

Bob McTeer

Senior Vice President and Baltimore Regional Executive

Richmond Fed career: 1968-1991

Interviewed in July 2012

INTERVIEWER: One thing I was curious about, because in the beginning of [\[a tribute McTeer wrote to Jim Parthemos\]](#) you mention, you say -- you -- you -- you started your job as an "international economist," as you put it. And I was wondering what it (laughing) -- because it was in quotation marks and I wanted to know, uh, what you -- what you meant by that.

Was that your official title or was that sort of a more of a just what you ended up doing?

MCTEER: I --I moved into a spot that had been previously occupied by Pete Snellings. He'd -- he had just been promoted to Vice President and he was responsible for keeping up with international things: the balance of payments, exchange rates, gold, all the stuff that was going on in the late '60s; and I moved into that spot. So, my official title was economist. I don't think they had a slot on the payroll called international economist. But my assignment was international and most of what I did in the first years, and then a lot of briefings of the Board of Directors, and then a lot of speeches focused on the international aspect of things. And that was very fortunate, in a way, for me because the Bretton Woods Fixed Exchange Rate System was in the process of, sort of, falling apart.

We had a lot of, uh, international issues that kept flaring up and giving me opportunities to write memos explaining it. The memos to the president, memos, I think, to the Board of Directors, and it made me a frequent, uh, presenter to the Board of Governors -- to the Board of Directors on what was going in the international area.

There would be frequently two -- two speakers: one of them, what's going on in the economy, generally; and then maybe I would do a part

two on what was going on internationally. But the “international” is just an assignment. I started off as a -- as an economist. That was my official title.

INTERVIEWER: Gotcha.

So in a way, that was sort of your “beat”. And -- and because of the --

MCTEER: Yes. Exactly.

INTERVIEWER: -- things that you could study, or focus on, that was your -- that was your -- now, is that your -- is that your area of study when you were, I guess, when you were --

MCTEER: Yeah. I -- international was one of my, uh, concentrations in my PhD program and I wrote my dissertation on the Canadian -- uh, on the fixed versus flexible exchange rates, using the Canadian example in the 1950s as a case study.

So, uh, that’s what -- and I had been working on my dissertation for -- for -- for four years before I arrived and I was still working on it when I arrived. I arrived without my dissertation complete.

INTERVIEWER: Hm.

MCTEER: I completed it while I was there.

So, what I was doing on the dissertation and what I was doing on my job were very close, uh, together.

INTERVIEWER: Hmm. Interesting.

So, that -- that -- that -- that’s actually an interesting point because, at the same time that you were doing hands-on --- or I guess, at the same time that you were learning about, or learning or articulating, this in your dissertation, you were actually doing it. I mean, you are actually talking with the people in the international -- in -- and, you know, getting the -- the data, doing the analysis. So -- but that’s an interesting, I guess, opportunity, in a way, because, typically, you do your dissertation and then just sort of -- I would imagine --

MCTEER: Well --

INTERVIEWER: -- you’re not necessarily doing it, or is that -- or is that not so unusual?

MCTEER: That -- that’s -- that sounds good, but it -- it’s not quite true.

I had done most of the research and thinking and -- and reading on my dissertation. And I was in the process of writing and rewriting chapters, trying to satisfy my, uh, committee, the chairman of my dissertation committee. And so that was pretty well formulated by the time I arrived. Well, what I was doing on the dissertation.

The, uh, the first article I wrote for the, uh, what they called the Monthly Review back then, was on flexible exchange rates. That was very close to my dissertation topic. And I think the second article I wrote was on the balance of payments and so that got me started. Before long, I -- I didn't have much of a writing output because, uh, Jim Parthemos put me -- made me editor of the Monthly Review and the publications -- maybe like the job you have now, and, uh, so my job, sort of, turned from writing to rewriting (laughing).

INTERVIEWER: So you described this a little and -- and to some degree in your -- in the Forbes article, but how did your work with Jim Parthemos, as head of research? And you -- you mentioned that a little bit. And then how -- did you observe Jim, sort of, working with you and with others that were sort of -- that were, you know, feeding basically information, I imagine, on these different -- these different specialties, or these different areas, that's where people are focused on?

MCTEER: Well, you know, we had -- we had weekly meetings and probably other meetings so that everybody was involved in, uh, group conversations. But as -- as Monthly Review editor, what would generally happen is Jim would call me into his office and talk about some themes or topics that he thinks would be interesting to do an article on. And he might even mention, uh, the person he thought would be a good person to write it. And then it, sort of, became my job to convert that into a more specific assignment and, uh, make the assignment to somebody and keep -- try to then keep them on deadlines by begging and pleading -- helping with some rewriting and editing and, uh, coordinating that with the people in the graphics department.

Back then, you know, real people used real pens and -- and straight-edges to -- to draw graphs for the publications.

INTERVIEWER: Hm.

MCTEER: That would be hard for you to imagine now.

INTERVIEWER: I -- I would -- yeah. I -- I would -- that -- that -- I would imagine it would be because some of these charts can be rather complex. So, it sounds like -- nowadays it -- it -- you know, if you wanted to make one change, you just sent a change. I imagine it was a lot -- well, a lot more difficult.

MCTEER: It meant that -- it meant that just about everything was either late or almost late.

INTERVIEWER: Um. So, um, does -- so you -- I mean, you -- you -- you were talking very articulately about -- about -- about Jim Parthemos and so forth. Who else at the -- the Richmond Fed do you have the strongest memories of, uh, either in your early days or throughout?

MCTEER: When I went there, Aubrey Heflin was president. He'd come out of the -- the legal department. But, uh, you know, I wrote articles for -- I wrote, uh, some speeches for him and I wrote memos to him, but I didn't have a lot of interaction with him because he had a legal background and I had an economics background. He died suddenly of a heart attack a year or two into my tenure, I don't remember exactly when, and Bob Black became the first vice president. And, um, I had a lot more in common with Bob Black. He had gotten a PhD from the University of Virginia and several of my professors at the University of Georgia had -- had been to the University of Virginia, and, uh, there was also a University of Chicago type connection so -- Bob Black, as first vice president. And then, um, well, I guess -- I guess I'm getting this a little mixed up.

He was made first vice president about the same time I arrived.

INTERVIEWER: All right.

MCTEER: And then Aubrey Heflin died suddenly of a heart attack and Bob Black became the President, that's the way it was.

INTERVIEWER: Gotcha.

MCTEER: And so, uh, since Bob and I had a similar background and believed similar things, uh, he used me a good bit, um, to make speeches that he would've liked to have made, but couldn't for one reason or another. He would send me out as a substitute. And he would also get me to help him write his speeches. I could do that without too much trouble on his part because, uh, we basically thought alike and he knew it, and, uh, so we didn't have to have a lot of back-and-forth. So --

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INTERVIEWER: So what -- so basically, what you had --

MCTEER: I was reporting -- I was reporting to Jim Parthemos, but a lot of the work was directly for the President of the Bank, Bob Black.

INTERVIEWER: Okay. Okay.

And when you say you thought similarly, because -- I mean -- I mean, you mentioned that there was some similarities in terms of academic background, but -- but what specifically, uh, in terms of -- of --

MCTEER: Well --

INTERVIEWER: I'm assuming you're talking in terms of monetary policy.

MCTEER: -- a belief -- a belief in -- in free enterprise. But we didn't talk much about that. Monetar -- Milton Friedman type monetarism was a -- was a common thread. Monetarism was not a mainstream thing back then.

INTERVIEWER: Okay.

MCTEER: St. Louis Fed was sort of known for it and we did a lot of work on it, but we weren't as known for it as the St. Louis Fed. But Bob and I were both, uh, monetarists and, uh, that was reflected in our -- in our speeches.

INTERVIEWER: I noticed -- it's interesting what you say about the -- in terms of the -- the -- the -- the view towards free enterprise. Um, uh, because you touched on it in the Forbes article, but can you sort of just describe that a little bit more in terms of that. You know, I guess, because you -- last time -- well, that's actually a point of view you still hold. But how did that sort of formulate at that time and then coordinate with a -- what a -- where, uh, Bob Black was?

MCTEER: Not -- not a lot was said about it, per se, except -- you get your monetarism from Milton Friedman and Milton Friedman is much more than a monetarist. And -- and so you become a Milton Friedman fan and so suddenly *Capitalism and Freedom*, a book that I think was written in 1963, became your Bible.

Uh, It was later that, uh, *Free to Choose* came along after -- after those days were over. But I -- I guess it was the Friedman influence.

Are you an economist?

INTERVIEWER: No, I'm not. I was -- I -- I'm -- I -- I have learned quite a bit. My background's in technical writing and then, uh, doing web work, but, uh --

MCTEER: Okay.

INTERVIEWER: -- but --

MCTEER: Well, let me just say that nowadays they hold up Hayek as the, uh, as the main free enterprise guy, antisocialist guy. But back then you didn't hear as much about Hayek, but you heard a lot about Milton Friedman.

He was writing on all sorts of things, like school vouchers and -- and things like that. And so, uh, being a Milton Friedman fan made you sort of a -- a free market person.

INTERVIEWER: It's interesting when -- when people look back at certain figures that are -- or they're re-referred to in the present tense, I'll oftentimes, uh, certain elements of that history get left out or -- or turned a certain way --

MCTEER: Yeah.

INTERVIEWER: -- now that you mentioned that, um --

MCTEER: Yeah.

You're talking about people that influence me: There was a fellow in the department that was the administrator of the research department at the AVP level -- named Bill Wallace. He went on to bigger and better things too. And I got my first promotion when Bill Wallace, sort of, left the department to start up the planning department. So, somewhere around 1971-ish -- uh, I was promoted to -- to assistant vice president, which, uh, sort of, broadened my role as -- as, uh -- as, uh, editor of the publications and gave me administrative responsibility within the department. From --

INTERVIEWER: So what exactly does that mean?

MCTEER: From that point on, I was --

INTERVIEWER: Yeah.

MCTEER: -- sort of the lieutenant and -- and Jim Parthemos was the captain or the general.

INTERVIEWER: Gotcha. Okay.

Um, so, um -- so I meant, I guess, that question, uh, so anyone else that you can -- that -- that you -- that you have a strong memory of --

MCTEER: Well, uh --

INTERVIEWER: -- uh, either earlier in your career or later on?

MCTEER: In -- in that -- in that, uh -- in that list I sent, I named people like Bill Cullison and Clyde Farnsworth --

INTERVIEWER: Right.

MCTEER: Jim -- Jim Parthemos used to refer to all of us as young bucks.

INTERVIEWER: (Laughing.)

MCTEER: I may have referred to that in the blog.

What -- he'd talk about "you, young bucks," he'd talk about himself as a -- as an older guy and, uh, we were the young bucks. And, uh, that was a group of us that came pretty close together. Uh, Bill Cullison and I came within two or three weeks of each other, Clyde Farnsworth came a little after that and then, uh, maybe a year after that Al Broaddus showed up.

And, uh, so all of us, who were close friends and colleagues, um, but we had no reporting relationship with each other and we were working on, uh, slightly different things.

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MCTEER: Clyde Farnsworth, who went on to the Board of Governors and became pretty important there, Clyde Farnsworth was an economist, but he worked on bank structure type issues. I knew nothing about bank structures, so Clyde and I never talked about what he was -- what he was doing and -- or about what I was doing either, as far as that goes.

Uh, Bill Cullison seemed to be more interested in labor market stuff. And it -- it's just the -- the difference in, uh, the difference in our topics, uh, sort of separated it a little bit.

INTERVIEWER: Uh-huh. Gotcha.

Um, so what do you recall about the research department, itself, at the time, in terms of the culture, in terms of the way things operated when you guys -- when you young -- young bucks were --

MCTEER: (Laughing.)

INTERVIEWER: -- you know, on the -- on the job?

MCTEER: And at some point, uh, we hired another guy to be the editor of the Monthly Review. His name was Brad Gunter.

And Brad Gunter also became the secretary to the Board of Directors.

Does Brad Gunter ring a bell for you?

INTERVIEWER: No, it doesn't. No.

MCTEER: Yeah. Well, he -- he was a nice addition to the -- to the staff because he had a PhD in economic -- in, uh, English.

INTERVIEWER: Hm.

MCTEER: He probably trained more like you are. And, uh, he, uh, he became the editor and he also became the, uh, the secretary to the Board of Directors, meaning he wrote the minutes.

So, he took over the role of, uh, Monthly Review editor and -- and played, also, the role of secretary. And when Bill Wallace left the research department, around '71, I became the administrative -- junior administrative guy in the research department.

So it was a broadening, uh, and it was a promotional opportunity. And then in 1980, in March of 1980, when they sent me to Baltimore to be the Senior VP in charge of Baltimore, that pretty much broke my connection to research altogether. Um, I'd already -- was already out of the research department, but I was still, sort of, active in making research-type speeches and so forth.

When I went to Baltimore, I still made speeches on the economy, representing the, uh, Richmond Fed in that area, but that job is basically a -- an operations and administrative job.

They still use me at the board meetings, though, to talk about, uh, certain things.

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INTERVIEWER: So, uh, so -- so tell me about, I guess, how that worked out, or how that was with -- how you felt about it or how that was, uh, uh, played out. Because I find it interesting that you -- because I -- there are some economists who, sort of, plot out their career with, uh, a certain path in mind, in terms of the kinds of area of research they want to do, do they

want to do more pure research versus ones that are perhaps a little more practical --

MCTEER: Well, let me just say --

INTERVIEWER: -- research. Yeah.

MCTEER: Well, let me just say this: that, uh, if I'd been a better, uh, economist, a better researcher, they might not have given me these other assignments -- and I might still be working there as a researcher. But by broadening my experience, possibly because of weaknesses that I had, as well as any potential strengths they saw of me -- in me in other ways, I ended up being the President of a Reserve Bank, serving on the FOMC.

I was President of the Reserve Bank for almost 14 years. So I tell people, it's because I wasn't a very good economist. Uh, but had I been a good economist I still would be --

And, so you're on to something there. I mean, um, the -- the better you are as a technical person, they, uh, it can be inhibiting in your career. And you might not like being moved out of the area you started in, but it often leads to better things.

INTERVIEWER: Hm.

MCTEER: When I, uh, when I was hired as President of the Dallas Fed, uh, they saw me as part economist and part administrator. And that was a huge advantage because I competed with better economists for that job, but they had no administrative experience; and I competed with people who had more administrative experience, but they didn't have the economics.

INTERVIEWER: Hm.

MCTEER: So it was -- it was the combination, or the blend, that they wanted.

INTERVIEWER: Gotcha.

MCTEER: That, uh, that's -- the way I was moved around, uh -- created for me.

INTERVIEWER: What the -- was that kind of -- is that -- is that kind of combination unusual? Or is it -- because that -- that --

MCTEER: In -- in the Federal Reserve System, uh, it's not all that unusual to give some -- some, uh, economics people some, uh, some different assignments or broader assignments. But yeah, it was kind of unusual.

Um, back then, in the -- in the, uh, services areas, a branch did the same thing as the head office. Uh, in other words, they were duplicates of the head office, except they didn't have a research department and they didn't have a legal department and they didn't have a -- usually didn't have an examination department, where bank examiners resided. But the checks, the cash, the coin and currency, the fiscal agency function, all that stuff, uh, was -- was the same.

And Baltimore was a pretty big operation in the system because the Baltimore territory included D.C. as well as Baltimore.

INTERVIEWER: Hm.

MCTEER: And so the check volume was pretty large and so forth.

I guess they didn't start taking -- consolidating things away from branches until I'd left there and came to Dallas. But in Dallas, I went through all that losing your checks and losing this and -- and, uh, stuff like that. But I'm sure it's gone a lot more since I left. That was always sad to me, to see the things break up.

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MCTEER: Plus, I was, uh, Baltimore was a bigger branch than Charlotte at the time. It also was a little bit special because the Board of Governors were inside the, uh, territory and -- they frequently used Baltimore as a "show and tell" place for visitors.

INTERVIEWER: So now -- so you're -- actually, you're at a perfect point because I was -- and sort of -- my next -- my next thought or next question had to with the transition, it's obviously a key transition from leaving the Richmond Fed to go to Dallas. I -- I -- I would imagine that had -- that that would have a, sort of, mixed feelings at that point, because that was a great opportunity, but on the other hand, you had been in the Richmond Fed for a while.

MCTEER: Yeah. Yeah. That, uh, I -- in all, I was at the Fed for -- about 36, uh, 36 years. I don't remember exactly -- subtract 14 from 36 and that's how long I've been at the Richmond Fed.

And it would have been boring to be at the Richmond Fed all that time. But being sent to Baltimore broke that up and it was so different. The job was so different that it was like changing careers. And -- and it was refreshing. And then coming to Dallas was a change again. I had spent all

this time in Baltimore, not -- not doing any economics and suddenly I've inherited a research department and an examination department and all this stuff in Dallas, uh, where I could dive back in.

INTERVIEWER: Uh-huh.

How did that feel? Was that something that you looked forward to, in terms of like, kind of, getting back in that sort of mode?

MCTEER: Oh, yeah. Yeah. Throughout all of this, I remained a major speechmaker on the economy and on the Federal Reserve. And, um, but I was sort of on my own in Baltimore, uh, me and the Wall Street Journal, and, uh, suddenly to have a research department that I can ask questions of, and make assignments to, was, uh, was great.

INTERVIEWER: Uh-huh.

Um, so, um, how did your experiences in Richmond prepare you for that - - for the leadership role at the Dallas Fed?

MCTEER: Well, I -- as I say, I did both sides. I did -- I did the economics side of things, dealing with policy, and then I had -- I got, mainly in Baltimore, administrative experience, so it -- it prepared me very well.

Um, the preparation would have been -- well, I don't know. Um, I guess Al Broaddus -- Al Broaddus went from being a -- an economist to Research Director to President, so he never moved out of that -- that area. And I guess Jeff, uh, made the same kind of --

INTERVIEWER: Uh-huh.

MCTEER: -- uh, upper climb all within the -- the research part of things.

But in a way, the Richmond Fed was my first job. And my only job for many, many years so just about everything I learned out -- I learned there.

INTERVIEWER: Uh-huh.

MCTEER: Things like, how to get along with your boss, how to please your boss without pissing off your colleagues.

INTERVIEWER: Uh-huh. Uh-huh. (Laughing.)

MCTEER: Um, how to anticipate what's expected of you, uh.

By the way, I -- I was offered an identical job at the Atlanta Fed. I may have mentioned this in the blog, uh, at the end of, uh, uh, when was it,

'67; the Atlanta Fed and the Richmond Fed offered me exactly the same salary.

INTERVIEWER: Uh-huh.

MCTEER: And I was from Georgia, so one could say I made a mistake going to Richmond instead of Atlanta. My dad never did understand that.

INTERVIEWER: (Laughing.)

MCTEER: Uh, he went to his grave wondering why in the world I would go to Richmond rather than Atlanta. Uh, but the answer was that in my interview with the research director at the Atlanta Fed, I couldn't imagine working for the guy because I -- I couldn't quite understand what he was saying or what he wanted. He was just kind of vague. And the contrast with Jim Parthemos just couldn't have been greater. I mean, I felt like he was my daddy, uh, and, uh, the thought of working for him was very, very appealing.

And he carried that through, I mean, he didn't let me down on that. He, uh, as I said in the blog, he could -- he knew what I could do and he knew what I couldn't do. He always gave me a little stretch, but not too much. And probably he -- he encouraged my branching out so that my whole career wouldn't be within the research department.

INTERVIEWER: Uh, looking back at your career at the Richmond Fed, uh, is there a challenging moment that -- that -- that sticks out in your mind that you recall? Is there something that you -- some challenge that you were able to overcome or address, that, uh --

MCTEER: Well, uh, I mentioned to you that I went to Baltimore March 1, 1980, and the Monetary Control Act passed on March 30.

INTERVIEWER: Right.

MCTEER: Uh, when we started pricing checks, I think we lost about 40 percent of our volume.

INTERVIEWER: Wow.

MCTEER: And we had to claw back from that, trying to regain volume, trying to, uh, cut costs, get costs in line with our revenue. And that was a very hard thing to do. People forget how hard that was. But that felt like an emergency. That -- that felt like you were about to be put out of business.

Uh, and that went on, you know, for -- for years. And, uh, it seems like -- I've never been in a situation where you had the luxury of hiring a lot of new people and growing. Every -- every situation I've been in has called for shrinking.

INTERVIEWER: Hm.

MCTEER: Um, and so, uh, I guess that -- that stands out as a -- as a major deal. I worried whether I was going to get my PhD dissertation finished.

INTERVIEWER: Hm. (Laughing.)

MCTEER: You know, it took longer than I, uh, ever expected it to. Uh, but I finally did and, uh, of course Jim Parthemos never said a word. You know, I'm sure he was a little anxious too, but --

INTERVIEWER: (Laughing.)

MCTEER: He probably figured if he said anything to me about it, it would just make it harder.

INTERVIEWER: (Laughing.)