

## Visiting with history

It was the middle of the afternoon and he had a cold, making the familiar rumbling voice even deeper. With his still-tall frame filling a large desk chair, Paul Volcker, glanced at the list of questions he was holding and asked his guest, "Why did I agree to do this?"

The guest—yours truly—couldn't answer his question as to why he agreed to do an interview for our 100th anniversary issue, but was grateful that he had. "I'm 100 years old," Volcker rumbled, "so that makes sense," he said. Not quite. He's only 81.

After the interview, as I passed by the massive granite edifice of an old J.P. Morgan building, I thought, "I was just speaking with a man who could have placed a call to Lew Preston, Morgan's CEO at the time, who would certainly have taken his call. By his words or actions, Volcker could complicate, simplify, thwart, or stimulate Morgan's business plans and those of every other bank in the country and most businesses.

Heady stuff being a Fed chairman.

For all that, Volcker retains a modesty that wears well. He also has the same sense of duty and resolve, the same insight that he had at the Fed. As well as a deep respect for the institution.

As mentioned in the article about him (p. 60)—part of our special 100th Anniversary Section—I had a second chance to visit with the former Fed chairman during an October press briefing for a Group of Thirty study that he had shepherded. During the briefing he was asked what he thought of the flurry of "muscular actions" taken by current Fed chairman Ben Bernanke to deal with the rapidly developing credit crisis.

Said Volcker, "He deals with this as best he can in a very adequate way given the limited powers [he has] and the pressure he is under. I admire what all of these people are doing."

In the interview, when I asked him how he dealt with the intense criticism that followed from his 1979 decision to let interest rates float to double digit levels in order to break inflation, he responded with the word "conviction"—the conviction that you had correctly analyzed the situation and could convince other people to go along with you.

Conviction is that elusive attribute that sits delicately balanced between arrogance and diffidence. History has shown that Volcker's conviction was justified. As we say in the article, his actions were "the equivalent of taking a scrub brush" to the U.S. economy to rid it of inflationary expectations.

That phrase came from a story told to me by my father, who, as a young man, had been a counselor at a Boy Scout camp. One day a young boy had fallen and driven gravel into his knees. A compassionate man, my father began to carefully pick out the gravel piece by piece, trying not to hurt the lad any more than he could help. A senior counselor, seeing this, showed him a better way. He took the boy's knee firmly in hand and with a brush removed all the gravel with a few vigorous strokes. The pain was intense, but over much more quickly.

Volcker's tough measures were similar, and he persisted when many counseled taking a more gradual approach, because he believed only worse trouble would come from halfway measures.

The same principle could apply in another area today—wringing out "debt expectations." Volcker has said for some time: we have been spending beyond our means. The government can, and should, help ease the pain of the correction, where possible, but should not seek to reignite the same forces that brought us to this pass.

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