. She said, "These people come from all over the country. We have to have a good representation." I said, "The Chairman's office is not that big. He can't fit a lot of people. Can you get down to about 12 to 15?" I was going back and forth and back and forth. She finally came up with about 15. So he said, "Okay, bring them up."

I brought them up to see the Chairman. They expounded on high interest rates and everything. The meeting broke up after about an hour; the Chairman had to go somewhere. Then they went back out to C Street. And who shows up but the Chairman! He goes out and starts talking to them. This pleased Gale no end. They were razzing him and everything else, as these people are prone to do, and finally he had to leave. Gale said to me, "These people come from all over the country. They can't afford to be here. Can we set up a series of meetings throughout the country so they can come to these meetings?" She said she'd be glad to pick the sites and get a place if we could send people out. I went up to talk to the Chairman. He said, "All right." I said, "One of the reasons we should do it is, it'll get them away from the building here." He said, "Okay." So I told her that she should contact me when she had the sites, and she did. She scheduled 12 meetings. I had to get two people from the Board and two people from the Reserve Banks to attend each meeting—at least two.

After a while, I said, "I better go to a meeting. They're going to ask me why I didn't go to a meeting." Griff Garwood and I went to Des Moines, and we got Karl Scheld, who was then the director of research at Chicago, and Nancy Goodman, who was public affairs director there. We all went to Des Moines. The Des Moines meeting was fairly quiet. All the people there wanted to know was what we were doing and what's it going to produce. Gale was also there.

Some of the meetings were raucous. Some were threatening. They had one in San Francisco—I think a banking group had a meeting out there—and we had about three division directors there. Governor Partee decided he would go to the meeting in Chicago. When we were finished, Gale wanted to have a meeting back at the Board. Chairman Volcker agreed. At the meeting, some guy who hadn't been involved before started yelling at the Chairman and said, "I'm going to walk out on this meeting." Chairman Volcker said, "You're not going to walk out. This meeting has ended." And he walked out. Gale had done all this work, got a meeting with the Chairman, and this guy spouts off. She was really mad at him. But, at any rate, we got them calmed down.

Later on, when things began to die down in inflation, Gale came back. The bank holding companies discovered there was a loophole in the Bank Holding Company Act that you're only a bank holding company if you owned *two* banks. We asked the Congress to change it to ownership of one bank, thus preventing the bank holding companies from acquiring any kind of corporation, like General Motors or General Electric. Gale came knocking at the door with just a few of them, and I invited her in, because we were friends then. I brought her up to the staff dining room and got some people from the Legal Division and Banking Supervision. They were talking about this bill in the Congress to change the Bank Holding Company Act. Gale said she would be glad to help us with this.

I went downstairs when they were talking and told the Chairman that Gale was up there talking about the holding company provision. I said, "Want to come up and say 'Hello'?" He said, "I'm too busy, I can't come up." I went back upstairs. Five minutes later, the Chairman shows up. Gale was elated.

MR. SKIDMORE. So what was the secret to successfully dealing with protesters?

MR. COYNE. I think the secret was listening to them. When Gale showed up, I think most agencies in Washington just shut the door and didn't listen. But we went out, and we talked to her. I went out and talked to her with a couple of economists with me. At least somebody talked to her.

MR. SKIDMORE. During the early Volcker years, you had protests, you had farmers, you had builders sending in pieces of 2x4s, and no doubt many members of the Congress were criticizing the Federal Reserve. How did you convey to the average people that what the Fed was doing would ultimately improve the economy?

MR. COYNE. The Chairman was testifying a lot during that period, and these hearings in the Congress were reported at length. It fell to the Chairman to get the story across, and I think he did. I think people were scared: Could this get out of hand? I think the members of the Congress didn't know what to do either. They may have talked a little bit, but they really knew in their heart that, if we failed, the country was going to be in a tough state. Fortunately, we succeeded. But it was a trying time. Everybody was tense.

MR. SKIDMORE. How was the press coverage at the time?

MR. COYNE. The press coverage was quite good at the time. They reported everything we were saying. They weren't shading the stories in any particular way. They realized that what we were doing, we had to do. Maybe they didn't like it, but the press coverage, I thought, was quite good all during this period.

MR. SMALL. Chairman Martin had some run-ins with the Administration about raising interest rates. Chairman Burns talked a lot about the need to lower inflation, which was up during his tenure. One view is that Volcker did something about inflation, and these other Chairmen didn't. Another view is that the political climate had so changed, and views of inflation had changed, allowing Volcker to make an anti-inflationary move that the public wasn't ready for in earlier times. Do you think that public perceptions on inflation and the need to get it under control had changed over time?

MR. COYNE. Yes, I think the public perception on inflation is very sharp today because of what happened earlier. I don't think their perception of the dangers of inflation was very sharp in the earlier period, because they hadn't had inflation in so long. In the 1930s, there was a depression. Prices were going down. During wartime, there were controls on everything. And there may have been some fluctuations in the 1950s. But it really didn't hit until later. So I think right now the perception of inflation is very strong in the country. People are watching where they weren't earlier. They're watching the results.

MR. SMALL. A more aggressive move by Martin or Burns would have been much more difficult for them. There would be more pushback from the Congress then.

MR. COYNE. I think it would have been difficult, yes, especially in Martin's day. It really didn't hit the fan until Volcker was here. I'm not an economist, so I don't have economic theories. I think the fact that we've had a big outbreak of inflation has alerted everybody that it's possible. You have to be very wary of it, and I think we are now.

**The Role of the Fed Vice Chairman**

MR. SMALL. What about the interaction between the Chairman and the Vice Chairman? What makes for an effective Vice Chairman?

MR. COYNE. With all due respect to all the Vice Chairmen, I don't think it's a relationship that has very much of an impact. They all sit in the same meetings. They all have the same opportunity to comment on everything. The Vice Chairman, of course, serves as Chairman when the Chairman is not here, but other than that, he has no special duties. That's my personal view. The Governors themselves might have a different view, but I think the distinction between the other members and the Vice Chairman is insignificant, because the Vice Chairman only serves as Chairman when the Chairman is not here.

**The Culture of the Board**

MR. SKIDMORE. What was the work culture of the Board like? The Federal Reserve is a government agency that's dominated by economists. What was it like working so much with economists?

MR. COYNE. That's a tough one.

MR. SKIDMORE. How was the Board as a place to work generally?

MR. COYNE. I think it was very good.

MR. SKIDMORE. Can you talk about the work ethic at the Fed and the approach of the staff?

MR. COYNE. When you come to the Fed, you're here because you want to work. It's not easy work. Everybody works hard. The Fed has a high work ethic. If you don't work hard, you don't belong here. I think that's part of the Fed culture.

MR. SKIDMORE. Did this culture of objectivity, the economist's empirical view—let's look at the facts—develop while you were here?

MR. COYNE. No, I think that was here when I got here. It was hard to distinguish whether the economic staff was monetarist or whatever. They were just studying the economy. Only Milton Friedman was a monetarist. But the staff itself showed no inclination one way or the other on economic theory, although they'd all studied economic theory.

MR. SKIDMORE. How did you prepare new Board members for their Washington experience?

MR. COYNE. Well, if their background wasn't in Washington, they had to be careful that they didn't trip when they got here. That's why we used to brief the new Governors as they came in. The role was to alert them to things that might happen and to prevent them from getting into early problems.

MR. SKIDMORE. And how were your students in that respect?

MR. COYNE. They understood. They knew the dangers of Washington. And that was one of my jobs. I knew the dangers of Washington.

MR. SKIDMORE. When you arrived, did the Fed have a reputation for secrecy? Is the Fed's reputation for secrecy deserved, particularly late in the Volcker years—*Secrets of the Temple* and that sort of thing?

MR. COYNE. I don't think when I arrived the Fed had a reputation for secrecy, because at the time it wasn't as prominent on the public mind as it is today. The Fed is now prominent in the public mind. And as you get more into the public atmosphere, there seems to be a demand for more information coming out. Some of the information, of course, you can't get out, because it's market sensitive. I don't think the Fed has a bad reputation as far as secrecy goes, because the Fed makes an awful lot of information available—much more than a lot of other agencies do. I don't think that today people consider the Fed as a supersecret organization.

MR. SKIDMORE. What do you recall about the pros and cons of bringing greater transparency in announcing FOMC actions rather than just executing them in the market?

MR. COYNE. I think it's a good idea to announce FOMC actions, because then everybody knows what the Fed is doing. If you're going to execute them in the market, only the market people know what's happening. This way the general public knows, everybody knows. I think greater transparency was a good move. Now, there are a lot of things you can't release immediately, but within 30 days, you get a summary of the meeting. And you get a transcript eventually. So if you're a student of Fed actions, you can always research them after the fact. But giving the important news right away is a big plus.

MR. SMALL. Henry Gonzalez plays a central role in the history of Fed communications. Do you remember that episode very well? There were questions about whether the Fed had deliberately hid transcripts or there were some tapes of the FOMC meetings.

MR. COYNE. I don't remember that.

**More on Chairman Volcker, Including the October 1979 FOMC Meeting**

MR. SKIDMORE. How did each of the Chairmen cope with the pressures of the job?

MR. COYNE. I think they coped very well. I guess the one that had the most angst would have been Chairman Volcker. There was a lot of criticism, because people were being hurt by high interest rates. Chairman Volcker had to raise rates to get inflation down. During this period, when we were alternating going with the Chairman, the Chairman gave a speech to the National Association of Realtors down in Florida. I did not go with him on this speech. His assistant did. Steve Roberts was his assistant at the time. Steve came back all upset. He said, "The Chairman was booed and hissed. Oh, they raised Cain. They were interrupting his speech and yelling." A couple years later, the Chairman was invited to a National Association of Realtors meeting out in the West someplace. I went with him. When he got there, the Realtors invited him to their executive committee meeting. When he walked into the auditorium to give the speech, he got a standing ovation. That's Volcker.

MR. SMALL. What was Chairman Volcker going through personally as far as stresses or strains?

MR. COYNE. He was calm. He didn't show stress or strain. The homebuilders were hurting during this period, and Volcker agreed to go out to Las Vegas to speak at their convention. The homebuilders' convention was huge. I think the chairman of the homebuilders gave Volcker a private talk beforehand to show a little respect for the Chairman. Volcker got up, and he gave his speech. They weren't raucous or anything. He got two overwhelming ovations during the speech. They were very polite. After the speech, I said, "Did you notice you got two ovations during the speech?" He said, "Oh, they were just tired." They were standing ovations. So he was a very modest person. And he didn't show too much emotion about what he was going [through], but I'm sure it affected him. He knew it had to be done, that was the point. If he didn't raise rates, inflation would have been just that much worse.

MR. SKIDMORE. Was he afraid of pushing too hard?

MR. COYNE. He didn't like raising interest rates, but he had to do it. He knew it would work, and it did. There was no other alternative.

MR. SKIDMORE. Can you talk about that Saturday night news conference in October 1979?

MR. COYNE. This was when the Chairman wanted to change policy into what he ultimately did and ultimately won. He had the FOMC members come to Washington. They came in singularly and on different days, but they were told the meeting would be on Saturday. So they came in Thursday and Friday.

MR. SKIDMORE. Was that done deliberately?

MR. COYNE. I don't think so. It was just their convenience. The meeting was on Saturday, and we went right through. Earlier we had drafted a press release. I was impatient. I wanted to schedule a press conference, but the Chairman wouldn't approve it. He said, "We have to wait to see what the Committee does." The Committee met, and the meeting ended at 4:00 p.m. Meanwhile, I had my two assistants come in with the expectation that something was going to happen. At 4:00 p.m., I said to the Chairman, "Now can we have a press conference?" He said, "Yes, what time do you want to have it?" I looked at the clock. It was 4:00 p.m. I said, "6:00 p.m." He said, "Okay." My staff and I prepared a final version of the press release. We called a bunch of reporters. We got a huge number here, because the Fed never schedules press conferences on a Saturday.

I had a call from whoever was in charge of the CBS bureau. Pope John Paul II was in town that day. He said, "I only have one crew, and it's following the Pope. Is this important?" I told him this will be remembered long after the Pope has left town. He sent the crew. He never complained. Irving R. Levine was here. At about 6:25 p.m., Irving was watching the clock and he said, "Thank you, Mr. Chairman." The other reporters said, "Wait a minute, Irving, this isn't over yet." The news was all over the papers, the wires, and television that night and the next morning.

**Banking Crises**

MR. SKIDMORE. There were some early banking crises such as Penn Square and Continental Illinois. Was there a public affairs aspect to those?

MR. COYNE. I can't remember Penn Square at all. I have a vague recollection of Continental Illinois. There really wasn't much public affairs. I had to be informed and know what was going on, but there wasn't much you could say from this end.

MR. SKIDMORE. What about the 1987 stock market crash? The Fed put out that one- or two-sentence statement about liquidity.

MR. COYNE. I can't remember.

MR. SKIDMORE. How did the thrift and banking crisis of the late 1980s and early 1990s involve the Fed in terms of your work?

MR. COYNE. Not too much. We had to keep on top of it, but it was mostly the Federal Home Loan Bank Board and the FDIC's problem. Most of the national banks and the state member banks were doing pretty well, I think. And the big banks really weren't affected. It was a savings and loan problem more than anything else, so it didn't affect us that much.

MR. SKIDMORE. What about BCCI (The Bank of Credit and Commerce International)?

MR. COYNE. I remember the name, but I can't even remember it.

**End of Board Career**

MR. SKIDMORE. In February 1986, there was a discount rate vote. It was 4–3, and Volcker was in the minority. Were you around then? Do you remember stories about Volcker storming out of the Board room?

MR. SMALL. This involved the four appointees to the Board by President Ronald Reagan—Preston Martin, Martha Seger, and, at that time, the newly appointed Wayne Angell and Manley Johnson.

MR. COYNE. I was around then, but I don't remember it.

MR. SKIDMORE. When you were here, a book written by Bill Greider depicting the Fed as secretive—*Secrets of the Temple*—got a lot of attention. What did you think of that book?

MR. COYNE. I don't think I read it. Bill Greider didn't cover us.

MR. SKIDMORE. I recall you telling me that he had thanked you in his first edition for the kind of assistance that a public affairs office would provide, and that you asked to have your name removed from the second edition.

MR. COYNE. I can't recall the book. That's what 30 years here does to you.

MR. SKIDMORE. As you look back over your career here, are there any other thoughts on public affairs work or the Board in general on which you'd like to comment?

MR. COYNE. After I retired, I looked back on my 30 years and I said, "That wasn't a job. That was an adventure." And it really was. You go back and you look at some of the things you went through, and you wonder how you survived.

MR. SKIDMORE. Thank you. We appreciate your time.