

CHAPTER 5

IN THE BEGINNING

1970 - 1975

In late 1969, William McChesney Martin's term as Chairman of the Fed's Board of Governors was ending. Now President, Richard Nixon did not want to reappoint Martin, viewing him (in John Ehrlichman's words) as "a stereotypical tennis-playing Easterner, Ivy League banker who considers himself wholly independent of the Nixon Administration." In the "summer and early fall of 1969, Martin was virtually in sole command of the country's monetary policy from his cockpit at the Fed," according to Ehrlichman's biography *Witness to Power: The Nixon Years*.

By law the Fed is to be strictly independent, unbuffeted by political changes in the country, but the President and his economists found it difficult, if not impossible, to deal with economic problems without some handle on the monetary machinery. Nixon wanted his own man as head of the Fed. I was instructed to tell Martin that the President would soon be naming his replacement and wished the transition to begin as soon as possible. Martin seemed a little surprised to be hearing from me about his retirement five months before his term expired, but he took it in good grace (Ehrlichman 1982 p. 248).

Others in the Nixon Administration, too, expressed the new President's concern about the Fed. According to Herbert Stein, Chair of Nixon's Council of Economic Advisors, Nixon was concerned about the Fed's responsibility for governance, always afraid that the Fed would "put the economy through the wringer" (Kettl 1986 p. 115). Replacing Martin gave Nixon an opportunity to influence the Fed, with Fed historian Donald Kettl reporting the President wanted "to put someone he viewed as a loyalist in the job." Once he announced the appointment of Arthur F. Burns as Chairman, Washington insiders were not surprised, since many of them had seen Burns's Economic Counselor position as "a holding action until the chairmanship opened" for him (Kettl 1986 p. 116).

One of the most useful insights into President Nixon's view of the Fed's legitimacy occurred shortly before Burns took the Oath of Office. On January 30, 1970, Nixon acknowledged that the "Federal Reserve is independent, and the new chairman, who will be sworn in here tomorrow, is one of the most independent men I know" (*Time Magazine* March 1, 1970 p. 70). In remarks at Burns's swearing-in ceremony, Nixon first discussed the Fed's responsibilities, then his view of the Fed's role in American government. "The Federal Reserve is known to all sophisticates in this room for the enormous impact it has on the economy of this country. It is not known generally to the public because its activities are in areas which are not susceptible even to understanding by a Cabinet, let alone the general public." Considering the enormous responsibility of the Fed, it "requires a very wise man to be Chairman of the Federal Reserve or to be a member of the Board" (*Public Papers of the Presidents* 1970 p. 45).

What about the Fed's right to govern? In his remarks, Nixon acknowledged the Fed's independence of the President, though he insisted that "the Congress would suggest that it is not independent of the Congress." While acknowledging that "I respect that independence," Nixon qualified his statement, saying he does "have the opportunity as President to convey my views

to the Chairman . . . in meetings with the Quadriad, along with the Secretary of the Treasury and the Chairman of the Council of Economic Advisors.”¹ For Nixon, the President has a right to express his “very strong views on some of these economic matters” to the Chairman “privately and strongly.” In the end, Nixon made light of Fed official’s right to govern by reporting that “I respect his [Burns’s] independence. However, I hope that independently he will conclude that my views are the ones that should be followed” (Public Papers of the Presidents 1970 p. 46).

THE GENERAL ATTITUDE OF THE NIXON ADMINISTRATION TOWARD THE FEDERAL RESERVE

In *Witness to Power: The Nixon Years*, John Ehrlichman, a top policy advisor, discussed the Nixon Administration’s view of the Fed. Publicly, the Nixon Administration usually supported the Fed’s administrative legitimacy, viewing it as an appropriate institution with a right to govern. But privately, its views were somewhat different. According to Ehrlichman, President Nixon “was determined to control the Fed while maintaining the image of its independence from all politicians, including himself.”

He went about as far as he could, lecturing—even scolding—Arthur Burns about what the Fed must do to free up the money supply. But when he was upset with the Fed, much of the President’s spleen was vented on the White House staff instead of Burns. Burns was one of Nixon’s political fathers; he was never in real danger of being dominated by the President (Ehrlichman 1982 p. 244).

Nixon *attempted* to control Burns, especially at first. As scholars of public administration are well aware, Presidents often believe that they can control agencies by appointing their leaders. Apparently Nixon subscribed to this view—even before Burns became Chairman, Nixon informed him that “my relations with the Fed will be different than they were with Bill Martin there. He was always six months too late doing anything. I’m counting on you, Arthur, to keep up us out of a recession.” When administrators face such presidential attitudes, they often do not know what to do. As a response to Nixon, all Burns said was “yes, Mr. President. I don’t like to be late.” At this meeting, too, Nixon informed Burns “*I know there’s the myth of the autonomous Fed . . . and when you go up for confirmation some Senator may ask you about your friendship with the President. Appearances are going to be important, so you can call Ehrlichman to get messages to me, and he’ll call you*” [my emphasis] (Ehrlichman 1982 pp. 248 - 249).

¹ The “Quadriad” has an interesting history. Although officially established by President Kennedy in 1961, its historical roots extend to Roosevelt’s administration. In 1938, President Roosevelt established the Monetary and Fiscal Advisory Board, a board including the Secretary of the Treasury, the Chairman of the Federal Reserve, the Director of the Bureau of the Budget (BOB), and the Chairman of the Advisory Commission on National Resources. In 1956, President Eisenhower met regularly with the Fed Chairman, the Treasury Secretary, and the CEA Chairman “to discuss the economy.” After Kennedy became President in 1960, Treasury Secretary C. Douglas Dillon argued that such meetings between top economic officials should continue. Every two months, the CEA Chairman, Walter Heller, called a meeting with the Fed Chairman, the Treasury Secretary, and the OMB Director (Kennedy insisted that OMB be represented too). It was Heller who named the group the Quadriad. In Webster’s dictionary, a quadriad is defined as “a union or group of four,” which Heller joked “is us” (Kettl 1986 p. 93). Joke or no joke, the name has remained—and so has the meeting between these four officials.

From this statement, we see that Nixon wanted to influence the Fed, but did not want Congress to know what he was doing. In a polity where three branches share powers, such as the United States, this tension is inevitable. To a large extent, it is the responsibility of administrative institutions to manage this tension between the branches. This is difficult for agencies to do, however, because their legitimacy is constantly challenged.

Given Nixon's views on public administration more generally, his beliefs about the President's relationship to the Fed Chairman should not surprise us. When presenting what Nixon himself described as "the most comprehensive and carefully planned . . . reorganization since the executive was first constituted in George Washington's administration 183 years ago," the President affirmed Orthodox principles, claiming that his views were supported by both the Brownlow and the Hoover Commissions. In reality, Nixon's views on public administration were grounded in Max Weber's beliefs about power relationships within bureaucracy. According to Seidman & Gilmour, Nixon was attempting *domination*, where administrators "execute commands" and "serve as a bridge between the ruler and the ruled" (Seidman & Gilmour 1986 p. 99).

More than anywhere else, Nixon "parted company with Brownlow" on the career civil service. The merit principle, Brownlow believed, should be extended as far as possible. Nixon disagreed. Looking at public administration from the Oval Office, Nixon saw a bureaucracy consisting of eight years of Democratic appointees, appointees who would never be loyal to him. Indeed, Nixon believed that his only Republican predecessor in the post-war era—Dwight Eisenhower, whom he had served as Vice President—erred by not "clean[ing] out the 'Democrat infested' federal bureaucracy" (Seidman & Gilmour 1986 p. 99).

In virtually all Nixon's public statements, Seidman & Gilmour observe, his "distrust of bureaucracy" was an important theme. In his March 1972 reorganization message, the President said there is "no assurance that voters will get what they contracted for in electing Presidents, Senators, and Congressmen until the present convoluted and compartmentalized Washington bureaucracy can be formed anew and harnessed more directly to the people's purposes" (Seidman & Gilmour 1986 p. 100). Accordingly, Nixon sought "to reform the entire structure of American government so we can make it again fully responsive to the needs and wishes of the American people." In Nixon parlance, "fully responsive to the American people" was a code for increasing the President's power over administrative officials. In fact, Nixon's plan would have abolished client-oriented cabinet departments, replacing them with four new, "goal-oriented" ones: Community Development, Economic Affairs, Human Resources, and Natural Resources (Seidman & Gilmour 1986 p. 103).

Revealing his belief that the President "manages the executive branch"—operating as virtually the *sole executive* rather than the *chief executive*—Nixon began his term seeing Cabinet Secretaries as mere extensions of himself. Then Nixon, somewhat naively, saw the Secretaries as officials who had no loyalty to anyone but the President. Once Nixon discovered the "triangular alliance among departments, congressional committees, and clientele groups," Seidman & Gilmour explain, he suffered "a rude and nasty shock." In time, this discovery led Nixon to want to reorganize government agencies to increase his own power over public administration. In his

March 25, 1971 reorganization message, for instance, Nixon had this to say about the President's relationship to public agencies:

When any department or agency begins to represent a parochial interest, then its advice and support inevitably becomes less useful to the man who must serve *all* the people as their President [his emphasis] (Seidman & Gilmour 1986 p. 104).

So public agencies only exist to provide “advice and support” to the President! That agencies make policy in their own right because Congress frequently vests authority in department heads—and that they do so legitimately—is not recognized.

John Ehrlichman, speaking to the *Washington Post* in August 1972, argued that “there shouldn't be a lot of leeway in following the President's policies.” Quite the contrary: “It should be like a corporation, where the executive vice presidents (the Cabinet officers) are tied closely to the chief executive, or to put it in extreme terms, when he says jump, they should only ask how high” (Seidman & Gilmour 1986 p. 109).

Although Nixon never fully articulated his view of public administration theory and public sector organization, Seidman & Gilmour identify six “basic premises.” The most important of these, I think, is that the President is the leader of all the People with a “superior position to that of the Congress”; the President is “the sole definer and protector of the ‘national interest’”; department heads are *Presidential delegates* (Seidman & Gilmour 1986 p. 111). A President with such ideas would want to extend them to the Fed as much as possible, but Arthur Burns was such a forceful public figure that Nixon simply could not do it. For good or ill, Nixon could not control Arthur Burns, no matter how much the President wanted to. What is most interesting is how Nixon generally supported the Fed's legitimacy in public, however half-heartedly, while *in private* working to undermine its ability to govern.

REFORMING THE FED?

Not long into his term, President Nixon and his top advisors began exploring ways to reduce the Fed's responsibility for governance. Although these discussions occurred privately, the news media soon discovered them. In the July 30, 1971 *Christian Science Monitor*, for instance, President Nixon was reported as wanting to “pack the Fed with five more governors of his choosing” (*Congressional Record* July 30, 1971 p. 28382). Throughout 1970, the Fed's monetary policy was relatively easy; this ended in January 1971. Anxious about inflation, the Fed's monetary policy tightened—which not only raised interest rates, but also increased conflict with the Nixon Administration. Because the Nixon Administration was “more concerned about unemployment than about inflation,” the “Fed and the White House are working at cross-purposes” (*Congressional Record* July 30, 1971 p. 28382). The *Christian Science Monitor* continued:

Every president since the founding of the Fed has wanted to be able to control it. One reason Arthur Burns is now chairman of the Fed is because Mr. Nixon thought he would be more amenable to White House wishes than was his predecessor, William McChesney Martin. It is natural for a president to want

control over the Fed. Whether he should have it is another matter about which we reserve judgment [my emphasis] (*Congressional Record* July 30, 1971 p. 28382).

The *Washington Evening Star* ran similar stories. “White House officials are floating reports that President Nixon is considering moves to curtail the independence of the Federal Reserve Board,” it reported. Recognizing the political problems these proposals might cause, Nixon Administration officials responded haphazardly. *On the one hand*, Press Secretary Herbert G. Klein told reporters that “there have been ‘general discussions over a period’ about whether the Federal Reserve has too much power.” One of the suggestions for reforming the Fed was to double the size of the Board, which would have increased President Nixon’s influence greatly (*Congressional Record* July 30, 1971 p. 28382). Yet another proposal would have brought “the Federal Reserve into the executive branch, thus ending its independence directly rather than by adding pro-Nixon members.” *On the other hand*, administrators in the other economic agencies told the news media “the reports came as a surprise,” generally ridiculing such ideas as “packing the board’s membership or moving it into the executive branch.” According to one top official, speaking anonymously, such reforms were “bananas” and “nonsense” (*Congressional Record* July 30, 1971 p. 28382).

President Nixon, most commentators concluded, was not genuinely concerned about reforming the Fed. Instead, he wanted to “send a message” to Burns for “criticizing administration economic policies.” “While it can be accepted that Mr. Nixon is not contemplating any legislative actions affecting the status of the Federal Reserve,” according to the *Evening Star*, “it is plausible that he has been nettled by some of Mr. Burns’ public comments” (*Congressional Record* July 30, 1971 p. 28383).

What this episode shows, I believe, is that administrators—even those legally “independent” of the President—must be careful when criticizing the current Administration’s program. No matter how legitimate or independent an agency may be, the President can always claim that *the People elected him*, not its officials.

THE 1972 PRESIDENTIAL ELECTION

In the July 1974 issue of *Fortune*, Sanford Rose argued that the Fed “went on a monetary binge in 1972 in order to guarantee President Nixon’s reelection” (Rose 1974 p. 91). By making this charge, Rose was attacking the Fed’s administrative legitimacy in the most serious way. Certainly there is no dichotomy between policy and administration, but administrative institutions are expected to make *nonpartisan policy*. At the very least, they are not expected to undermine basic electoral processes—free and fair democratic elections, in this case—which are so fundamental to constitutional democracies like ours. If the Fed is a partisan institution, why should monetary policy not be made by Members of Congress, the elected representatives of the People? How can a partisan Fed be a legitimate administrative institution? How can a partisan Fed have a right to govern, and how can it be appropriate for a constitutional democracy like ours?

For now, I want to examine Rose’s article in greater detail, then discuss two Fed officials’ responses to it. From the very beginning, Rose argued that “there is at least no doubt about the

binge, and there is not much doubt about its consequences either.” By creating “too much money” in 1972, the Fed produced the “superheated boom of late 1972 and early 1973.” Largely due to the excessive monetary growth, the nation’s economy faced extremely high inflation rates in late 1973 and early 1974 (Rose July 1974 p. 91).

“When they are asked what happened to policy in 1972,” Rose reported, “some Federal Reserve officials manage a nervous laugh and try to change the subject.” Still others, however, “say unhesitatingly (though not for attribution) that throughout the year the Fed was subjected to ‘unusual pressures’ from the White House and Congress” (Rose July 1974 p. 131). In 1972, most FOMC members “recognized the need for a turn to a more restrictive monetary policy,” yet “Burns held out for a continued stimulus.” In the FOMC, Burns insisted that the institution not do anything to hurt the economy, cause interest rates to rise, or the like. He even made sophisticated economic arguments about the velocity of money, but these were “not impressive enough to sway the FOMC.” Most FOMC members, according to Rose, were concerned not only that the monetary growth might “show up . . . at precisely the wrong time,” but also that the “Administration’s desire to prevent interest rates from rising rapidly was linked to the coming election” (Rose July 1974 p. 131).

Unable to convince the FOMC members he was correct, Burns “left the meeting in obvious anger.” When he returned an hour later, Burns told the FOMC: “I have just talked to the White House.” This declaration, Rose believes, must have had a “quite dramatic” effect on the FOMC. “Burns was invoking the aid of the White House in a manner rarely, if ever, employed by a Chairman of the nominally independent Federal Reserve System.” In the end, the FOMC recognized that the President was “determined to try to keep rates from rising” (Rose July 1974 p. 132).

Many of those who heard Burns’s words could have interpreted them as an implied threat. That is, either the committee acquiesced or it risked the White House’s maximum displeasure. And White House displeasure might easily have meant Republican backing for persistent southern Democratic efforts to limit the Federal Reserve’s independence. In any case, Burns eventually succeeded in persuading the FOMC to continue providing that stimulus throughout 1972. But the effort seems to have hurt him personally, and there are signs that his influence over the committee was weakened for some time (Rose July 1974 p. 132).

Even after the election, the Fed faced political pressures for easier money, this time from Congress. Specifically, some Representatives and Senators were considering writing “interest-rate ceilings into the Economic Stabilization Act, which was coming up for renewal in 1973.” If enacted, such restrictions would have severely limited the Fed’s ability to govern: the Fed’s officials would not have been able to restrict monetary growth as much as they otherwise could. If a tight money policy would produce interest rates above the ceilings, the Fed would be unable to adopt it. In effect, Congressional supporters of such provisions were claiming that *elected officials* rather than administrative officials should be responsible for interest rates, at least when they reach a certain level.

Overall, the Fed “kept trying to hold interest rates down by pumping out money in late 1972 and early 1973,” all to “keep Congress from getting more agitated than it already was” (Rose July 1974 p. 132).

THE FED’S RESPONSE TO ROSE’S CHARGE

The Fed’s officials recognized how serious Rose’s charge was, with two of them writing a formal letter of rebuttal to *Fortune* itself. Arthur Burns’s letter was short but to the point:

In the July issue of *Fortune*, page 188, Mr. Sanford Rose purports to describe certain events during a meeting of the Federal Open Market Committee. There is not one grain of truth in his report (Burns August 1974 p. 113).

Fellow Governor Andrew F. Brimmer, who frequently opposed Burns’s policies and his priorities, wrote a much longer rebuttal. At the outset, Brimmer completely rejected the idea that “partisan political considerations have influenced the determination of monetary policy—particularly during the Presidential election year of 1972.” By claiming that Burns appealed to the White House when attempting to influence the FOMC decision, Rose “impugns the integrity of the System’s decision-making process” (Brimmer August 1974 p. 113). No such event, Brimmer insisted, ever took place. “During my more than eight years as a member of the FOMC . . . there was never an occasion on which the chairman urged the committee to adopt a particular monetary policy because the White House preferred a specific course of action” (Brimmer August 1974 p. 113).

The individual members of the committee would not allow themselves to yield to the White House or anyone else their statutory authority to determine the nature and objectives of open market operations as one instrument of monetary policy. By suggesting otherwise, the author has stained the integrity of the FOMC, and he has done so without presenting any substantive evidence to substantiate his insinuating assertion (Brimmer August 1974 p. 113).

At the time he wrote his letter to *Fortune*, Brimmer had decided to resign from the Board to return to his academic career. Although the Board’s membership had almost completely changed during his tenure, Brimmer wrote in his resignation letter to Nixon, the “spirit of nonpartisan cooperation and commitment to the furtherance of the nation’s interest on the part of the members has not changed at all” (Brimmer August 1974 p. 113). Never would he have made such an assertion if “there had been any incident such as the article alleged” (Brimmer August 1974 p. 113).

In response to these letters, all *Fortune* magazine said was “some others who attended that FOMC meeting recollect it differently” (Fortune August 1974 p. 113).

FORD & THE FED

As President, Gerald Ford never questioned the Fed’s administrative legitimacy, properly balancing his regard for Arthur Burns as a friend and ally with his recognition of the Fed’s ability to govern independently of the executive branch. Speaking at Philip C. Jackson’s swearing-in as

a Fed Governor, Ford was extremely supportive. It is, the new President argued, “highly important for all of us to emphasize now—as it has been in the past and as, I trust, it will be in the future—that the Federal Reserve is an independent institution.” According to Ford, too, the Fed is “a very vital, integral part of our total governmental setup, but one that occupies a very unique part in the many workings of the Federal Government.” He continued:

The Federal Reserve Board has to be independent of the President, the Congress. The Federal Reserve Board, as I believe it should perform its role, is to protect the *interests of 214 million people*, to *take the broadest possible look at the many intricate problems that we face in our economy not only at home but as well abroad*. On the other hand, I think there has to be communication between the Chairman of the Board and the Congress and the White House, but with that high degree of integrity representing the role and responsibility of the Federal Reserve Board [my emphasis] (*Public Papers of the Presidents* July 14, 1975 p. 991).

In his message, Ford assured “Dr. Burns and his associates and all that work in this great organization that their independence will be respected.” To do otherwise, the President believed, would “open us to honest and proper criticism” that the Fed’s “role is being undercut in the protection of our economy and all of our people” (*Public Papers of the Presidents* July 14, 1975 p. 403).

In many ways, Ford’s position seems very close to the one Wamsley advances in “The Agency Perspective.” Public administrators, according to the Agency Perspective, are legitimate actors when they not only search for “the broadest possible definition of the public interest,” but also seek out “a consensus on the ‘common good’” in their policy area (Wamsley 1990 p. 117). At any rate, Ford’s view of the Fed’s legitimacy was very different from Representative Wright Patman’s of Texas—who urged the new President “to take a hard look at the Federal Reserve System.” “I sincerely hope that the new President will carry out his responsibility over the activities of the Federal Reserve Board,” Patman said on August 9, 1974. However well developed and well intentioned the President’s new economic program may be, it will not “succeed unless the President is willing to make the Federal Reserve perform *in the public interest*” [my emphasis] (*Congressional Record* August 9, 1974 p. 27616).

President Ford begins anew and this is a great opportunity to set the monetary house in order in all respects. As a new Chief Executive it would be highly beneficial for President Ford to call for a full-scale, top-to-bottom audit by the General Accounting Office of the Federal Reserve System. This would allow him to begin with a clean slate in the monetary area (*Congressional Record* August 9, 1974 p. 27616).

Patman uses the term “public interest” explicitly; Ford refers to it implicitly. But this leads them to opposite conclusions about the Fed’s legitimacy. Ford uses the concept to legitimate the Fed, while Patman uses it to delegitimize the institution. Once we consider the postmodern theory of language, however, this result is not surprising at all. In “Postmodernism, Public Administration, and the Public Interest,” which was published in *Refounding Democratic Public Administration*,

O.C. McSwite provides an excellent discussion of postmodern social theory. According to Derrida, a leading postmodern scholar, language is *synchronic*—with one word leading to another word that leads to another word and so on. “We know the meaning of a word,” McSwite asserts, “by knowing other words that are different from it” (McSwite 1996 p. 212). Each word is a signifier, and it “exist[s] on an infinitely sliding scale of meanings.”

A word actually signifies only another word, the signified, which, at the same time, is the signifier of yet another word, in a kind of infinite process of interlocking, interdependent meaning generation. Simply: Words mean other words that mean other words, and so on, infinitely (McSwite 1996 p. 212).

How can this infinite process stop? According to postmodern social theorists, authors use a *superordinate signifier*, one seen “as standing outside the system.” Signifiers include, for example, “God, Scientific Truth, The Good, The Self” (McSwite 1990 p. 212). Through deconstruction, we see that the text is completely dependent on this signifier. That signifier, likewise, is completely dependent on the text. So language is self-referential, incapable of producing stable meaning.

From this perspective, both Ford and Patman were using the ideal of the public interest as a superordinate signifier. By doing so, they hoped to stop the infinite regress of meaning. If successful, this rhetorical strategy would privilege one view of the Fed’s legitimacy—Ford arguing for the Fed’s legitimacy because it promotes the public interest, Patman arguing against the Fed’s legitimacy because it does not. Both make two assumptions: (1) the public interest has a clear meaning; (2) this meaning can be discovered by elected officials and public administrators as well. Neither assumption, however, is necessarily valid, especially under postmodern conditions. For good or ill, the public interest under postmodern conditions can mean different things to different people.

BURN’S PHILOSOPHY OF FED LEGITIMACY

During his years as Chairman, Arthur Burns insisted that the Fed was a legitimate administrative institution. Perhaps more than any other Fed official, Burns presented extremely strong philosophical arguments for this belief. (In a way, this is not surprising, for Burns was an academic by training—though in economics rather than political science or public administration or public affairs.) At this point, I examine speeches Burns made from 1970 to 1975. In the next chapter, I examine those he made from 1976 to 1978, when he was, if anything, even more philosophical.

In an address to the Federal Reserve Bank of Minneapolis, which was delivered on September 8, 1973, Burns defended “the character of the Federal Reserve System and the vital role it plays in national economic policy.” From its beginning in 1913, the Fed was given “a substantial degree of independence within government” by the Congress.

Freedom from the daily pressures of the political process has given the Federal Reserve the opportunity to make the hard choices that continually confront those who are responsible for economic and financial policies. Over the years, the Congress has significantly enlarged the duties and responsibilities of the

Federal Reserve System. The stature of our central bank has therefore grown within the counsels of government and in the minds of the people. Nowadays, the people of America expect the Federal Reserve to use its great powers to thwart—or at least to moderate—business recessions, and they also look to the Federal Reserve as the ultimate defender of the purchasing power of their currency (Burns 1978 p. 346).

Because of this independence, the Fed has had “to earn the confidence of the American people,” which it has done by observing “rules of conduct such as animate our great universities and our courts of justice.” To a large extent, it is no surprise that Burns would appeal to the courts of justice, since one of the Founding arguments about the Fed likened it to “the Supreme Court of finance.” The ideal of scientific inquiry, too, plays a role in the Fed’s legitimacy, with the institution attempting “to foster a spirit of freedom and objective inquiry in the field of economic analysis.” When analyzing economic issues, for instance, the Fed’s staff and its officials are encouraged to proceed “in the spirit of science and to express their findings freely.” And the ideal of regionalism, which has a central place in the American philosophy of government, plays a role in the Fed’s legitimacy. By including Reserve Bank directors from different regions, the Fed has “a constant stream of up-to-date information on business and financial developments” (Burns 1978 p. 347).

When the presidents of the individual Reserve Banks meet with the Federal Reserve Board, as they do at very frequent intervals in our nation’s capital, they have at their disposal a system of economic intelligence that cannot be matched by any organization or agency in our country or, for that matter, anywhere else in the world’ (Burns 1978 p. 347).

According to Burns, the Fed’s major assets are “concern for the general welfare, moral integrity, respect for tested knowledge, independence of thought” (Burns 1978 p. 347).

While defending the Fed’s right to govern and its appropriateness for a constitutional democracy like ours, Burns recognized that the Fed must “account for its stewardship to the Congress and to the general public.” By accountability, though, Burns did not mean letting the Congress or the general public have a major say in the Fed’s decisions. What he meant, rather, was that the Fed would *communicate its decisions* to the public through “news releases, publications, public addresses, and testimony before congressional committees.” Taking a comparative perspective, Burns argued that the Fed’s disclosure about “its myriad activities vastly exceeds, both in promptness and detail, that of any other central bank” in the world (Burns 1978 p. 347).

Because of the Fed’s “openness and impartiality,” Congress “has resisted occasional demands to bring the Federal Reserve under this or that administrative branch of the federal government.” While considering such proposals, “both the Congress and the informed public have perceived the great damage that could be done to our nation’s prosperity by weakening the independent voice of the Federal Reserve within our government” (Burns 1978 p. 347).

This sentiment, I believe, has been shared by every president since Woodrow Wilson’s time, although the fervor of our presidents for the independence of

the Federal Reserve may at times have been greater upon leaving office than when they themselves were still wrestling with the nation's economic problems (Burns 1978 pp. 347 - 348).

SHOULD THE FED MAKE UNPOPULAR POLICY?

When analyzing the Fed's administrative legitimacy, policy disputes *per se* are not very important. After all, someone can disagree with the Fed's policy decisions while still believing that it not only has a right to govern, but is appropriate for a constitutional democracy like ours as well. This is analogous to the U.S. Supreme Court: people can disagree with some of the Court's decisions without questioning its legitimacy. For administrative legitimacy, the proper question about unpopular Fed policies is why unelected Fed officials—rather than elected officials—should make these decisions.

In 1974, while inflation was a major problem, the nation's economy was in a recession too (Brigham & Dolbeare 1977 p. 204). In the autumn of that year, President Ford convened a national "summit" on inflation. Considering the summit's emphasis on inflation, it is ironic that the participants attacked the Fed for tight money, but this is what happened. As a response, Burns explained what the Fed was trying to do. The "job of the Federal Reserve System is not to be popular," he said. Its job, to the contrary, is "to see to it, to use all of our energy, all of the ability and knowledge that we can muster, to help to protect the jobs of American workers and the integrity of their money" (Brigham & Dolbeare 1977 p. 205).

Now, in doing our job we operate in an environment that is made by others, by the Congress, by trade unions, by business firms, by the general public. Now, there are facts of life that the Federal Reserve Board must take account of if it is to serve the public with good conscience; the Federal Reserve has to make some hard decisions if only because hard decisions are being avoided by others (Brigham & Dolbeare 1977 p. 205).

Robert C. Holland, another Governor during this time, made similar remarks at the Distinguished Lecture Series of the Ohio State University on February 20, 1975. In his lecture, Holland observed that the Fed is "insulated from short-run pressures to change its policy by a variety of protective arrangements, some provided deliberately by law and others resulting from the very indirect effects of its operations." Because of this protection, the Fed can pursue a policy—for example, tight money—with unpopular consequences "for some period of time."

Often it can be essential for the Federal Reserve to do just that, for some of the good effects of a policy—such as slowing down price increases—can materialize only with considerable lags, while the intervening adjustment period can bring such unpopular consequences as high interest rates and curtailed availability of loans (Brigham & Dolbeare 1977 p. 209).

Despite these beliefs, Holland believed that the Fed must educate the public about its policy goals, encouraging citizens "to come to accept the basic objectives at which a particular monetary policy is aimed." All in all, Holland did not believe that the Fed operates in a vacuum, since the institution could not "pursue a very unpopular set of fundamental objectives year after year"

(Brigham & Dolbeare 1977 p. 209).

The question of unpopular policy—when made by administrative agencies—returns us to the Agency Perspective. According to Wamsley, public administrators must act “on behalf of others,” but they must do so “in a vigorous and thoughtful manner.” An agency’s autonomous role in public policy is based on four characteristics. First, the agency has policy expertise, which allows it to operationalize policy through “specific programs.” Second, the agency can use its internal processes to reach “the broadest possible definition of the public interest.” Third, the agency has communitarian skills, so it can foster active citizenship. And, finally, the agency guards our Constitution and constitutional processes, like other political actors: Congress, the President, the Courts (Wamsley 1990 pp. 114 – 115).

When considering unpopular policy, the *most important aspect* of the Agency Perspective is the agency’s pursuit of the common good, a good “distinguishable from what a *society* (even one faithfully represented) *thinks it wants*” [my emphasis] (Wamsley 1990 pp. 117). Using the Agency Perspective, therefore, we can conclude that administrative agencies may need to make unpopular policies—and that they are acting *legitimately* when doing so. Not that the Agency Perspective encourages administrators to break the law or violate the Constitution or act unethically to achieve the common good. But with the Federal Reserve, which has considerable discretion by its statute, the Agency Perspective would encourage its officials to make policy that pursues the common good, even when citizens disagree with it. Only when Congress forbids the Fed from making such policy, through a duly enacted statute, should the institution’s officials stop pursuing their version of the “common good.”²

CONGRESS & THE FED’S LEGITIMACY

From 1970 to 1975, the Federal Reserve was a major issue for many Members of Congress. In this section, I discuss the public argument made by these Members, whether they supported the Fed’s legitimacy or opposed it. First, I examine Congressional views of the Fed’s relationship to the Nixon Administration. Second, I discuss the “populist attack” against the Fed, waged most effectively by Representatives Rarick and Patman. Third, I examine the debates over limiting the Fed’s monetary authority, requiring the GAO to audit it, and subjecting the Fed to the annual appropriations process. Fourth, I discuss the Fed’s lobbying campaign against the GAO audit, which Fed officials believed would endanger their independence. Fifth, I examine Patman’s rhetorical attack on William McChesney Martin, showing how important the Fed’s leader is to perceptions of the institution’s legitimacy. Sixth, I discuss the role of Congress in the monetary policymaking process. Seventh, I examine the Federal Reserve Modernization Act, legislation Senator Humphrey introduced to “reform” the Fed. Eighth, I discuss House Concurrent Resolution 133. And, lastly, I discuss Senator Proxmire’s views on the Senate’s role in confirming Fed Governors.

² This may be too strong. If a policy is *extremely unpopular*, some scholars who support the Agency Perspective may contend, the agency’s officials should enter into a dialogue with citizens. At the very least, the agency may need to examine its position carefully. I think that that is an appropriate qualification—one Wamsley, judged by his later work, would surely accept.

THE FED & THE NIXON ADMINISTRATION

On March 12, 1971, Senator Harry Byrd of Virginia reported fondly on an article, “The Fed’s Independence,” which was published in the Norfolk, VA *Ledger-Star*. Senator Byrd believed that the Fed had a right to govern and was appropriate for a constitutional democracy like ours, so this article was important to him.

At first, the article reports, the President and Fed Chairman “were seeing pretty much eye-to-eye” on economic issues. But soon Nixon’s economic views changed—“We are all Keynesians now,” he said—and the President proposed substantial deficit spending as part of his expansionary budget. As a result, Chairman Burns is “balking and speaking out against Presidential policy with the same candor and firmness as his tough-minded predecessor, William McChesney Martin, who was quick to challenge the White House when he thought the White House was wrong” (*Congressional Record* March 12, 1971 p. 6436).

The article, quite rightly, separates concerns about economic policy from questions of administrative legitimacy. “In this situation, Dr. Burns is going to get a good deal of applause from those who simply believe he is on sounder economic footing,” since they believe Burns may have a “braking effect” on Nixon’s economic policy.

*But even without arguing the merits of the respective economic theories, there is something most reassuring in the way Dr. Burns is functioning in his key fiscal post—something which Senator Byrd also commented favorably upon. That something is the effective separation of the Fed and its influential chairman from the politics and the day-to-day policy decisions of the administration. The country is fortunate in the way the power to influence the economy by government action has been divided up by law, so that means are at hand to prevent the massive, one-direction fiscal manipulation which could be wrong—disastrously. Dr. Burns went into the chairmanship as a Nixon appointee, but he is plainly going to be his own man, regardless of who happens to be President. And, with the new chairman’s acknowledged competence in money matters, this independence augments well for the future of the country [my emphasis] (*Congressional Record* March 12, 1971).*

So the Fed constrains the President of the United States, preventing him from engaging in a “massive, one-direction fiscal manipulation.” In our country’s history, the potential danger of a strong President has long been recognized. Many Anti-Federalists, for example, were concerned that the President would have too much power. By having strong administrative officials, Federal Farmer argued, an “executive too influential may be reduced within proper bounds” (Rohr 1986 p. 37). Writing on the Anti-Federalist philosophy of government, Professor Rohr observes that the “idea of having subordinate executive officers check the president is strictly Anti-Federalist” (Rohr 1986 p. 37).

Throughout our history, Americans have struggled with the Presidency—from the Constitutional Convention in 1789 to the impeachment trial of 1999. For now, it is helpful to examine the ratification struggle, when many Anti-Federalists raised fundamental objections to the Presidency. One of the leading Anti-Federalists, Edmund Randolph, argued that the Presidency

was the “foetus of monarchy.” Not all Anti-Federalists agreed, with some believing the President would be too weak to restrain the Congress, but most were concerned about the President’s power (McDonald 1994 p. 184). Beliefs about administrators “checking” the President are not just a “modern doctrine,” but an important part of American history, something we can discover by examining the Anti-Federalists’ concerns.

Some Anti-Federalists argued for a “Council of State or Privy Council,” which would restrain Presidential power—especially in appointments to administrative offices (McDonald 1994 p. 186). This Council, some Anti-Federalists believed, should be modeled on New York’s Council of Appointment, the body responsible for appointing administrators in that state. Reflecting the democratic spirit of many opponents of the Constitution, one Anti-Federalist rejected the President’s appointment power because it would make him a “fountain of honor.” The President would be one man capable of conferring benefits on citizens (McDonald 1994 p. 192).

And there were other concerns. Some Anti-Federalists were concerned about the President’s term, believing four years to be too long. Similarly, others believed the President should not be able to succeed himself (McDonald 1994 p. 191). Still other Anti-Federalists opposed the President’s power as Commander-in-Chief. In *The American Presidency: An Intellectual History*, Forrest McDonald observes that Anti-Federalists repeatedly “charged that the presidency would be a kingship in everything but name” (McDonald 1994 p. 193).

The presidency was compared with the British crown or another monarchy, parallels were drawn with Sweden and the Netherlands, and often the collapse of the Roman republic was recalled. Several writers wanted that “the federal city,” the District of Columbia, would, as Montesquieu had written of monarchical capitals, become as “the court of a president” . . . There are those who would argue that this doomsaying was prescient (McDonald 1994 p. 193).

One way to check the President’s power, of course, is to have strong, independent administrative institutions. When we consider public administration in this way, an institution like the Fed checks the President’s power over monetary policy and financial regulation. While checking the President’s power, however, such an administrative institution must justify itself—which raises the whole question of administrative legitimacy. Because administrative institutions can check the President’s power, we should not be surprised to find *that* used as an argument for their legitimacy. Whether this argument is persuasive depends on how badly one wants to reduce the President’s power, possibly at the expense of greatly expanding that of administrative officials.

On February 23, 1971, Senator Byrd commended Arthur Burns. For the good of the nation, “much will depend on his judgment, on his independence, on his willingness to say ‘no’ when high officials want him to say ‘yes.’” Although Byrd acknowledged his “reservations about the overall fiscal and monetary policies of the Government,” he recognized “the difficult position of the Chairman of the Federal Reserve Board,” saying he supported “Dr. Burns for his expressed concern about the dangers of inflation.”

I have confidence in Dr. Burns. As Deena Clark stated after researching his record, “there is one word used more often than any other” to describe Dr.

Burns, and that is “independent.” This is fortunate. *It is vitally important, I feel, that the Federal Reserve System remain independent. The Nation needs a financial balance wheel, one that responds to sound economics rather than to the vacillations and variations of politics* [my emphasis] (*Congressional Record* February 23, 1971 p. 3613).

In her interview with Burns, Deena Clark asked him two questions related to Congressional legislation, which was introduced by Representative Patman, requiring the Chairman to “serve at the pleasure of the President.” First, she wanted to know whether he felt “a threat to [his] personal independence”; second, whether he felt “a threat to the traditional independence of the Fed.” According to Burns, “I am not concerned about any threat to my personal independence. I think I can manage. Now—if nothing else, I can go back and teach a class at the University.”

And then again, if Congressman Patman’s proposal were adopted, I don’t think it will—I hope it won’t be—I might still stay on, and the President might have “pleasure” in having me stay on . . . I think it’s a bad proposal, and I am going to try to convince Congressman Patman—who is a very reasonable and knowledgeable man—that he may be on the wrong track (*Congressional Record* February 23, 1971).

In the February 20, 1971 *Washington Post*, Hobart Rowen reported that Burns “bluntly and decisively rejected” the Nixon Administration’s appeal for easier money. Such action, Burns argued, was not only unnecessary, but also inflationary. Testifying before the Joint Economic Committee for nearly three hours, Burns acknowledged the differences between the Fed and the Nixon administration, especially such senior officials as OMB Director George Shultz and CEA Chair Paul W. McCracken. According to Burns’s Congressional testimony, the Fed “will not stand idly by and let the American economy stagnate for want of money and credit.” But its officials “will not become the architects of a new wave of inflation” either (*Congressional Record* February 26, 1971 p. 4199).

THE POPULIST ATTACK

Representative John R. Rarick of Louisiana was as much a disbeliever in the Fed’s administrative legitimacy as Senator Byrd was a believer. On April 21, 1970, Representative Rarick of Louisiana introduced H.R. 17140, which would have vested “ownership and control of the 12 Federal Reserve banks in our Government.” When speaking in favor of this Bill, Rarick invoked a familiar populist theme, saying he only wanted to return “the control of our money to the people.” Regarding his bill, Rarick said:

This is a positive and progressive action I feel necessary to overcome the retrogressive mistakes of the past. Money, next to freedom, is a basic human right. Protection of the peoples’ money is a priority duty of government. I am not a banker, nor am I involved in any international banking schemes or profitmaking enterprises. I only recognize that there is unrest in America—it is affecting the happiness and welfare of all of our people and it can be traced readily back to money.

On May 27, 1971, Rarick gave a floor speech entitled, “The Federal Reserve Moves for More Power.” In Rarick’s eyes, the Fed is “a private financial money monopoly,” one now seeking to “extend its reserve control over all U.S. banks’ (*Congressional Record* May 27, 1971 p. 17245). What the Fed wanted to do was to subject *all banks*, not just members of the Federal Reserve System, to its reserve requirements—an action Rarick adamantly opposed. “The action would give greater control to the Fed through its ‘open market operations’ in the regulation of the money supply and permit dictatorial power over implementation of its monetary policies” (*Congressional Record* May 27, 1971 p. 17245).

Instead of Congress extending the Federal Reserve monopoly over non-Federal Reserve banks, *it is past time for Congress to regain control of our money as provided in the Constitution*. That is why I introduced H.R. 351 to buy back Federal Reserve Bank stock and restore control of our money to Congress under the pressures of concerned citizens rather than the secret control of our people’s wealth by internationalists [my emphasis] (*Congressional Record* May 27, 1971 p. 17245).

Overall, Rarick simply did not believe the Fed had a right to govern—and he invoked the Founding Fathers to justify his belief. “It’s interesting that the Founding Fathers placed the responsibility and the authority to adjust any credit or any flow of money in Congress,” he said. As Rarick observed, the Founders provided Congress the power to “coin money and regulate the value thereof,” according to Article I, Section 8 of the Constitution.

In arguments over administrative legitimacy, it is not surprising to find Presidents or Members of Congress or others quoting the Founders. In the United States, the Founders are extremely important figures—cultural icons, authors of a Constitution enduring for more than 200 years now. Examining the Founding argument in *To Run A Constitution: the Legitimacy of the Administrative State*, Rohr discussed the “symbolic importance of the Constitution in American politics” (Rohr 1986 p. 5). In America, contemporary political leaders often invoke the Founders to justify their own political views. Advocates of states’ rights, for example, have claimed Thomas Jefferson, as have supporters of libertarianism, liberalism, and neoconservatism. At the level of specific policies, Rohr observes, the use of the Founders “usually takes place in a context that is hostile to the ways of the administrative state” (Rohr 1986 p. 5 – 6).

“Getting back of the spirit of the founding fathers” inevitably triggers the call to “get government off our backs,” which is an easily deciphered code calling for an indiscriminate reduction in government services and regulations. The assumption is that the framers of the Constitution would disapprove of the power of our contemporary federal government and that in allowing it to become so powerful, we have betrayed them (Rohr 1986 p. 6).

As Rohr and others have shown, it is not clear that the Founders would disapprove of the contemporary administrative state. Without doubt, they would be surprised that it has developed the way it has, but a lot about the modern world would surprise them. One of the main virtues of the American Constitution is its ability to adapt to changing circumstances—something the Founders, of all people, would applaud. As Rarick observes, the

Founders provided Congress with the monetary authority. But in 1913, they *might* have been willing to delegate it to an administrative agency, such as the Fed, if they believed the circumstances required it. In the end, we can never know what the Founders would have done in 1913 or any other year, which is why invoking them is both inspiring and frustrating. On the one hand, the Founders are important figures, statesmen who wrote our Constitution. What they thought matters even today. On the other hand, we can never *really know* what they would do today. Nor can we *really know* what they would have done in the past. For this reason, anyone of any political persuasion can invoke them for their own purposes.

Nevertheless, continuing with his populist theme, Rarick rejected a central argument of Fed supporters, an argument holding that politicians could not be trusted with the money supply. To this, Rarick had only scorn.

When people say they don't want Congress to control the money flow, I usually reply, "Well, why not?" And they say, "We don't trust politicians." I say, "Oh, you trust bankers who are not responsible to the people?" I doubt if there are ten members of the entire Congress and Senate of the United States who even know who the members of the Federal Reserve Banking System are. These people have to file no disclosures of outside income; they have no kind of written ethics code. The American people demand this much of their political leaders. We have to live in a goldfish bowl. The bankers who regulate all the wealth of the country don't stand for reelection every two years (*Congressional Record* October 31, 1971 p. 35637).

Former Representative Jerry Voorhis made similar arguments. Although the Constitution provides Congress with the "power to coin money and regulate the value thereof," the legislators do not exercise it. Instead, "private banks coin our money and regulate its value." Ultimately, Voorhis argues, the Federal Reserve System removes "from the government and people of the United States a large chunk of their sovereignty, a large chunk of their taxing power, and the key to a prosperous economy without inflation" (*Congressional Record* September 28, 1971 p. 33742).

LIMITING THE FED'S MONETARY AUTHORITY, REQUIRING A GAO AUDIT, & SUBJECTING THE FED TO THE APPROPRIATION'S PROCESS

Another arch-opponent of the Fed, Representative Wright Patman of Texas, questioned the institution's and its officials' legitimacy every chance he could. On August 8, 1972, Representative Patman argued for a GAO audit of the Fed.³ The Congress, Patman believed, must "take a close look at its relationship with the Federal Reserve and the Federal Reserve's

³ Congress debated this issue for years. Eventually, in 1978, Congress passed legislation letting the GAO audit the Fed, and the President signed it. But this audit, as finally passed, was much weaker than the one originally favored by the Fed's opponents. First, the GAO audit is extremely limited: it can only examine the Fed's "administrative expenses." As a result, not only does the GAO have no authority whatsoever to evaluate monetary policy, which was the major concession, but also it has no authority to examine either "international transactions" or "FOMC activities." Second, the audit bill itself provided statutory "safeguards preventing the disclosure of information" (Kettl 1986 p. 159).

relation to the President.” Although the Fed is a “creation and creature of Congress,” it “goes its own way doing what it wishes when it wishes unconstrained by the Congress or the President” (*Congressional Record* August 8, 1972 p. 27380).

Responsibility in government means responsible to the electorate either directly as is the case with the Congress and other elected officials, or indirectly through supervision and direction by elected officials. Making the Federal Reserve responsible to the guidelines of the Congress, and direction of the President within the guidelines, should be given top priority by the Congress (*Congressional Record* August 8, 1972 p. 27380).

Recognizing this would require a comprehensive reform—one not likely to be forthcoming soon—Patman presented two narrower reforms. First, Congress should require the money supply to grow between 2 and 6 percent annually “except at instruction of the President.” Second, Congress should “subject the Federal Reserve to the normal budget process and GAO audit” (*Congressional Record* August 8, 1972 p. 27380).

Patman connected his reforms to the economic climate of the time. In 1972, the nation was more concerned about inflation than ever before. As a result, Presidential boards were establishing wage and price guidelines, which limited the “freedom of business enterprises and labor alike.” Is it not “incredible and unacceptable,” Patman asked, for the monetary authorities to be “free to do what they wish, when they wish, to the Nation’s money supply and credit?” All this “unconstrained by either congressional guidelines or Presidential directives” (*Congressional Record* August 8, 1972 p. 27380)! Considering the economic climate, Patman believed that Congress should “set monetary growth guidelines, permitting deviations only by Presidential direction.”

As for “subjecting the Fed to the normal appropriations and audit process,” Patman argued, the logic “is just as compelling” as increasing Congressional and Presidential control over monetary policy.

It is as wrong as wrong can be to exempt the Fed from the normal budget review and GAO audit. Why? What is the reason? The fact is that there is no good reason. Rather, the exemption is rooted in bad accounting practice. The Fed now is exempt from the budget review and GAO audit because, while mismanaging our money and credit, it has accumulated over the years more than \$70 billion of Treasury bonds, notes, and bills (*Congressional Record* August 8, 1972 p. 27380).

Why, Patman asked, should the Fed be able to “receive and spend, as it sees fit without congressional approval or audit, any of the interest” on this money? This \$70 billion was the people’s money, and “only the Congress should determine public spending priorities. Representative government is diluted and polluted by allowing the Fed to authorize its own spending programs and appropriations and to spend the money without a GAO audit” (*Congressional Record* August 8, 1972 p. 27380 – 27381).

Of all Patman's proposals, the audit was the most popular with other Members of Congress. On July 19, 1973, Representative Sam Gibbons of Florida spoke in support of auditing the Fed as well as the IRS, the Comptroller of the Currency, and the Office of Alien Property. Although the IRS "had the highest expenditures of an unaudited agency," the Fed was "the second highest," with total expenditures of more than \$300,000,000 (*Congressional Record* July 19, 1973 p. 24991). "I make no accusation that the expenditures of the unaudited agencies are wrong, but I feel that these governmental agencies should be accountable to the public and Congress as other Federal agencies are," Gibbons argued (*Congressional Record* July 19, 1973 p. 24991).

One of the controversies over the original audit bill was whether the GAO should evaluate the Fed's monetary policymaking. Speaking in support of an audit but opposing the GAO evaluation, Representative Thomas Ashley said he "share[d] the opposition of other members of our committee to the additional authority that would authorize a GAO evaluation of Federal Reserve monetary policymaking." As support for his position, Ashley reported that it has "widespread support and backing, including that of every living ex-Secretary of the Treasury, Democrat and Republican alike" (*Congressional Record* October 18, 1973).

In a letter to Speaker Albert, which Ashley had inserted into the record, seven former Treasury Secretaries opposed the GAO evaluation of monetary policy.⁴ To require such an evaluation, they wrote, "would encroach upon the independence of the monetary authorities, weakening the safeguards Congress has established to assure objective decisions in the critical area of money and credit policies" (*Congressional Record* October 18, 1973).

The Federal Reserve reports to the Congress, and particularly to the Committees on Banking and Currency, Ways and Means, Finance, and the Joint Economic Committee. In exercising its oversight responsibilities, Congress receives a steady flow of authoritative information directly from the Federal Reserve, including the candid testimony from its Chairman. As former Secretaries of the Treasury, we see no need, and considerable potential for trouble, in asking the Comptroller General to engage the services of consultants—as yet unidentified—to second-guess decisionmaking by the responsible monetary authorities (*Congressional Record* October 18, 1973).

For supporters of a Fed audit, the question was whether any institution—whether legislative, executive, or judicial—should be above public scrutiny. In other words, legitimate administrative institutions face public scrutiny, just like every other institution in American government. In the wake of the Watergate scandal, the issue of openness in government was more important than ever. Connecting the audit to the day's political climate, Representative Parren J. Mitchell of Maryland urged his fellow legislators to recognize that "no institution of Government is sacrosanct." Congress must be responsive to the people, Mitchell argued. By not auditing the Fed, however, Congress is sending the message that it refuses to "carry out" its "responsibility in

⁴ It is interesting, to say the least, that the Treasury Secretaries—who so often clash with the Fed over "turf"—were so willing to defend the central bank. This suggests that part of legitimacy is having other agencies defend you when your authority is attacked.

terms of the Federal Reserve System.”

I think it is absolutely necessary to audit the Federal Reserve System, the same as we do any other institution of the Government. Just because big banks are involved it does not mean that they should be above close scrutiny. The Federal Reserve is not totally above and beyond the jurisdiction of this honorable body (*Congressional Record* May 30, 1974 p. 16881).

For opponents of the GAO portion of the audit, such a provision would endanger the Fed’s independence. Representative Johnson of Pennsylvania, for example, observed that the Fed is not only “audited by internal auditors,” but also has “an outside independent accounting firm.” What the GAO audit would do, Johnson feared, was to “destroy the independence of our central bank and place it under the control of the Congress.”

But why should the Fed be independent in the first place? According to Johnson, the United States *needs* “a strong central bank and one that is independent.” In the free world, only France’s central bank is “under the control of the government.” Because de Gaulle forced the Bank of France to demand gold for dollars—even though other central banks routinely held on to their dollars, refusing to demand gold for them—the United States “repudiated our promise to buy back dollars with gold.” What would happen if the United States, the world’s most important economy, followed France’s example, weakening the independence of our “central bank”? If elected officials restrict the Fed’s ability to govern, the whole world’s economy could be harmed.

Without a strong, independent central bank, American prestige abroad would be harmed irrevocably; its influence would be hurt too. In 1973, the dollar faced “terrific pressure and a worldwide panic was threatened.” “It was only our strong independent Federal Reserve System that permitted Arthur Burns to vigorously step in and take strong measures which saved the day,” Johnson argued. If Fed officials were constantly fearing a GAO audit, though, they may be unwilling to take such prompt action. During the 1973 dollar panic, for example, Burns was able to take immediate action without “ask[ing] the GAO whether he could agree to currency readjustments” (*Congressional Record* May 30, 1974 p. 16881).

THE FED’S LOBBYING CAMPAIGN

Officials at the Fed did not support the GAO audit, so whenever the issue came up they conducted a sophisticated lobbying campaign against it. This very lobbying, not surprisingly, was attacked by the Fed’s opponents. In 1973 and 1974, Patman argued that Fed officials “entered into some highly questionable lobbying tactics, ending up with the involvement of the big banks and the big business combines.” One of the problems with Fed lobbying, according to Patman, is its dependence on public money. Many letters against the GAO audit were “generated by this agency” that “operates on tax funds,” a cause for concern to elected officials.

Unlike the Fed’s previous campaigns against the audit, its 1975 initiatives were “blatant” and made no attempt to separate the officials’ “massive banking and business interests from their public duties.” Malcolm T. Stamper, writing to organizations (in his words) as “president of the Boeing Company and as Chairman of the Seattle Federal Reserve Board,” urged them to oppose the GAO audit [my emphasis].

Mr. Speaker, [*Patman continued*] this corporate president has combined and intertwined—in his own words—his roles as an official of the Federal Reserve and as president of the Boeing Corp. I sincerely question the propriety of this close link between a Federal agency and the big business community and I think it is atrocious that this kind of corporate muscle is being combined with the federal Reserve in a lobbying campaign. It is wrong and, once again, I say to the House that this is a big reason why it is our duty and responsibility to see that this audit bill goes through and that these activities are scrutinized by independent auditors (*Congressional Record* June 19, 1975 p. 19830).

Patman cited other examples. John Lawrence, a director of the Federal Reserve Bank of Dallas, worked for Dresser Industries—which sent a “two-page, single-spaced letter attacking the audit bill and urging its defeat” to members. Apparently, the Reserve Banks had contacted big businesses, urging them to lobby Congress against the GAO audit. Although the U.S. Chamber of Commerce “so often rails against Government spending and urges greater oversight over all uses of tax funds,” it is “distributing little echoes of the Federal Reserve positions all over Capitol Hill.” (Perhaps the Chamber’s “concerns about spending do not extend to the marble halls of the Federal Reserve,” Patman said.) In previous campaigns, from 1973 to 1974, Fed officials ultimately got the Business Roundtable to lobby House members against the audit. After Burns contacted “big New York City bankers,” who eventually contacted the Business Roundtable, key Congresspersons received “a flood of telegrams” from “some of the most powerful and affluent businessmen in America” (*Congressional Record* June 19, 1975).

The Fed did not just encourage big businesses to lobby against the GAO audit, but commercial banks as well. Here, too, the Fed “becomes totally confused in trying to balance its dual roles with the commercial banking industry,” a problem perhaps “even more serious than the obvious links with big business.” F. Phillips Giltner, President of the First National Bank of Omaha, sent a letter to Congress opposing the audit—never mentioning “he is part of the system” that “would be audited by this legislation” (*Congressional Record* June 19, 1975 p. 19831).

In fact, Mr. Giltner is a director of the Omaha Branch of the Kansas City Federal Reserve Bank—scarcely an objective source whether he speaks from the vaults of his bank or from the tax-supported rooms of the Federal Reserve banks (*Congressional Record* June 19, 1975 p. 19831).

For Patman, these activities raised two fundamental questions: “Where does the Federal Reserve end and the private corporation begin? And where, in all of this, is the public interest?” His questions, in turn, raise two issues that we will see again and again. First, the Fed’s unique structure raises questions of legitimacy. Second, the public interest is an ideal that elected officials, Fed officials, and others use to (de)legitimate the Fed. Throughout this twenty-five year period, the term will be used.

WILLIAM MCCHESENEY MARTIN: THE MOST COSTLY PUBLIC OFFICIAL IN HISTORY?
As for Fed Chairmen, Patman accused William McChesney Martin, the former Chairman, of “cost[ing] the American people more than any other public official in its history.” Patman

opposed the “marble edifice” being annexed “to the Federal Reserve Building on Constitution Avenue,” which Fed officials planned to call the William McChesney Martin building. “Such an outlandish scheme,” Patman insisted, “could be carried out only by the Federal Reserve System—an institution which operates in secret, which does not come to Congress for appropriations, which is not audited by the General Accounting Office, and which receives billions of dollars in interest payments from the U.S. Treasury to finance its farflung operations.”

Any other agency which sought to memorialize its chief in such a manner would have heard from Congress in no uncertain terms. The Appropriations Committees of the House and Senate would never have allowed a Cabinet officer or agency head or other public official to be memorialized through the construction of a new building.

Patman’s attack alludes to two things. First, his attack shows how important leadership is. Fed officials, after all, decided to name their building’s annex after Martin, one of the institution’s most important Chairmen. And Patman, for his part, realized that attacking the Fed’s Chairman was shorthand for attacking the Fed itself. Second, his attack focuses on how *different* the Fed is from other agencies, which is a major reason why the Fed’s legitimacy is challenged so vociferously. As Patman observes, the Fed—unlike other agencies—is free of the annual appropriations process and a significant GAO audit. So in many ways, the Fed offends our sense of equity, our sense of fair play: Why should this agency have privileges that are denied, virtually without question, to others?

THE ROLE OF CONGRESS IN THE MONETARY POLICYMAKING PROCESS

On February 6, 1975, Burns testified before the House Subcommittee on Domestic Monetary Policy of the Committee on Banking, Currency, and Housing about H.R. 212. If passed, Burns argued, this bill would have “far-reaching implications for the workings of our economy.” In addition to raising “momentous issues with respect to monetary and credit policies,” H.R. 212 raised serious questions about “the role of the Federal Reserve System, and whether its traditional insulation from political pressures should continue” (Burns 1978 p. 367).

In his testimony, Burns expressed the most concern about Section 2, which would require the Fed to maintain “an increase in the money supply . . . of no less than 6 percent at an annual rate, over each three month period.” Section 2, too, requires both the Board of Governors and the FOMC to “report to the House and Senate Banking committees whenever the money supply deviates from the specified target for either technical or substantive reasons” (Burns 1978 p. 367). Although Burns opposed H.R. 212, he insisted that the Fed is “well aware of its responsibility to the Congress, and we would welcome the opportunity of clarifying our actions and policies.”

The only question, then, was how best to maintain the Fed’s responsibility to Congress. According to Burns, the Fed should participate in Congressional hearings, or it should have “other communications with the Congress” (Burns 1978 p. 368). Interestingly, while making these argument, Burns took a swipe at Congress itself:

As the members of the committee know, the Congress has not found it easy to

legislate on fiscal policy. If the Congress now sought to legislative monetary policy as well, it would enter a vastly more intricate, highly sensitive, and rapidly changing field—with consequences that could prove more damaging to our nation’s economy (Burns 1978 p. 368).

Not that Burns was simply trying to increase the Fed’s power, for he opposed H.R. 212’s requirement that the Fed *allocate credit* to “essential and productive investment.” In his view, such a requirement would not only be “enormously complex and costly,” but also “inevitably involve the Board in political judgments—an area in which it obviously has no special competence” (Burns 1978 p. 373).

Decisions as to social priorities in the use of credit are inherently political in character. If such decisions are to be made at all, they should be made by the Congress—not by an administrative and nonpolitical body such as the Federal Reserve. After all, tilting credit in favor of some borrowers implies denying credit to someone else. Our economy has developed by relying mainly on the market to make such decisions. The market reflects the interaction of many thousands of borrowers and lenders. If the day ever arrives when governmental decisions are to be substituted for individual preferences expressed in the marketplace, then the priorities should be set explicitly by Congress (Burns 1978 pp. 372 – 373).

THE FEDERAL RESERVE MODERNIZATION ACT

In February 1975, Senator Hubert Humphrey of Minnesota accused the Fed of “promoting economic strangulation in this country.” To have a prosperous economy, the Fed must “join the team”—meaning the elected officials, both legislative and executive—and get “out of its ivory tower over here in this sanitized institution that it has.” In his remarks, Humphrey contrasted the “bankers’ game,” in which the Fed caters to the bankers’ interests, with the needs of the American people. Obviously, he believed that the Fed should stop catering to the bankers, working instead to protect the interests of the American people (*Congressional Record* February 20, 1975).

Nor was Humphrey making a mere rhetorical attack. On October 21, 1975, Senator Humphrey of Minnesota introduced a bill entitled, “The Federal Reserve Modernization Act.” This Bill, the Senator argued, would reform an “out-dated” central bank. Because the Fed is “not coordinated with the economic policies of the federal government,” it requires reform. As the Fed exists now, it “operates as an independent body with all the mystery and majesty that the high priests of ancient Egypt exercised” (*Congressional Record* October 21, 1975).

Humphrey’s proposal had several key parts. First, it would require the Fed to make policy consistent with “the programs and policies of the President and Congress under the Employment Act of 1946.” Second, it would require the Fed to submit a quarterly report to Congress. Third, it would shorten the Governors’ terms from fourteen-years to seven. Fourth, it would remove the Reserve Bank Presidents from the Federal Open Market Committee. Fifth, it would require the Governors to be more representative of the public—with one having “expertise and experience” in labor, another in agriculture, another in consumer affairs, and another in small

business. And, finally, it would make the Fed a part of the regular appropriations process (*Congressional Record* October 21, 1975).

In one way or another, Humphrey used the idea of political accountability to justify all of these reforms. By requiring the Fed's policies to be consistent with the Employment Act and requiring it to submit a report to Congress, the Fed would no longer be able to "go off in one direction while the rest of the country is trying to move in another." Changing the FOMC membership was necessary, Humphrey believed, because the regional banks "are only quasi-public." Shortening the Governors' terms would "strengthen the role of the President in economic policy," a very Presidentialist view of public administration and policy. Overall, decreasing their terms would make the Governors "more responsible to the will of the people and less likely to act as high priests of finance," while insulating them from "any overzealous or politically motivated President or Congress." By forcing the Governors to have expertise in certain areas, as Humphrey's bill would have required, the Fed would be forced to consider the needs of "the sectors of our society that monetary policy often overlooks." As for Congressional appropriations, it is only fair that the Fed "like all the other agencies of government" come to Congress for appropriations (*Congressional Record* October 21, 1975 p. 33331).

No other central bank in the industrialized world has the independence and aloofness that we permit the Federal Reserve. This extreme degree of independence has caused us serious troubles in the past. These problems can be easily eliminated and that is what my bill is intended to do (*Congressional Record* October 21, 1975 p. 33331).

In his statement, Humphrey argued that the Fed was "out-dated," a sentiment echoed by former Deputy Treasury Secretary Charles E. Walker. American attitudes toward government, Walker observed, "change and so should institutions." But Walker's view is politically sophisticated. He recognizes, for example, that many potential changes—reducing the Board of Governors to three members, allowing a new President to choose a new Chairman, and the like—would not likely pass Congress, since the American polity faces "inherent conflict between the legislative and executive branches." Even without this inherent conflict, Congress is well aware that one party often controls the legislature, while the other controls the Presidency. At best, Walker believed that Congress may "decide to strip the 12 district Federal Reserve banks and their president of policy-making powers," a reform he favored (*Congressional Record* May 5, 1975 p. 13040).

Regardless of what we may think of these reforms, a central point of Humphrey's and Walker's is important: at different times, Americans make different demands on government, so administrative legitimacy is a *continual issue*. Never can it be resolved completely. In other words, administrators must constantly legitimate their actions and their institutions. Even assuming the Fed was legitimate in 1913, *that* does not make it legitimate in 1970 or 1975 or 1995. Like administrators in every other agency, the Fed's officials must continually respond to attacks on its legitimacy, even those supposedly "resolved" years before. All too often, these arguments are mere variants on those made before, "old wine in new bottles."

HOUSE CONCURRENT RESOLUTION 133

In March 1975, both the House and the Senate passed Concurrent Resolution 133. This resolution, which dealt with the “conduct of monetary policy,” was not a law (*Congressional Record* March 26, 1975 p. 3749). But by directly addressing the legitimacy issue, it is vital to my study.

Two sections of the resolution deal with legitimacy. From the start, the resolution noted that Article I, Section 8 of the Constitution “provides that Congress shall have the money power.” Accordingly, Congress merely “established the Federal Reserve Board as its agent,” delegating to it “the day-to-day responsibility for managing the money supply.” Regarding public policy, as a practical matter, the resolution did very little. Because of the resolution, for example, the Fed was urged to make monetary policy “appropriate to facilitating prompt economic recovery.” Because of it, too, the Fed was urged to “maintain long-run growth” of the money supply “commensurate with the economy’s long-run potential to increase production” (Brigham & Dolbear 1977 p. 215). At the same time, the Fed was urged to “consult with Congress at semi-annual hearings” regarding its “objectives and plans” for the next year’s money and credit (*Congressional Record* March 26, 1975 p. 3749).

Despite its limited attack on the Fed, some saw it as a meaningful opportunity to restrict the Fed’s independence. In a March 1975 article in the *Washington Star*, which Senator Proxmire had inserted into the *Congressional Record*, Lee M. Cohn argued that “the obscure resolution actually could drag Burns, the Olympian chairman of the Federal Reserve Board, down from the mountain top.” According to Cohn, in fact, the resolution could force the Fed to “share its powers with Congress” (*Congressional Record* March 26, 1975 p. 8749).

Fed officials, however, did not seem *too concerned*. After the resolution passed, they simply claimed that “We’ve been trying to do that, so there’s no problem here.” Originally, Burns opposed the resolution—but once it passed, he (like other Fed officials) said it provided an opportunity for “educating those people and shooting down some of these theories.” According to commentators of the day:

Burns is willing to listen to advice from Congress but intends to pursue whatever policies he believes are right. Without intending to seem belligerent, he takes the position that the resolution has not and will not influence the policies of the present Federal Reserve Board, according to associates (*Congressional Record* March 26, 1975 p. 8750).

This is what many Fed critics were afraid of, with Rep. Leonor K. Sullivan of Missouri noting the resolution does not require the institution “to depart from whatever course of action it has determined it will follow, whether Congress likes it or not.” Rep. Bill Frenzel of Minnesota, a supporter of the Fed’s legitimacy, characterized the resolution as “frivolous, but thankfully toothless.” Rep. Albert W. Johnson of Pennsylvania, another Fed supporter, pushed the blame for the nation’s economy on the *Congress*, not the Fed. The resolution is “just a stump speech by the Congress . . . to divert public attention from our fiscal extravagance,” he said.

Speaking on the resolution, Burns did express concerns about the “remote possibility that down the road we could see a timid Federal Reserve Board,” one “wanting to be loved, to avoid

controversy, and to live quietly.” In such a case, the Fed “could be influenced” to adopt the policies favored by elected officials rather than its officials (*Congressional Record* March 26, 1975 p. 8750).

One of the controversies surrounding this resolution was to what extent the Fed had to respond to it. Since it was a mere resolution—which the President did not sign—Burns believed it was “not legally binding.” Rep. Henry Reuss of Wisconsin, though, argued that it *had the force of a duly enacted statute*, for the Fed has legal independence from the President but not the Congress. “We are talking directly to the Federal Reserve,” Reuss believed, and “establishing policy for them to follow.” With House Concurrent Resolution 133, Congress sent a “clear policy directive” to the Fed, a directive its officials must obey. As a legal matter, Reuss was surely wrong; Burns was surely right. As a political matter, however, the Fed had no choice but to respond. As the “creature of Congress,” Reuss was sure the “Federal Reserve will not want to frustrate congressional intent” (*Congressional Record* March 26, 1975 p. 8750).⁵

THE SENATE’S ROLE IN CONFIRMING NOMINEES TO THE BOARD OF GOVERNORS

When examining controversies over Presidential appointments to the Board of Governors, we can discover what Senators believed about the Fed’s legitimate role in the governance process. On May 15, 1972, Senator Proxmire spoke on Nixon’s nomination of Jeffrey M. Bucher—who many believed was simply unqualified for the Board of Governors. My concern here is not his (dis)qualifications *per se*, but what Senators believed about their role in the confirmation process.⁶

For two reasons, Senator Proxmire argues, the Senate should apply “stringent standards in approving Presidential appointments to the Federal Reserve Board.” For one, the Board is the “most important economic agency of this Government,” with the power to send the nation’s economy into depression or recession. “The quality of the Board’s performance will depend of course on the quality of the men who are appointed to it,” Proxmire observed. For another, the Board “is, under the Constitution, independent of the executive and very much the responsibility of the Congress.”

⁵ Frustrate Congressional intent—this is exactly what the Fed did. In an internal memo, the Fed’s staff recommended a three-fold strategy for dealing with House Resolution 133. First, the staff urged Burns to provide Congress with multiple targets for monetary policy. In addition to M1 and M2, which the Fed was already using, the staff recommended three additional targets: M3, M4, and M5. With five ways to measure “money,” members of Congress would have a more difficult time attacking Burns during his testimony. Most importantly, with five ways to measure money, the Fed would be more likely to hit one of the targets. Second, the staff urged Burns to report a two-percent range for each of the money measures. In this way, yet again, the Fed would have an easier time meeting at least one target. And, lastly, the staff urged Burns to “roll the base,” something Kettl describes as “the memorandum’s most clever tactic.” In effect, rolling the base meant that the Fed would produce a new set of targets every time four months when it testified. Burns accepted each of these recommendations: all told, Kettl observes, the “strategy was a masterpiece of obfuscation” (Kettl 1986 pp. 146 – 147).

⁶ Senator Proxmire believed that Bucher was unqualified for the Board of Governors because he had “no experience or training in monetary policy”; “his appointment could represent a serious conflict of interest”; and his “appointment can impair foreign confidence in the soundness of our bank regulatory system” (*Congressional Record* May 15, 1972 p. 17346).

It is our creature—carrying out our duty . . . “To coin money and regulate the value thereof.” As a matter of fact, Presidents have often usurped the congressional money power. And always the same way: by nominating their own men to the Board, and by Congress failing to scrutinize the nomination to determine if the nominee has the qualification to exercise independent judgment [my emphasis] (*Congressional Record* May 15, 1972).

For Proxmire, Presidential appointments fall within three categories, and these are instructive for scholars of public administration. First, there are appointments to Cabinet positions, where the President “is nominating a man to be part of his official family.” In this case, the President should receive “the benefit of the doubt” from Congress. Second, there are Supreme Court nominations, where Congress should apply “more stringent and independent criteria” because “the courts are of course constitutionally separate from the executive.” Third, there are Federal Reserve Board nominees, where each Governor is “to be independent of the executive” but “unlike the Supreme Court nominee he is *not, and I repeat, not, to be independent of the Congress*” [my emphasis]. What the Board of Governors does, rather, is to “carry out a clear congressional responsibility under the Constitution” (*Congressional Record* May 15, 1972).

If ever this body has the right to insist on applying our own criteria, it is for nominees to the Fed. These are to be our men, and to rubber stamp anyone the President sends us means that we turn our backs on our clear constitutional responsibility (*Congressional Record* May 15, 1972).

Proxmire’s three-fold typology, I believe, tells us a lot about how Senators view public administration *from a political standpoint*. From a legal standpoint, of course, his argument about the Cabinet Secretaries is misleading. As he argues, a Cabinet Secretary is part of the President’s “official family.” As we all know, many Presidents believe Secretaries’ primary loyalty should be to the Chief Executive, not to Congress, the Courts, or anyone else. As a legal matter, however, Cabinet Secretaries are first and foremost *officers of the law*.

In any event, Proxmire’s distinction between the three types of nominees is instructive, since it places the Fed’s officials on a continuum between Cabinet Secretaries and Supreme Court Justices. On Proxmire’s understanding, Secretaries of departments should do the President’s bidding and defer to his views. Justices of the Supreme Court, by contrast, need not respond to either Congressional or Presidential views; they are independent of both. In between are the Fed’s Governors, who act as agents of Congress, but not the President. As a result, while Fed officials must respond to Congress, they should not respond to the President.

CONCLUSION

In this chapter, I have introduced many of my study’s central themes. In one way or another, both the major arguments and the major themes from this five-year period will appear in later periods, as we will see. But before moving to the other chapters, it is important to summarize the themes from this one.

First, we saw how President Nixon hoped to use his appointment power to influence the Fed. From the beginning, the new President did not want to reappoint Martin, who regarded himself

as “wholly independent of the Nixon Administration” (Ehrlichman 1982 p. 248). As soon as he could, Nixon appointed Arthur Burns, an old friend and political ally. Even before Burns was confirmed, the President not only pressured him on monetary policy, but also attacked the “myth of the autonomous Fed” (Ehrlichman 1982 p. 248). In private discussions, too, officials in the Nixon Administration floated ideas for reducing the Fed’s independence: packing the Fed’s membership by doubling the Board’s size or bringing the Fed into the executive branch directly were the two most prominent proposals.

Second, we discovered how the Nixon Administration’s private attitude toward the Fed’s legitimacy differed from its public attitude. While *privately* discussing ways to reduce the Fed’s responsibility for governance and pressuring Chairman Burns on monetary policy, President Nixon *publicly* supported the Fed’s legitimacy, however flippantly. As soon as the public learned of these private discussions, for example, the Nixon Administration began to backtrack. Officials in the Nixon Administration knew that directly challenging the Fed’s legitimacy—seriously pursuing, in this case, efforts to bring the Fed into the executive branch or doubling the Board’s size—could be disastrous politically.

Third, we examined Sanford Rose’s claim that the Fed adopted an “easy money” policy in 1972 to help reelect President Nixon. Obviously, Rose’s charge was a serious attack on the Fed’s legitimacy. One of the main reasons it exists, after all, is to prevent the “politicians” from “manipulating” the money supply for their benefit. If the Fed’s officials are going to manipulate monetary policy anyway, our democratic principles suggest that elected officials should retain the monetary authority themselves. For this reason, Arthur Burns and Andrew F. Brimmer attacked Rose’s account—insisting that monetary policy in 1972 was strictly nonpartisan, just as it had been every other year.

Fourth, we saw how Arthur Burns attempted to legitimate the Fed. Free from daily political pressures, Burns argued, the Fed can make the “hard choices” that are so necessary for economic progress to continue. While doing so, the Fed observes the same “rules of conduct” found in great universities and federal courts. Moreover, Burns used the ideal of scientific inquiry and regionalism—both of which, he observed, the Fed embodies—to legitimate the institution.

Fifth, we examined Congressional controversies over the Fed’s legitimacy. We saw not only how supporters like Senator Harry Byrd attempted to legitimate the institution, but also how opponents like Representatives Rarick and Patman attempted to delegitimize it. In the process, some of the central arguments made by supporters and opponents alike were introduced—the role the Fed plays in checking the President, the Constitutional grant of monetary authority to Congress rather than the Fed, the difference between the Fed and other agencies, and so on.

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