

INTERVIEW I

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INTERVIEWEE: KENNETH A. RANDALL  
INTERVIEWER: DAVID McCOMB  
PLACE: Mr. Randall's office, Federal Deposit Insurance Corporation, Washington, D.C.

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M: This is an interview with Mr. Kenneth Randall, who is the chairman of the Federal Deposit Insurance Corporation.

To start off, I'd like to know something about your background.

Where were you born and when?

R: Dr. McComb, I was born in Ogden, Utah, on June 22, 1927. That puts me approaching my forty-second birthday, I believe, if that's correct. I was born in a middle-class home. My father was in the retail lumber business. It had been a family business for some time. I went through Ogden city schools, through Ogden High School, and then started college at Weber College, which at that time was a state junior college.

M: Is that in Ogden?

R: That's in Ogden, yes. I was a speech major, and I finished my first two years of college at Weber College. At that time I thought that I had caught the message of most young Americans at that time and had a touch of the Stanford bug, had been accepted at Stanford University, and went to California to arrive at the height of the G.I. rush. I found that it was impossible to get the type of classes that I wanted;

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and also adequate living space. I encountered my former high school principal, who was just finishing his Ph.D. at that time, and he advised me to go back to Utah to finish my undergraduate work.

I did this somewhat reluctantly because circumstances had caused a change of locale of my family, and this would put me in a school that I really wasn't very much interested in. My father had moved from Ogden, which is just north of Salt Lake City, to the town of Provo, Utah, which is about forty-five miles south. Provo, Utah, is the home of Brigham Young University, and I had always resisted going to Brigham Young University. I guess like most young people I had been resisting the counsel of my parents. But my major objection to Brigham Young University was that I didn't like their Speech Department. My high school principal had advised me though to go back to Brigham Young, which is known as the "Y," and do my undergraduate work there.

I did. I changed my major, I guess predominantly because my father had changed his occupation. He had assumed the active management of a small bank in Provo, the State Bank of Provo, because of family problems. A controlling interest in this bank was owned by an elderly aunt of my father's who had no family, and someone in the family had to take the responsibility. He started managing the bank in September of 1946, while I was still at Weber College. I finished my year there, and then in the summer of 1947 I moved to Provo with my parents. I then tried the Stanford bit in that fall but quit quickly, I think after about a week, to go back to Provo. [I] registered as

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a student late in the quarter and changed my major from speech to finance and banking.

I came in contact with a very dedicated man at that time who probably had more influence on my life than any other person. His name was Herald R. Clark, and he was dean of the College of Business. The first name is like the herald of the morn, and I think this is appropriate also, because he was that type of an influence in my life. Herald R. Clark was a very interesting man, and he had a deep love for the banking industry. He infected me with this love, and, as I went through my next two years of university life at Brigham Young University, I found my academics dominated by the personality of this man. His philosophy of business, his philosophy of banking, became watchwords in my life and a very, very great influence.

I went through school giving only a bit of attention to my background in speech. I had been an active collegiate debater at Weber College, debate manager, and I pursued this as more of a hobby at Brigham Young University. However, I was active in competitive speech there. I was debate manager, and finished as president of my graduating class from Brigham Young. What had been reticence on my part to go to school turned out to be a very joyful experience. I thoroughly enjoyed my final two years at the university.

M: You graduated then in what, 1949?

R: Right, in 1949 and with a major in finance and banking. I had also in this period of time been working at the bank. I started in the bank

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in the summer of 1947 when I was still thinking of going to Stanford, doing the menial tasks that are part of any banking operation. I guess my father and I developed somewhat of a partnership in this work. I think his banking experience exceeds mine by a period of about eight months, so we have had a rather unique partnership in this activity. At the time of graduation, after both going to school and working continuously in the bank through these two years, I became the one junior officer in a very small bank. And I want to emphasize, this was a small bank. It had assets of around two million dollars. By any standards, that's pretty small. I worked for a year in the bank as an officer, trying to learn more about the activities, to utilize some of the work that I'd had at the university.

At that time the conflict in Korea started. I had been 4-F all during World War II because of a problem of health in prior days. I had had a long period of rheumatic fever, and so I had not been found eligible to go into the service at that period of time. But I found myself included in the first day of draftees of the Korean War, so I left the bank. This would be in late summer of 1950, I believe, if my dates are correct.

I found myself with a group of callow draftees at Fort Riley, Kansas. I think the attitude of the draft board at that time must have been that anyone who was warm was eligible. There were about two hundred fifty of us in a company for basic training at Fort Riley, and 80 per cent of them had been 4-F in World War II. We were a motley

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crew at best. But it was an interesting group. 95 per cent of the group had college degrees. About 30 per cent had done graduate work, and it was an intellectual group. For all of their physical incapacity, they finished, as I understood, with the highest rating of any graduating basic company in the history of Fort Riley. It wasn't their physical prowess though that brought this about.

I had a personal problem at that time, going back to the rheumatic fever bit, and I ended up with a series of five heart attacks in three days. And so my army career was finished just under ninety days. This was at a time when the new person going into the army wasn't even a private, they were recruits. I'm one of the few that had their total army career as a recruit. I didn't ever get to the high office of being a private in the United States Army. In any event, I landed in the hospital at Fort Riley and was discharged, "totally and permanently disabled," with an admonition from the army that I'd better never try to get in again. So my background in an army career is rather sketchy.

I returned to my home in Provo and made a decision. I had left the bank, and I decided that if I was to do more work academically that this was the time to do it. I still was not married and had no immediate prospects. So I decided to go back to Brigham Young University as a graduate student, and started in the study of economics. I acquired a fellowship and taught accounting, and also I performed the job as reader for the head of the Economics Department. I guess at this point I met a second man who had a great influence on me, a man

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by the name of A. Smith Pond. Dr. Pond was a respected economist and produced several good academic texts that were used in college teaching of economics. He re-infected me with a desire for academic work in economics.

At that period of time I was teaching, and in the great tradition of Harry Truman, also working in a small local haberdashery at odd moments. I enjoyed the experience of graduate work very much. I completed all of my academic work, but not my thesis. I had the opportunity to go with a large West Coast bank on an executive training program. This came up prior to completion of my thesis.

M: This was the Citizens National Bank of Los Angeles?

R: This was the Citizens National, right. It is now the southern division of a very large West Coast bank called Crocker. I was directed to this by two Salt Lake City bankers, one a very distinguished man in the history of American banking by the name of Orville Adams. Orville Adams was president of the American Bankers Association about 1937. [The second was] his son, Lane Adams, who now is executive vice president of the American Cancer Society in New York City. They got in touch with me, and I decided to take the opportunity. I presume another motivation at this time was the fact that I had decided to get married, and so I left with my bride, who is Jeraldine Smith, better known as Jerrie. Jerrie and I packed all of our belongings into a car and started for Los Angeles, and hopefully a new home, via San Francisco.

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I started on the executive training program with Citizens National. When I got there, I found another person also starting the program by the name of Tom Yundt. After getting to Los Angeles I found also that we were to be used as two guinea pigs for the development of a new training program for the bank. Each of us had had graduate work, and so we were used both to test the techniques that they were using and also to appraise the techniques. We had, I think, a very rich experience in this. We had more access to senior officers of the bank as a result of the appraisal technique than we would as run-of-the-mill trainees. The guinea pig dimension proved to be most satisfactory.

I stayed with Citizens National almost through the program. I had some items left yet to cover when I received a call from my father in Provo informing me that his other officer had become quite ill and was going to have to retire. At this time the bank had really only two principal officers. So he asked me if I could break away from the bank in Los Angeles and go back to the bank in Provo. I was a little concerned. I had not completed all of the work that I wanted to do, and yet I realized that I had family responsibilities. I'm referring to my father in this case as I was not yet with family in Los Angeles. I felt an obligation to help out in the family situation. I talked to friends including one outstanding person, the vice president and cashier of Citizens National whose name was Lauder Hodges. He was also a very distinguished attorney in California. Lauder Hodges recommended that I go back and was a strong influence once again in my life. We get these buffetings, I guess, and exposure to people that change direction.

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I did go back to the bank. This was in late 1952, I guess. No, it would be late 1953 that I went back to the bank. At this time, if my mathematics are correct, I was twenty-six, and I, for all intents and purposes, assumed the operating control of the bank. It then was just a little over two million dollars in deposits, had been an old bank, had been operating in that area since 1902, had been the only bank in Provo, by the way, that was not forced to close its doors during the period of the Great Depression. So it had a distinguished old reputation, but was considered rather dull.

Hopefully I had learned a few things in California so we started pushing the bank and trying to make an operating base that would be satisfactory. By the time that I left the bank in early 1964 we had pushed it up to about nine million in deposits, built a new building, and became a viable banking unit in the area, and I think one that had to be reckoned with. It was a great experience, a great time. I did the normal things you do in the community. I became active in Rotary and became active in the Chamber of Commerce.

M: You did some teaching at the same time?

R: I taught at the university.

M: And completed your degree too?

R: I did get back in time then to finish my thesis so that I could get my master's degree. I did that in 1958 under the direction of A. Smith Pond, to whom I referred earlier. This was an interesting period, and I became thoroughly involved in the community. I also became treasurer



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of the alumni association and so became active once again in some of the work around Brigham Young University. I still am treasurer of the alumni association, although at this point it is purely honorific. It's a little difficult to do anything at long distance. But they have been kind enough to keep me involved with the university in that dimension.

The activity over that period of time from late 1953 to early 1964 was pretty much standard. I was running the bank. I became involved in the banking activities that are normal. I became involved in Robert Morris Associates and in the NABAC, which was then the National Association of Bank Auditors and Controllers. Now it's called the Bank Administration Institute. I became very active in Utah Bankers Association and became active in their legislative group which has, I guess, some political connotations.

M: You eventually became president of the Provo Bank?

R: I became president of the bank, yes. I started as cashier when I came back, then I was added to the board. Vice president and cashier, and then president through the normal steps. This really was not an essential change of duty. It came about really through the acquisition of new officers at a lower level as the bank grew. So I still was pretty well running the bank, but as we added personnel there had to be new titles and a chain of command.

I started becoming somewhat active in a little local politics. I was chairman of a special group for citizens for the Eisenhower campaign in 1956.

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M: I suppose it should be pointed out that you are a Republican.

R: Yes, I am a Republican. I have to go back, I guess, a little more in history on that. I remember back in the campaign of Alf Landon when my family and my best friend's family were the only two families in our elementary school that were for Alf Landon. So I guess I have Republican credentials that go back quite a way. But I did become active in the Eisenhower campaign a little in running a local committee under the state direction of Lane Adams, who I referred to earlier. He was very active at the state level, and I became active at a local level.

I didn't become very much more interested in politics except how it affected banking and banking law. I did become involved in that in the activities of the Utah Bankers Association. But in the election of 1963 I found a developing contest between Wallace Bennett, who was and still is the senior senator from the state of Utah, and David King. David King had been a Democratic congressman, and was the son of a former Democratic senator from the state of Utah. I had some rather severe philosophic differences with David King. Although I know Dave quite well and like him as a person, this is not ever the issue really in politics. I felt a need to become involved in this campaign and to work for Wallace Bennett. I did not know Wallace Bennett at that time, except I knew his face. I had met him, but I can't say that I knew him.

M: This was 1962? There was a presidential election in 1960 with Kennedy and Nixon.

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R: Yes. That's right. This would be 1962.

M: The senatorial race?

R: Right. The senatorial race of 1962. He would have assumed office in January of 1963. Because of my activity with other people in the community and my work in Republican fund raising and so on, my name came to Bennett's attention. And he asked me to assume the responsibilities for Utah County, which is the county of Provo, Utah, for his campaign. I did. This was my first, and I guess at this point my only real experience, in politics. But we started to establish a county-wide organization, and it was rather successful.

M: Did you win the county?

R: We did indeed, and this was one of the important dimensions. Utah County is a steel center. It has the largest integrated steel mill west of the Mississippi, and so it has a fairly high organized labor vote.

M: What steel mill is this?

R: This is the Geneva Works of United States Steel Corporation. It employs in that county about fifty-five hundred to six thousand people, so it's a major element of the economy.

M: Is Provo the main city in that county?

R: Provo is the main city in the county, and the county seat. And Provo is a two-faceted economy. It has the steel mill on one side and the university, which now has twenty-six thousand students, on the other side. So it represents a rather extreme division between heavy industrialization and the academic side.

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M: Does the Mormon Church have an influence there too?

R: Extremely large. Brigham Young University is owned and controlled by the Mormon Church.

M: So you'd have a religious factor and the economic factor and the academic factor all at once.

R: Without any question. It's a complex environment politically. The steel mill was built during World War II by the U.S. Government and then sold at the end of the war to U.S. Steel. It was manned by people brought from other areas of U.S. Steel, and brought an interesting new mix religiously into the community.

M: Is there a conflict between the university there and the steel mill? You know, sometimes you have a town and gown type of a faction in places like that.

R: I guess you really have to answer that both ways.

M: Yes and no?

R: Yes and no. There's a strong degree of cooperation. Much of the steel mill is manned by people now that have gone through the university and who represent the dominant faith. And it has moved into an integration all of its own. There are conflicts. I think there always are in an academic and industrial mix, but there also is strong cooperation.

M: What did you do to solve this politically then in this particular race you were involved in?

R: We tried to establish a person well informed on Wallace Bennett in every social structure that we could find in the county. We tried

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through people that I knew to put [someone] into every congregation of the Mormon Church, which are called wards, and in the subdivisions of these wards. Every social group or structural group within the ward would have a Bennett man so that if the subject of politics came up, or if it could be generated, someone was there who was informed and who was an activist. We tried to make sure that we had this in every businessman's club, every chamber of commerce. Any time there was a formal or informal structural group, we tried to pinpoint our man and his responsibility.

M: And you'd talk to them about this, I suppose?

R: Yes. Utah County is a peculiar county. There are about six vigorous smaller communities, each highly autonomous. So we developed a chairman in each one of these communities and did this parallel structure. And it must have worked. Something did.

M: Did you go into labor unions too?

R: Wherever we could. Any time there was a structural organization that we could pinpoint, we tried to have our man as an activist. All this did, really, was commit a lot of people to work. And this has a benefit too. Utah County had been up to this election a predominantly Democratic county, with a margin of about twenty-five hundred votes in the Democratic column. We changed this and changed it from the Republican point of view of minus twenty-five hundred to a plus thirty-five hundred. Bennett won the state by six thousand votes in a very tough election. So Utah County really was the difference. The change of

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Utah County pushed Wallace Bennett into victory for what was his second term.

M: Therefore you came into close contact with Bennett?

R: Very close, yes. And in this period I got to know him, and also closely the people that were working with him in his campaign. This was an interesting period of time also, relating to Wallace Bennett. We tried to put him in a new mold. He had been classed pretty well as a fuddy-duddy, and he had the aura of being quite stuffy. He had rimless glasses. He wore very severe conservative clothing and had a stiffness that was difficult to penetrate. Moreover, he was running against a very articulate and young man. We, through an advertising agency and good friends and his close advisers persuaded him to change from suits into sport clothes. We got him to wear new glasses and injected a philosophy of vigor. I think this has carried through with Wallace right to today. He has a much warmer personality, especially in small groups, as a result of this. His clothing is much more colorful, and he changed personality somewhat in that period of time. I think he liked the new image also, which probably is very important.

Well, the election was won, and it was a lot of fun, and a lot of work. We raised some money. I think of one other dimension that we tried to work out. We tried to find ethnic groups that existed in the county and make sure that we had a leader in each one of these; two that I recall, thinking back. One was a fellow by the name of Lou Petro, who was the head of the Italian group. Lou Petro is dead now,

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but he was a very interesting fellow. He had been a former boxer and owned some real estate around the town, a couple of taverns, and so on. But Lou was a friend of mine from the bank, and we made Lou an activist. He pretty well controlled the Italian community. Another fellow by the name of Phil Perlman pretty well headed a small, but very active, group of Jewish people. He worked in that. And so we tried to work every definition that we could come to in the county that had a formal or an informal structure; whether it was social or whether it was ethnic, whether it was business, whether it was religion, and to try to make sure that we had an activist in every group. We even tried to do this in things like city councils and county commissioners and so on. There was someone in those work groups that had an active role.

M: Your position as a banker--did that put you in a key spot to know these people, to be able to pick them out?

R: I think that it gave me the chance to contact solid leadership. I have to admit that most of the chairmen in the various other areas came because of bank association. If it wasn't the banker, it was a man hand-selected by the banker in the other communities that we used as our key person. Banking is essentially dealing with people, and very people oriented. Therefore it was a good method of approach. This was the idea. We played it. I don't know whether they're still doing this type of thing or not, but it worked, at least in this [campaign].

M: Did this connection with Bennett bring you into contact with Washington?

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R: Not at this time. The election was over. Wallace won. We were very pleased. I did get involved as a representative to the state convention, the Republican convention, that year from my district, and started getting active in district activity. And this I did somewhat throughout the remainder of my time in Provo, although there wasn't much time left. I'm a firm believer that it's that kind of activity that is important politically. It has to be done, and it has to be done by people that will take the time to do a job.

Wallace left and came back to Washington. I had been very satisfied. I had received all that I wanted because I was really motivated more against the philosophies of Dave King than I was for the philosophies of Wallace Bennett. I want it clearly understood, that my motivation was primarily negative. I was much more against the other candidate than I was for the one I was working for.

M: You might make a comment about the philosophy. You brought that up. What do you object to in the philosophy? What are you talking about?

R: Well, I guess, Dave King is . . . I presume he's too liberal for my philosophy, although I hate labels of that type. I did not find him much more than an articulate bleeding heart, and I feel that government finally has to have a much more practical application.

M: Then how did you come into contact with Washington that would bring you into a job like the FDIC?

R: That's the next chapter. Wallace had been re-elected and I was satisfied, and I'd received all the pay that I wanted. I was not after



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anything. I was happy with my work. Right after this I became president of the bank, and it enjoys a nice position in a small town. I was involved in everything. I had by this time three young daughters, and, really, life was quite pleasant and not too complicated. One morning in May of 1963, at about 6:00 a.m.--I remember because of daylight savings time there was a three-hour time differential between Washington and Provo--I had a call from Wallace Bennett. He told me that he had just had a conference with Senator A. Willis Robertson and that the Republican opening on the FDIC was coming up. Willis Robertson had told him that he thought he should have the privilege--by this time Wallace was the ranking Republican on the Banking and Currency Committee of the Senate--of submitting the name for the nomination.

M: "He" in this case was Robertson?

R: Wallace Bennett. Robertson is telling Bennett that Bennett should select the name. Wallace called me and asked if I would have any interest in it. At 6:00 a.m. I wasn't in very good shape. I said, "Is there any hurry in this?" He said, "No, I'll check with you in a few weeks."

Well, my life somewhat came apart. My wife and I started discussing and deciding what we would do, or whether we were interested. We tried to make some decisions. I was thirty-five at the time of the call. We talked to some friends whose judgment we respect, one an attorney in Salt Lake City who was on my board at the bank by the name of Peter W.

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Billings. He's also general counsel for the Utah Bankers Association. Pete Billings, as a close friend, said, "One thing you can think about in this is that if you get the experience, and then decide what you want to do afterward, that at least horizons are open. You know that the answer of your future is at least your own and not relegated to what may just happen in a small local scene."

We discussed it for quite some time, and then finally I told the Senator that if he wanted to submit my name I'd be pleased to have him do it. I knew this was going to break up my life in Provo. We had built the bank. We had developed personnel. And although I knew it would be difficult on my father, who at the time was really getting to the point where he could look forward to retirement, I still decided that I should look to broadening my own horizon. This was when Mr. Kennedy was still occupying the White House. The campaign for my appointment took on some interesting dimensions at that time. The campaign in this case being whether or not the President would nominate me as the minority member of the FDIC Board.

M: How many Republicans are on that board, incidentally?

R: Just one. It's a three-man board, with one member being ex-officio. The law states that no more than two can be of the same party. So in essence there are really two members of the board in residence, one Republican and one Democrat. The other member is the comptroller of the currency, who sits ex-officio. He may be a Republican or he may be a Democrat at given times, but for the balance of the board there's one Republican and one Democrat.

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M: Is that political division tradition, or is it actually written into the law?

R: The law states that no more than two from one party may be on the board, so it is quite specific.

M: But you would still be the minority member?

R: Yes.

M: In such a political situation?

R: Yes, right. Minority member in this category though is generally, or traditionally has been, the member representing the party not in the White House rather than a minority in numbers. In times past, for instance when Mr. Eisenhower came in and then when Mr. Kennedy came in, the people incumbent in the offices switched positions between the minority director and the chairmanship. So it has moved back and forth over time.

The campaign became involved, although there wasn't any hurry because the opening was not supposed to be at least until January of 1964 at the end of the term of Jesse Wolcott. Jesse had been senior Republican in the House Banking and Currency Committee, and at times had been chairman of that committee. A distinguished man who at his leaving the House had been appointed to this board by Mr. Eisenhower. Jesse was fairly old, and they were waiting for his retirement before the appointment of a new person.

Most of the "campaign" for it, and I guess that should be in quotation marks, came out of Bennett's office. I really didn't have

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much to do with it. I was twenty-five hundred miles away from the scene. I didn't get back in that period of time at all.

M: Let me clear one point about this I don't understand. Would the President submit your name?

R: The President would have to submit my name.

M: Your name then came from Bennett through Robertson to the President.

R: Right.

M: Who submitted your name?

R: Then it was Mr. Kennedy, remember. This was before the assassination.

M: Right.

R: That would have been the mechanics. Nothing was done on this. There were other people involved, a man being sponsored by the American Bankers Association by the name of Carter Golembe, and also Orman Fink, who was the Republican staff man for the House Banking and Currency Committee; also mentioned was the former chief of the Examination Division here at the corporation, Neil Greensides. These were names that were in the pot. There may have been more. These are the ones that come to mind. Nothing was done in this period of time, and of course then the tragedy of Dallas happened and things were in a complete upheaval. No one really knew what would happen at that point.

I remember the day of November 22 very much. I was having lunch at the Petroleum Club in Calgary, Canada, when the announcement came over the loud speaker system. It was not pleasant being out of one's country at a time of tragedy of that type.

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Following the assassination and Mr. Johnson assuming office some activities started. I was called back in January to have an interview with Mike Manatos. Mike is from Wyoming, as you may know, a neighboring state. Mike and I spent a good hour or so discussing the relevant merits of basketball and football between Brigham Young University and the University of Wyoming. I presume that the interview was to make certain that I didn't have two heads. It was not an interview to test my ability to take care of the job. I'm quite aware of that.

The President had in this period of time appointed the man who was congressional liaison for the Treasury, Joseph W. Barr, to assume the majority position at the FDIC Board as chairman. He took the place of Erle Cocke, whose term had ended in the late summer of the prior year. Prior to this period of time the corporation was a two-man board. It had carried over in Mr. Johnson's administration. The two-man board consisted of James J. Saxon, who was the comptroller of the currency, and Jesse Wolcott. Our bylaws stated that in the absence of a chairman, the acting chairman is the ex-officio member, the comptroller of the currency. This is an acknowledgment, I presume, of the political balance between the party in power and the party out of power. It is presumed that the chairman is the White House party, and also the comptroller of the currency, and that the other man is the minority member. So with the absence of a chairman, Mr. Saxon was acting chairman. He had this role with Mr. Wolcott until late January of 1964. At that time Mr. Barr became chairman, and Mr. Wolcott's term expired. It was late January.

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I'd been called back for an interview, and I had talked to Mike Manatos. Also, I had met Joe Barr at that time although there were no commitments. It was purely an opening interview. Things were still rather chaotic around the administration at that time. There was the shakedown of a lot of the people leaving that had been with Kennedy and the acquisition of new people representing the Johnson Administration. It was still pretty well in a state of flux, but there was a need to appoint a member. The "campaign" pretty well resolved itself around either Carter Golembe or me by this time, and it was a little later that I was called back to have an interview with Mr. Johnson.

So I came to Washington once again. This was a most interesting experience. It was my first exposure to Mr. Johnson. I was called to be at his office at twelve noon, and I had a half-an-hour interview with him. We discussed many things, and it was a very warm experience. We were in the little "think tank" room off his oval office, just the two of us. We talked about small towns and their virtue. We discussed daughters at great length, his two and my three. We discussed some philosophy about banking, and one of the dimensions that I talked about was the McFadden Act of 1927. The McFadden Act is an important element in the preservation of a state banking system. It says in essence that the banking structure of a state will be determined by the state, meaning that the comptroller of the currency cannot impose standards on, say, branching. These are controlled by state structures. I'm very strongly in favor of the McFadden Act. So we discussed that at some length.

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I found Mr. Johnson a fascinating personality. I guess I was drawn like a moth to the flame. I found him in a close environment the most consuming personality that I'd ever been exposed to. It was hypnotic. I don't think this is just the office and the title. I just found him an exceedingly warm personality, and easy to talk to. And I was astounded at his knowledge of people and facts and figures and his ability to recall. This admiration increased through my experience with Mr. Johnson.

M: Did he understand banking?

R: I'm not sure I can answer that question. He understood people, and if this is the dimension of banking, I have to say yes. I do not believe that Mr. Johnson understood the dimensions of economics in banking. In this regard I would have to qualify. But he certainly understood what a bank did, and that it played an important role, and that it was important to have good banks.

M: Did he understand the relationship of state banks to the federal structure?

R: Yes, I think so. You must remember that Mr. Johnson, prior to this, had been involved in some banks, had been on a bank board, and had been involved in both state and national banks. I'm certain there was an awareness of this. He also by this time had been buffeted a bit by the controversial character of James Saxon. So I think some of this had been brought into focus. But we really didn't discuss this much.

M: You say he understood people. What do you mean by this? He understood their motivations, their desires?

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R: Yes, I think so. I think he probably has an astute knowledge of people, what makes them run and tick and how you react to it. The conversation that I had with him that day was very relaxed and very pleasant, and really again didn't have much to do with the dimensions of the job. But we hit it off extremely well.

M: Was it a one-way conversation, or did you--?

R: Oh, it was definitely both ways. We just had a delightful chat. I felt a little like I was on a yo-yo, though, in this. He said four times during the conversation, "Well, I'm going to appoint you today if I don't change my mind." This is like going up and down the string, and you're kind of spinning at the bottom of that yo-yo loop. He also discussed something that was rather interesting. Assuming that he was going to appoint me if he didn't change his mind--when I left the interview I still didn't know whether he was going to appoint me--he said that if he did that I would be the first appointment made by his administration that had not been prior committed by the Kennedy Administration. And in this I think he found a rapport with me. I represented a turning point.

As a result of this he always exhibited affection toward me that I will treasure. We had an unusual relationship, and I think this was it. He said I was his first Republican appointment, and the first one not committed by the Kennedys. Now since then, I've been reading that Hamer Budget feels that he's the first Republican appointed by the President. I really don't know how that time sequence was. But I do



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believe that the real essence of this was that all of his appointments prior had been either partially or totally committed by the prior administration. So it was the day of entry of really what was Lyndon Johnson.

M: Just out of curiosity, did he say anything that stands out in your mind about the daughters?

R: We discussed really the dimensions of the pleasures of being fathers of daughters. I remember we discussed the fact that this has to be one of the very pleasant dimensions of a man's life, that daughters are for fathers. We both felt just a bit spoiled by the luxury of having just daughters. This wasn't a specific thing in talking about the individual, but the dimension really of two fathers that were very proud of their daughters. But it was pleasant.

At the end he wanted me to stay in touch, and I said, "Well, where do you want me to be? Will it be all right if I go up to Senator Bennett's office and wait there in case you want to talk to me?" He said, "That would be fine." That was the end of the interview, about half an hour, and a delightful, warm interview, not great substance. It was very much personal observations. The observation of the virtue of small towns and rearing a family in a small town that we had in common.

M: Did you have any contact with White House staff in this?

R: I had only had the one interview with Mike Manatos prior. No, there was no contact with the White House staff. I went to Bennett's office.

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I went out in front of the White House on 16th Street and got a cab, and by the time I got to Bennett's office he'd already called Bennett telling him that he was appointing me. And all hell had broken loose. The news services were on it and so on. This was an interesting experience and really my first exposure to it.

M: Then did you have a news conference?

R: No. I just had some calls and so on. I was in town only one more day and then I went back to Provo. It was a little while later that the appointment was made, and that I came back for the confirmation hearings. I, again, in this period had no contact with the White House or White House staff prior to confirmation hearings. I came early enough to visit all of the members of the Senate Banking and Currency Committee prior to the confirmation. And the confirmation was very brief. It concerned, I think, only one little essay by Senator Willis Robertson on the virtue of Rotary, which had been in my background. He liked Rotary, and so this was the extent of it. I then went back to Utah following that confirmation hearing, and was sworn into the office in Utah by Federal Judge A. Sherman Christiansen. He is one of the two federal judges in Salt Lake City and an old family friend.

I came back for my first week at the corporation. Joe Barr, who had not had a vacation for quite some time, decided to go to the Virgin Islands that week. This happened to be the week following the Alaskan earthquake, and I found myself in a major crisis on my first day on

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the job. We, as you are aware, are next door to the Office of Emergency Planning, and we were getting official documents from them that Alaska had been destroyed as an economic entity. We had banks in Alaska with about \$187,000,000 in deposits, and we thought that the economic base had been wiped out. On my second day I found myself conducting a conference with OEP, the Treasury, the Federal Reserve, and the Office of the Comptroller on what are we going to do in the banking structure of Alaska. And in long distance calls to Joe Barr we committed, under Section 18-C of our act, a subordinated deposit for all of the banks in Alaska equivalent to their deposit base, which was \$187,000,000.

M: This means that they could draw on that?

R: This means that we would have put into those banks that much cash, equivalent to all of the cash that could be withdrawn by the depositors of the banks. So that in case the economic base had been destroyed, we still would have preserved a banking base to work. It's the first time that that section of our act had ever been committed from the time of the corporation's start in 1934. It represented four times the total amount of losses that the corporation had ever sustained in its operation. This introduced me to the corporation on my second day. So from then on everything else was downhill, I presume.

Joe and I had a very interesting relationship. I had come from the banking business as an active participant, and Joe's background really had been otherwise. He had been in business with his family in

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Indiana, then had been elected as a congressman, served one term in the Congress and on the Banking and Currency Committee. Then as he puts it, [because of] a slight failure on the part of the electorate of the area, he didn't return. He became congressional liaison in the Treasury Department and served very well. But Joe's activities were not really oriented toward the banks. As a result of a close personal rapport that we had I became quite deeply involved in the workaday operations of the corporation, the examination area particularly, which represents about 85 per cent of our personnel. This is my background. I knew it, and Joe became involved with the political dimensions.

Again, although I may sound like I've been involved in politics, I really haven't. Politics are not my background. I'm a workaday country banker. He was involved in the political dimensions that we had, and also with some special assignments out of the White House. He was doing some work on the Hill for the White House on foundations and other special projects. What they all were I don't know, and really that isn't important. But I became involved in the workaday world of the corporation. We had an interesting time in this period, which lasted about fourteen months, from the time of my appointment to the time that Joe Barr left to go as under secretary of the treasury. We had a series of bank failures, some rather spectacular.

M: Now this is unusual, is it not?

R: Yes, and no. Prior to World War II there were thirty to forty bank failures a year in the country. This was really the cleaning up of the

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residue of the Great Depression. World War II brought the end of this cleaning up period and brought a lot of cash assets into the banks. Bank failure was not a problem. From that period of time until about 1955 we started building competitive pressures once again in the banking industry. We used up the excess monies that had been developed from the financing of World War II, and we started getting into a competitive marketplace. This then started a failure record of two or three a year. But we hit about seven in a period of a little over a year, I guess.

M: Now, seven, when you're used to two or three failures, was rather outstanding then?

R: But when you look at it, of course, in perspective of the number of banks we have, it's so small it's almost impossible to measure, because we have roughly fourteen thousand banks. So you're dealing with a very small percentage. And even in this case most of the failures are generally in very small banks.

But we had a phenomenon happen. We had the advent of a dimension called money brokers, and these money brokers were part of the tool that led to some bank failures. A bank that wanted to be overly aggressive could buy money through brokers, and then could use these perhaps too aggressively for the strength of its own institution. We also found at this period of time people trying to buy banks and then to literally gut them financially for their own self-serving purposes. So we had two dimensions: the money broker tool on one side, and then this fly-by-night

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operator who would try to acquire a bank and then take the money out, just literally pull it out through sophisticated means.

M: Was James Saxon's activity in encouraging the establishment of national banks in this period a factor?

R: Yes, although I don't want to make that sound like that's putting the finger on him. This was a dimension that added competitive pressures on the banks. It also brought a new age of permissiveness that encouraged, perhaps, some of these less than satisfactory activities of banks. But this is not just Saxon in this regard. Saxon was a phenomenon of his time. The banking industry was ready for a major change, and any time you have a change you have dislocations. Whether Saxon was the catalyst of the change or whether he was a phenomenon of timing is very difficult to analyze. I rather feel that Saxon's credit for changing the banking industry is overstated. I think that he was primarily a phenomenon of the time, that he hit at the right time to be the type of personality that he was. And maybe this is what makes interesting figures politically at any time, is that you hit at the right time. But there was an era of permissiveness. We did see a tremendous volume increase in new charters, and some of these charters were operating at less than desirable standards.

The corporation became involved in this dimension at this time because if something happens, we have to pick up the pieces. And we started seeing a few happenings. We had a failure at Minden City, Michigan, and Marlin, Texas, in the early 1964 period. Then we had

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one on July 4 at Dell City, Texas. We had another one shortly after that at Covelo, California, and we had one at Belleview, Missouri. These were all failures that had dimensions either of the illicit raider or the excess use of this tool of instant liquidity, which was the purchase of money and then using it for undesirable or self-serving purposes.

In this period of time we asked the Congress for a bill to require the reporting of change of ownership. This was the first piece of legislation the corporation had asked for, I guess, since 1950. And Joe Barr became very involved in this. This developed into a fight with Saxon because he felt we were trying to build constraints on the system. This bill did pass rather easily, and I became involved for the first time in some political dimension.

(Interruption)

M: You were saying you got involved in the political activity.

R: Well, for the first time I had some exposure to working the Hill and visiting congressmen and senators and trying to explain the bill, which was a new field for me. I hadn't done any of this, and it was an interesting new dimension. I'm not sure that I'm really in tune with that, even now five years later. I still prefer the operational technique of the corporation as a way of life. I don't think I would ever make it as a political lobbyist.

In this period of time we became concerned with what we felt--and I'm talking about Joe Barr now--[was] excess permissiveness on the part of the Comptroller of the Currency. We had private interviews with

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Doug Dillon at that time on some concerns that we had. We had lunch with Secretary Dillon one day in August of 1964. It consisted of Bob Roosa, who was under secretary for monetary affairs, Joe Barr, who then was still chairman of the corporation, and me, discussing some of the problems relating to Saxon and some of the problems on what we felt was excess permissiveness and unsound practices in the banking industry in some national banks. We took with us some documentary evidence on two San Francisco banks and had a rather long and involved discussion.

Now, I would like to report this conversation because I think it is significant, but this is one that I will have to have some constraint on on its release. We took the financial figures that had come to us on a regular reporting base of two banks. One was the Golden Gate National Bank, and one was the San Francisco National Bank. Neither of these banks exist today. The Golden Gate was merged into another institution, and the San Francisco National Bank was part of a spectacular bank failure on January 22, 1965.

We were concerned about what we could see in the figures, and we were trying to explain this to Mr. Dillon. I think we did rather clearly.

We came back to the corporation and proceeded again on fairly orderly activities, and not much of great substance happened from that period of time until a bank failure on January 22, 1965.

M: May I clear up a point here? I've had some information that Saxon was refusing to attend FDIC meetings at this point. Is that true?

R: That's correct. In this period of time Saxon did not attend any meeting. The first time that I saw Saxon attend a meeting at the FDIC Board was



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the day that I became chairman in April of 1965. He did attend with Joe Barr. Now in giving credit to Mr. Saxon in this, he did not abandon the FDIC. He has the right under certain circumstances to appoint an alternate. The two regular members of the board do not have that right. And he did, through most of this period, have a representative on his staff. At one time it was Tom DeShazo; at one time, Justin Watson; and over some period of time, Bill Camp, who is the current comptroller of the currency. All three of these men did participate in the meetings of the corporation, and other than a few external blasts now and then, not too much happened. There was an exchange orally between Joe Barr and Jimmy Saxon at the American Bankers Association convention in the fall of 1964 in Miami Beach, Florida, but this was short-lived and one of the passing abrasions.

In December of 1965 we had a visit from the former governor of Colorado, who had been involved in two bank charters, one the 17th Street National Bank of Denver and one the Brighton National Bank in Brighton, Colorado. He was extremely concerned about what was going on in the Brighton bank. He felt that there was no adequate control from the comptroller's office and visited Joe Barr and me to see if we, as the insuring agency, would check the operation of this bank. He brought enough material with him to make certain that we understood the problems. We did, as a board activity, authorize a special examination of that bank by the FDIC. This was pretty well over Jimmy Saxon's dead body. He didn't want it. He tried to remove our personnel

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from the scene at the time of starting the investigation. We got into the bank and found it to be a can of worms, an unbelievable can of worms.

M: Why would Saxon want to block this?

R: Well, that's a difficult one to answer. Saxon was very permissive. He strongly felt that banks had the right to fail if they wanted to. He did not really understand, from my point of view, the dimension of damage in the public view of a bank failure, the emotional impact and so on. He would try, if a bank got into trouble, to do patchwork, to try anything to put it back together. As a result many of the banks became enmeshed in this type of an approach and got in deeper and deeper and deeper. From an examiner's point of view, when you're talking to a bank about the loans they make, you try to emphasize the factor that if you see a loss, that first loss is the lowest. Take it as quickly as you can once you see it. I think the same is true when we look at the banking community; that if there's going to be a loss, take it quickly, then you have some alternatives in working out a program to take care of this failing institution.

Saxon didn't buy this. As a result some of the most spectacular failures in our history are banks that got so deeply enmeshed that the return, and especially the return to the uninsured depositor, is very, very low. In this Brighton bank, for instance, the uninsured depositor is only going to get back about 50 per cent of his deposits. In the San Francisco National, which is of the same time, only 52 per cent.

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Through most of our history in the liquidation of banks, the uninsured depositor has averaged about 92 to 94 per cent. It's a fundamental tenet of our view that you need to catch these quickly and take your loss rapidly, so that you do not do the damage to the uninsured depositor that can come if you let it go and go and go before you recognize this problem.

M: Were these banks, the San Francisco bank and the Brighton bank, ones that had been created under Saxon's term of office?

R: The Brighton bank had been. The tentative approval for the San Francisco bank had been given by Ray Gidney, just at the end of Gidney's term. But it had started operation in the Saxon administration.

We had, of course, been concerned about the San Francisco bank, and we became very concerned about the Brighton bank as a result of this examination. We cited the bank, this national bank in Brighton, for unsafe and unsound practices under Section 8-A of our act. This is one of the few times in history that the FDIC has ever cited a national bank for withdrawal of deposit insurance. We use this as a tool against the banks that we supervise, but not for the most part against the banks that the Fed or the Comptroller supervise. It hasn't been necessary. They have their own tools. But this is a case where it was in unbelievable bad shape, and so we cited the bank as a result of this. We were in a period of correction that was supposed to be made, although we obviously knew that it was an impossible thing to correct. But our law only allows us to do it that way.

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Things then were relatively quiet, although we knew that both of these pots were boiling, until on a Friday night, January 22 of 1965. I had had a slight cold and had gone home from the office and had taken a bath. I was in front of the TV wrapped in a bathrobe, and about eight-thirty that evening I had a call from Ed DeHority, who was chief of the Division of Examination here at the corporation, with one sentence. He said, "Jimmy dropped two." Ed DeHority is a rather crusty man in our structure, and he had been informed late that evening that Saxon had ordered both the Brighton bank and the San Francisco National Bank closed.

We came back down to the office and worked all night preparing the logistics for the two jobs, and Joe left the next morning with a crew that amounted to finally about two hundred people that were flown in to do the payout at the San Francisco National Bank. I left with a crew that amounted to about thirty-five into Brighton, Colorado, to take care of that item. I visited the San Francisco liquidation before I returned to Washington. I was in Colorado about three or four days, then to San Francisco, then came back here.

M: The lack of coordination seems significant here.

R: There is another dimension in this, and I think this is quite important. Although Jimmy did not attend our board meetings, he did have a man at the FDIC and as his representative on the board. But the real problem in this period of time is that Jim Saxon would not allow us to see reports of examination. Our law

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says that the reports of examination made by the Federal Reserve and the comptroller of the currency shall be made available to us for insurance purposes.

Prior to my time and prior to Joe Barr's time, Jimmy Saxon had gotten in a hassle with Erle Cocke, who was then chairman of the corporation, about these reports of examination. He had made a request that we pay for the privilege of seeing these, and he had a pricing schedule that went from fifty dollars up to as much as five thousand dollars to see some of these reports. He later reduced these to about a hundred dollars a report and forced the Federal Reserve to pay a hundred dollars per report to see reports of the national banks. Now, we checked our law, and our law says that he shall make them available to us. He would occasionally make one available to us, but the ones we really wanted to see were always out of file.

M: What would he want to charge you for this?

R: He was having financial problems in his own operation. He had expanded his operation, and the financial base had not been there. Remember, it, like the FDIC and the Fed, are not subject to the acquisition of public monies. We finance our own operation; there are no tax monies. He hadn't adjusted his income, and he was trying to build a method where the two money-making elements, the Fed and the FDIC, subsidized his examining procedure. We felt we could not pay, the law didn't allow us to. And we'd submitted this to the General Counsel of the Treasury. The General Counsel of the Treasury

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said, "Well, I can see how you can pay for out-of-pocket costs, maybe the cost of reproducing," and we volunteered to do this. He of course would not go along. So this was a period of time when probably the critical problem was the lack of flow of information. Now the Fed was letting us see some of their reports, but they weren't getting all of the reports. So we were very limited on what we were able to see in the national banking side, and we were flying blind in an area of great risk to the corporation.

M: Did you have the power to send your own investigators in?

R: We did by specific act of the board. That's what we did at Brighton, Colorado. This is a difficult thing to approach, and I think you have to look at the psychology of this. It is well known that the comptroller's people examine national banks, the Fed people examine Fed member banks, state banks, and we do a little over half the banks, the state banks that are not members of the Fed but are members of the FDIC. If we sent Federal Deposit Insurance examiners to a national bank out of the ordinary course of business, we might actually serve as a death knell to that institution. There are some psychological factors here that are fundamental. If the insuring agency is examining outside of their normal course, [it occurs] to the man on the street, "What's wrong with this bank?"

M: Right.

R: And so we didn't feel that we were able to really use that course, although the law allows us to.

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M: But you have the responsibility, too, of insuring those deposits in national banks?

R: That's correct.

M: And you don't have the opportunity to examine.

R: That's correct.

M: So therefore you have to depend on those of the comptroller of the currency, and this had broken down.

R: It broke down in this one period. That's the only time that it has broken down. I want to make sure you understand that. Certainly, since Mr. Camp came in, the cooperation between the comptroller's office and the FDIC has been excellent, no problem at all.

M: Now, the fact that you sent in examiners to Brighton, this would further deepen the abrasion, would it not?

R: It did indeed, and I'm certain that this, plus the action taken by the Commissioner of Banks in the State of California, caused Saxon to close the two banks. He didn't want to close a national bank, because when he closes a national bank then its whole affairs are turned over to us by law. Of course then everything becomes exposed to the corporation, and also to congressional oversight. It becomes an item for GAO to look at. So he didn't want a national bank closed. He also was trying to preserve the image that they don't close. But this is a falacious image.

But in any event, we got the two banks one night which put a tremendous strain on our people resources, as you can imagine. The

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San Francisco bank was the largest bank to have closed since the Depression. So we were talking about a good-sized operation there, and two unbelievably complex banking problems from the liquidating side, which is really another dimension of our business.

M: Now, the banks failed, but this doesn't solve the personality problem, the clash between the two areas.

R: No, it did not. The personality problem occasionally would just go beneath the surface, and there would be rather quiet periods. From the time of that failure to the time that Joe Barr left the corporation it was rather calm. I don't recall any great problems in that.

M: Did any of this trouble boil up as far as the White House? Did the President have to say anything?

R: The President apparently stayed out of it. There were some attempts out of Treasury to contain it somewhat, but it was not pushed strongly. There were other forces starting to react to this. The American Bankers Association was talking to the President and trying to push the President in some way better to coordinate the activities. And about this period of time, in mid-1965, the President wrote a letter to Secretary Dillon, asking him to put together some type of a coordinating committee that would hopefully eliminate these abrasions. Dillon did in the summer of 1965, but this was after Joe Barr had left. This was after I had become chairman and I was a participant in this coordinating committee.

But not much happened until April. I had gone to Atlanta to work on a personal problem, again, back to the point that I was kind of



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doing the nuts and bolts work around here. I got a call from John Macy in the White House at this time. John had just called me, expecting me to be here, and I got the call at twelve-thirty. He said, "The boss wants to talk to you at two o'clock." I said, "John, I'm in Atlanta!" He said, "Get in your car and get back here as fast as you can." So I packed my wife and children--this was spring vacation and they had driven down with me--and we started driving and were driving all night. This was a Friday, the Friday before Easter. About seven o'clock that night on the radio, in a rainstorm somewhere in Georgia or North Carolina, it announced that the President had decided to leave the weather and the Easter egg roll and go to the Ranch and wouldn't be back until Tuesday, at the time I was breaking all speed records coming back from Atlanta. We did continue the drive, we drove straight through from Atlanta, and I got back and talked to John. He said, "It will be Tuesday, and you're to be at the White House."

I didn't know what this was about. I knew that Joe Barr had been concerned that he might be pulled away from the job, either back in Treasury, because this was just after Joe Fowler had taken over the spot in secretary of the treasury from Doug Dillon, or there had been some passes made that he might go to the White House as an aide doing congressional liaison work. On the Tuesday I had an interview with John Macy first in his office about what was going to happen, and that the President might be asking me to assume the responsibilities as chairman. I spent an hour with John, and then we went over to the White House to see the "boss."

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Again, I had my second interview of length with the President. This was in his office about three o'clock in the afternoon in April. I can check these dates and supply them, I do have a record of them here. We had another very pleasant discussion. He told me that he had had good reports on my work, and that Joe Barr had recommended that I succeed him. I have a deep appreciation of Joe for this, and I hope this is a testimonial to a very close and warm working relationship.

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R: This was the afternoon visit with the President. It was about twenty minutes, as I remember. You always somewhat lose track of time in an interview of this type. We had just a quick discussion with John Macy, and then John left, and the President and I talked about the corporation. He was courteous in mentioning that Joe [Barr] had recommended me to do this and that Joe Fowler also had recommended that I take over this responsibility.

M: Did he bring up the point of your Republican affiliation?

R: Yes, he did. He said he knew that I was primarily a technician and not a politician, although I had a Republican background. But he felt that I had served fairly, and he said that he wanted me to conduct the affairs of the corporation without regard to partisanism. This was the request. I told him that I was interested in the corporation, that I had a great personal admiration for the job that it had to do and the personnel, and that I was interested just in doing a job; that I'm not a political being. He said that he was aware of that. But he asked

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for me to be aware that it should be conducted without partisanism, and implied, I think, although he didn't say this, "That if you do it nonpartisan, then you'll be treated that same way from me here." This was the implication. He said he wanted me to pick up the ball and run with it and do a job. He expected sound banks, he didn't want bank failure. We'd had some. He knew there were problems. He indicated again that he knew that there were problems of personality [with Saxon], but that I was to do a job, and he wanted sound banks.

It was pretty well just in those dimensions. It wasn't a long discussion, but he did tell me that he wanted it run without partisanism. And without question from that point of time on I had nothing but support from the White House for the projects that we started on and that we worked on. I did not feel in the operation as chairman of the corporation in the four years that I operated under Lyndon Johnson one ounce of political pressure from the White House on my operation. I can say that without any contradiction. Now, that isn't always true of the House and the Senate, but the White House scrupulously adhered to this premise. We tried to conduct the corporation as a technical arm of the government, and he certainly overwhelmingly played his part in that. I hope that in some respect I returned to him the type of leadership that he wanted. But my relationship from then on was without question an outstanding one. The corporation should not be a partisan activity. Its role is to be a trusteeship for the depositors in the nation's banks, and it is a technical operation, not a political arm.

M: What about the new man who was appointed to replace Barr?

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R: Well, we went eleven months without one. We went back once again into this two-man board. You remember, I told you that Jimmy Saxon had been acting chairman with Jesse Walcott. But now, although it was the Republican on the board, the Republican was chairman. So Saxon became the alternate. This was a tough period--eleven months. Saxon came to the board the day that I became chairman, because the board has to make the chairman, has to elect him, and he and Joe Barr elected me chairman. He did not appear again until about five months later when we became involved in a very sticky banking matter surrounding a national bank in Colorado. He came to three meetings in two days, and this was the most chaotic part of my life, from the time of assuming the chairmanship until now. We got in a real hassle. It was a very difficult period, and he wanted us to do some things that we didn't think we could do. We had a running battle.

M: Was it a situation like the Brighton bank had been?

R: Yes, somewhat. This bank still exists. So it really shouldn't be mentioned at all, even on a restricted base. There are statutory constraints on this. But it became a very, very difficult thing. And somehow, after a very stormy session on our board, a very good copy of minutes, or near-minutes, got out of the board meeting. I don't know how. But Eileen Shanahan of the New York Times got hold of those minutes of the session minus reference to the bank and reported in great detail in the New York Times. This was the one breach of public information that came in this eleven months of the two of us on the board. It doesn't mean there weren't a lot of problems, there were, there were abrasions.

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There were also pluses in this period of time. Jimmy and I had lunch together several times and worked out some things. He could be both the most confounding man and the world's greatest charmer. He can be one of the most delightful men to be with that I've ever known in my life. So we had some very pleasant times and also some very stormy times. But it was trying. The President in the interview had indicated that he didn't like abrasions, and certainly exposure to them in the public sector.

M: Did this come out after the New York Times article?

R: No, this had come out in our discussion. I did not get criticized for the New York Times article. It was the only breach that had happened, and I think the only one that has happened since becoming chairman. Eileen Shanahan promised me that some day she'd tell me how she got those records. As of this date, I still don't know. But that was a period of great trauma. Some solutions were worked out in these matters. The bank continues to exist, and I think finally has solved some of its problems. But the attempt to solve the problem as posed by Saxon was not possible under our law as we read it, or under the law as the General Counsel of the Treasury reads it. In order to be fair, we submitted it to the General Counsel to see if he could come up with a different interpretation than we did. He did not. This then passed, and Jimmy worked out some other methods. And then it was again a period of quiet.

It went for eleven months, and the President appointed Bill Sherrill of Houston to be the Democratic member of the board and assume

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that would be normally the minority position. This was an inversion of tradition, and the only time it has ever happened in the corporation. Bill Sherrill came and was here fourteen months. He caught at the beginning certain things that had to be worked out of the San Francisco National Bank receivership that were in conflict between the Comptroller and me that we hadn't been able to come to answer because of only a two-man board.

Back in this period of time, by the way, Jimmy tried to withdraw all of the delegated powers of the chairman of the corporation, which would effectively have stopped us from doing any business on a day-to-day base. He was not able to do this. He also sent over three attorneys one day to convince me that when you have a board of two, that you can have a majority of two in one person. His philosophy was that if one person was an activist and wanted something to take place, and one was passive and didn't care and wouldn't vote, that one who was actively weighted could outweigh the passive non-vote of two. Therefore, a majority of two could be one. We spent a great deal of time going through this logic, but we did not buy it. I want to tell you, we did not buy it. This was part of this eleven-month period.

Bill Sherrill came in with some banking background, with a distinguished academic career, background as treasurer of the city of Houston, and proved to be one of the most delightful men that I've ever known. I have a deep personal relationship with Bill Sherrill. He took the job very seriously, as do I, and this had to be one of the most pleasant periods of my life. Bill is a delight to work with. He has a tremendous

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sense of humor and rare judgment. We had a ball. It was an absolute fun time to work, even though we were involved in some very difficult problems. We got involved in the problems of the credit crunch of 1966; we were involved in a lot of the problems of the residue of the San Francisco National Bank, and we got involved in the Bank Supervisory Act of 1966 on an active base.

M: Did the Saxon problem finally resolve itself when Saxon left?

R: It resolved itself pretty well when Sherrill was here because he and I were able to reach agreement on every issue. In this period of time also I mentioned that the President had sent to Doug Dillon this coordinating committee idea, and Dillon started it, and it was continued by Joe Fowler and has been continued now in the new administration under Secretary [David] Kennedy. In fact, I have a coordinating committee meeting today at one o'clock. It was not useable to any degree as long as Saxon was there. His personality was such that if Jimmy couldn't run the whole show, Jimmy wouldn't play the game, and that doesn't work in a committee approach. It may have solved a few problems or kept a few within tolerable limits, but not greatly. It wasn't until Bill Camp came in after Jimmy's term expired that this coordinating committee started to be a viable dimension of government.

Since then it has proved to be a very satisfactory answer. It has solved a lot of the problems from Saxon's administration, and has allowed the opportunity for us to get things off our chest and get a burr or two out from under the saddle. Things are much smoother in

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federal supervision as a result of this tool, and the credit for this should be given to Lyndon Johnson, because it was at his request that this was developed. Although it's informal, there's no statutory base, it has proved to be a most satisfactory answer. I was privileged to be the one recommending to Dave Kennedy to continue with this, and Kennedy did buy it. I've been on it since the beginning. It consists of the chairman or vice chairman of the Federal Reserve, the comptroller of the currency, the chairman of the Home Loan Bank Board, and the chairman of the FDIC. We rotate the chairmanship of the coordinating committee on a quarterly basis. We've all been involved in it now for quite some period of time.

It proved to be very important in the development of ideas on the Bank Supervisory Act of 1966, which primarily is designed to put better supervisory powers into the hands of the Home Loan Bank Board. The banking agencies could have gotten along very well without them. We pretty well had the powers in one form or another to do the job. We knew that the Home Loan Bank Board had to have new powers because we were approaching some crisis situations in the savings and loan industry. All of us, with the exception of Saxon, who fought this Act vehemently, felt that we were better off to submerge ourselves into a unity approach and try to go for a whole broad spectrum of powers covering the banking agencies and the Home Loan Bank Board. This was politically the only way that we could acquire them. This was a move that worked, and the Act has been used strongly by the Home Loan Bank Board. We have used it



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modestly. We continue to use more of the old powers that we had rather than the new ones.

M: Saxon objected to this, again, because it was more restrictive, or more regulations?

R: Yes. And he also reacted because it puts the Federal Reserve Board over some of his actions as comptroller. He has to use his powers through the Federal Reserve Board. This was designed by the Congress and people wishing to avoid the arbitrary acts of a single administrator, so that it at least had to go through a board approach. This he felt was a slap in the face.

M: The cease and desist provisions of that act were really not necessary for your operation?

R: They're handy. They tidy our approach, but they really were not necessary. But they were critically necessary in the Home Loan Bank Board.

M: How about the raising of the FDIC limit to fifteen thousand dollars?

R: It was a quid pro quo tradeoff. This was made part of that.

M: Is it that important?

R: Not really. I think it's important to note that we do not want 100 per cent deposit insurance. We believe that the large depositor has some supervisory responsibility in the banking community for making sure that management adheres to standards that are good. So we oppose 100 per cent deposit insurance; we try to make sure that it doesn't grow too rapidly. It had been changed in 1950 from five to ten, and Mr. [Wright] Patman was trying to move it to twenty. We were willing to accept the fifteen. Actually, if you look at it in an inflationary sense, the

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fifteen in 1966 when it came about was about the same dollar value coverage as the ten in 1950, so we had no problems with it really. We may have used it a little in jockeying to make sure that we didn't go too fast upward, but as to the corporation, its exposure, its risk, it isn't a problem.

M: It would seem historically that the purpose of the FDIC would be to insure deposits and to give confidence in the banking [systems].

R: That's it. Confidence is the most important challenge given to it by the law.

M: This is really your main purpose then?

R: Yes.

M: And the limit of the deposits insured would be just a part of creating that confidence.

R: Right.

M: Now, the FDIC, from what I have read, is getting into improving banking procedures, research, correlation of statistics, and so forth.

R: Right.

M: And apparently this came under your chairmanship, is that right?

R: This has been probably the most important new dimension of the corporation. We have the responsibility of maintaining total bank statistics. Before the advent of third generation computers this was a long, laborious method of just adding long columns and coming up with some simple averages. It had modest usage. But it gives to us a great mountain of information that can be used for supervision, and also a by-product that can be used for banks in improving their own operation. We're

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trying to maximize both ends in the utilization of third generation computers. We're developing, in essence, the framework of a management information system for an industry as a by-product of our regular operation. This is really the new dimension.

The concept here is that better informed bankers will make better decisions. Better decisions mean less of a chance of bank failures. In most of the banks, this is not only better from the point of view of less failure or less chance of failure, it also means perhaps better banking services at lower costs to the man on the street. So there are significant by-products of this, and we think it's very important. Bill Sherrill played an important role in this too. Bill was here at the time when we jointly started developing these ideas, before he left for the Federal Reserve.

M: Has this been developed primarily within the FDIC, or has there been White House encouragement of this, or support?

R: This has been totally developed within the FDIC, but with some memorandums to the White House about what we were doing. Again, I can say, back to this conversation with the President, he stayed away from the operation except to make sure that I had support. I haven't been interfered with at all. I have been independent, totally, in the operation of this type of thing. If we wanted to do it, it has been there and the support has been there. We've had a few comments that, "We hear you're doing a good job," and that's about it. I did in this period of time have contact with several people in the White House, and I reviewed things with them periodically, with Bill Moyers, first of all, and then

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with Joe Califano. These were the primary people that I worked with, knowledgeable, and most cooperative. All scrupulously played this hands off attitude.

M: What about in the reorganization of the FDIC into fourteen districts?

R: This was all done here also. You should recognize that in the corporation there are only two connections with the federal government: one, we have to make an annual report to the Congress; and, two, the board members are appointed by the President. We are not under any administrative control. We voluntarily submit our legislative statements, speeches, to the Bureau of the Budget. This is voluntary, because we believe that there should be orderly government. We talk to the Treasury, but they have no jurisdiction over us. We don't come under appropriated funds; we have our own funds. In fact, the building that you're in right now is not a government building. The FDIC owns this building. We pay taxes on it in the District of Columbia. This is maybe indicative of a state of mind.

M: Then the reorganization--I believe this was in 1967, wasn't it?

R: Yes.

M: --was for your own internal efficiency?

R: Yes, purely. Because of changes of banking structure, we just had overload in certain districts in the number of banks we could examine.

M: You didn't have to talk to Congress about this?

R: No. The decision was made by the board, and it was done.

M: I have read that you've had some flak coming out of Congress, especially from Wright Patman.

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R: Yes.

M: In regard to inspection records. This was fairly recent, I recall, in 1968.

R: It is recent, but it has a long period of embattlement. It's not just in my period of time. The question here is what is the jurisdiction of the GAO in the review of our records. We have three federal bank supervision areas. The Federal Reserve is not under any dimension of the GAO. The comptroller of the currency is audited by the Bureau of Accounts of the Treasury, not under GAO. We have records of both the Fed and the comptroller here, examination records. Our law says that the GAO shall audit us for financial transactions. Now, we maintain that this says that they will look at our books of account, what we spend, our expense accounts, any of our internal operations.

But they do not look in this one area of extreme confidentiality, the report of the examination. This report of examination contains a lot of private citizens' private business, and generally not in a good light. If it's in a report of examination it isn't good information, but it's highly confidential. We treat it scrupulously in the area of confidentiality. There are statutory constraints against us giving this material out to anyone, and we maintain in this one narrow area that this is our expertise and our responsibility. As to the books of account, all of our records, or in looking at the work we do in liquidating a bank, auditing of this, this is open to GAO. We have no problem. But this one narrow area is an area of

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attack by Mr. Patman. I think it conspicuously that it would be a way of getting GAO into the records of the Federal Reserve System.

M: What's the advantage of that?

R: I think you have to understand Mr. Patman, if it's possible to, from a banking point of view. Mr. Patman, who is a delightful person in his own right, has a fixation against banks, bankers, and bank supervisors. It has the dimensions of being a zealot. He doesn't like banks; he doesn't like bankers; and he doesn't like bank supervisors. He hates big banks worse than he hates little banks. It has the crusadism of a zealot, and it leads to maybe some aberrations that are difficult to really explain. He's an interesting complex. I have done battle with him a few times; I've spent a good deal of time in front of his committee. He did push this bill. We spent a good deal of time last year talking to the members of the committee, and it failed in committee, which in essence, I think, says that our interpretation of the law as it stands now is correct. The GAO does not have the right to come in. They pushed for corrective legislation, and it failed in committee. So we maintain that we do have a basis for where we are.

M: Is it correct that your argument was that the confidentiality is necessary for your operation?

R: Yes, indeed. We feel that it is. Much of what we have and how we can appraise banks is based upon the treatment of confidentiality of information. If this material is not confidential, our sources will dry up. It's an information system, an intelligence system, really.

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M: Can a bank refuse inspection of its records?

R: No, it cannot.

M: So how can they withhold confidential information?

R: It isn't just the record. It's like an intelligence system. It isn't just looking at records, and I think this is where it's misunderstood. We are not accountants. We are not auditors. We're examiners. We're looking really at how good is the credit. What about this man that you've made a loan to? How stable is his personal life? Does he have drinking problems? Is he sleeping with his secretary? This type of thing is part of an examination.

M: You are appraising personalities, management talent?

R: Both inside the bank and also the customers the bank does business with. So if it were just the bank, I think there would be a less defensible position. But the bank really is a holding vessel for the public's business of that community, their most private business, their dollars and cents business. And this is the type of thing that has to be preserved. If this were not preserved, for instance, the bank[er] may not get the information he needs from the customer. Because the customer doesn't want that material exposed either. If that customer starts screening information to the banker, the banker may not be able to make loans as well. If the banker then starts screening the information to us, we may not be as able to appraise the bank.

M: Would there be a danger if the GAO did investigate this area that the confidentiality would be exposed?

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R: The law that was proposed said that it would be open to the GAO, to any congressman, and to any congressional committee, which could be staff, people that aren't under constraints that we have. Obviously when you've got that many people involved there are going to be leakages. Obviously if this type of material was open to an incumbent congressman about the affairs of others in his state, it could be used improperly. I don't mean to say that the motives are wrong, but that kind of information is pretty dangerous in anyone's hands. It's volatile.

M: What did you do to prepare the transition to the new Nixon Administration? Did you have conferences with Nixon people, or was there any great difficulty in that?

R: Well, I guess ours was as easy as anyone's, because being a Republican, it's just gone smoothly on.

M: You are an independent operation, so it would be.

R: Right, totally. And then the people that Mr. Nixon has brought in have been personal friends. Dave Kennedy I've known since the early fifties in the banking business. In fact, his second daughter and my wife were roommates in college, so we have a long-standing personal relationship. Charlie Walker, who is the under secretary, is a long standing friend. I've worked with Charlie for the last eight years on a lot of activities. Paul Volcker I knew when he was here in the Dillon administration, and I developed a close personal rapport with Paul Volcker. Paul McCracken is a man that I've known and admired



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for many years, and I know Bob Mayo very well. So the ones that I had contact with either I know very well, and they know me very well. There just hasn't been a riffle here in that type of transition. I would say we probably had an easy a time as any government agency. There is no difference operating today under the Nixon Administration than there was under the administration of Mr. Johnson as far as the corporation is concerned. It has been very smooth, not a riffle.

M: I've exhausted the questions that I have.

R: I'd like maybe to add one thing. I think one of the interesting periods that perhaps you don't know about was the appointment of Bill Sherrill as a member of the Board of Governors of the Federal Reserve System. I was assigned the responsibility on this via Jake Jacobsen to be the midwife. I was assigned the responsibility of selling Bill Sherrill to Chairman [William] Martin of the Federal Reserve. Chairman Martin wanted another candidate, and had pushed this rather strongly and was rejecting what he thought was cronyism. I was assigned to tell Bill Martin about Bill Sherrill as I saw him after having worked with him for fourteen months. I spent several days on this. By the way, both Bill Camp and I were strong advocates of Bill Sherrill's candidacy for that board. Bill did not know about it, but I have letters here that we wrote to the White House recommending him when that opening came about.

M: To clear up one point, you said you'd worked with him for fourteen months?

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R: He was here fourteen months on the board before he became a governor of the Federal Reserve.

M: I see.

R: And I had deep regard for him. I felt strongly that the Board of Governors needed someone with a business background; they had four economists and that was a little heavily oriented. We had made this point strongly to the White House, both Bill Camp and I, and had strongly recommended Bill Sherrill. But I became involved in about three days of discussions, living with Bill Martin in explaining Bill Sherrill. One of the pleasures of this is that Bill Martin has acknowledged back to me the accuracy of my forecast, and his very deep pleasure of having a very able and delightful person in Bill Sherrill working on this.

M: In an appointment like that, who all is consulted to gain candidates? Obviously they asked you and Mr. Martin of the Federal Reserve Board. Who else would be consulted?

R: Well, Bill Camp was, and I'm sure the Treasury people were. I don't know whether congressional people were involved in that one or not, I really don't. I got involved in several other appointments because I was a Republican in the administration. I became involved in Bob Rand's appointment of the Home Loan Bank Board and the locating of Bob Rand. He was one of the names that I located for the White House. I was involved in some investigating work on a member for the AEC and others outside of my area of activity. Frequently I'd get calls from

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the White House for me to check Republican points discreetly on quite a few appointments, or to check out a name.

M: Would these come from White House staff or through John Macy?

R: They would come from both, mostly through John Macy. A young fellow that worked for John by the name of Jim Marsh was the one that I contacted most frequently.

M: What kind of information would the White House want?

R: They'd usually specifically want to know what brand of Republican politics does this man subscribe to? Is he overly conservative or overly liberal? Is he moderate? What kind of judgment does he have? Has he made critical errors in his area? This would be the type of thing that I would check out.

M: Then you'd have to check with your friends in the party?

R: Right.

M: Wherever they might be.

R: And again, many of these checkings were with banking friends as much as party friends. Of course in most sections of the country, banking is Republican.

M: In checking talent like this, do you do this all on a personal basis? I mean, do you call a friend of yours who happens to know the candidate?

R: Yes. It was all done on a personal basis.

M: You wouldn't go to, say, the Republican National Committee or anything like that?

R: All of the requests for checking that I did were on a personal basis. They were not other than that. Again, in keeping with the posture that

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Mr. Johnson asked me to do, I have not been in contact with the official Republican Party during this period of time. My only real contact in the Republican area was with Wallace Bennett, and Wallace and the President had a good personal rapport, by the way. He of course became the administration's floor leader on the coin reform, I think perhaps because of this association. So into official politics I limited my scope to Wallace Bennett, and I think this was consistent with the thing the President asked me to do.

M: Fine. Any other comments you wish to make?

R: I don't believe so at this time. I think we've covered quite a bit.

M: Thank you very much.

R: You're welcome.

(Interruption)

I forgot one interview with the President during the period of time that Bill Sherrill was a member of the board. This was in the period of the extreme credit crunch of 1966 when there was a lot of pressure against the banks, and a lot of us were nervous that these monetary pressures might really cause some failure. We were, again, meeting with the President in that little "think tank" room off of his main office.

M: Let's clear a point here. What would be the FDIC involvement in that credit crunch?

R: We had the responsibility for seventy-eight hundred banks, as the regulatory authority.

M: If it got out of hand and there were bank failures, then--

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R: It's our responsibility. We're also the only federal supervisor for the mutual savings banks, and this was a very critical part of the credit crunch because the crunch hit these specialized institutions. So we were deeply involved in that. We also established the interest ceilings for the banks that are not members of the Federal Reserve. So we're involved in it in several dimensions. We're really part of a--it's a contradiction in terms--segmented central bank. We're really a dimension of a central banking operation, if you look at it in a traditional sense.

M: When this credit crunch developed, did individual bankers contact you and express their concern?

R: Oh, indeed. We maintain a constant communication with the banking industry, and we had a great deal of comment along this line.

M: Was there really a deep seated fear or anxiety in this credit crunch?

R: Yes.

M: Much deeper than would publicly be suspected?

R: Yes. It was a critical period. It was crisis time, and it was tough. We were in constant work with the White House, with the Treasury, the Federal Reserve, and with the banking industry. In certain key points we were running checks on flows of money two and three times a day in some of the banking areas. It was a very tough period.

M: What did the FDIC do, now, in something like this? It would seem that you would be sort of waiting in the wings.

R: No, we were really a very active participant in the discussions of answers. You remember, Mr. Patman tried to put in a bill to force a

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4-1/2 per cent ceiling on what banks could pay for deposits in order to force money into the housing industry. The alternative to that, which was a flexible ceiling approach in bringing the savings and loans and the mutual savings banks under this ceiling, really was developed by Bill Sherrill and me. We were the ones that promoted that answer, and promoted it with the Treasury, because of coordinating committee activity and because of other dimensions really. You remember, in this period of time Bill Sherrill and I were really the only two administrative appointments in the bank regulatory area. The Fed was not really involved with people that Lyndon Johnson had selected. Bill and I were, so we became somewhat of a conduit, and we were running all over the ballpark in this period of time really.

We were trying to be a think factory, if you can, posing alternatives, and we were part of the discussion at Treasury with various alternatives with the Federal Supervisory Authority. And we were involved in the Interest Ceiling Act that came about in that year. We were strongly involved, both in testimony and in the development of the act that went up. Joe Fowler wanted to limit the change at ten thousand dollars, where the ceiling on deposit insurance was, and we felt that this would be very disruptive. Bill and I sold the break at one hundred thousand instead of ten thousand, which continues to be still the method of approach.

But in this period of time when it was tough, the President called Bill and me over for kind of a report on what was going on, and we

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talked about it, and talked about the problems of the banking business and the stresses. I remember one item that just sticks in my mind strongly. We were very frank and discussed all of the items, somewhat the way we've been discussing them here. Bill and I were on the couch and he was across on a chair, and he turned to a photograph that was on the wall; it was a photograph of President Hoover. He'd been giving us a lecture that he wanted banks examined, and he wanted sound banks, and he wanted failures at a minimum. He turned and he shook his finger at that photograph, and he said, "I don't want them doing to me like they did to old man Hoover." I guess if there was ever a specific instruction given to us, it was that.

He told us that even on some of the spending constraints that were built because of the Vietnam War, that we were excluded from that, that he wanted us to recruit examiners. He wanted sound banks. If there was any watchword that we got from Lyndon Johnson in his administration, it was to build staff, build capacity to examine banks soundly, and I think imaginatively. [We were] not to constrain the economy, not to be a deadening hand of regulation, but to have good examinations, solid, and make sure the banks were serving the public, but doing it safely. This is really the message that I got from Lyndon Johnson.

M: Did you play a role in restoring some semblance of confidence to the banking community in this credit crunch? Did you have to soothe these people?

R: I think when we got this interest ceiling bill and started the implementing of that, the pressures diminished. Since then our approach to

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monetary policy has been much more orderly, although many of us feel that the Fed let up in the 1967 period too much and let the inflationary forces come back too quickly. That has the benefit of hindsight, I'm sure you recognize that. But the approach to monetary policy as a result of that bill has been much more orderly. We are now in a period of credit restraint fully as strong as the 1966 period, but without the disorganization, without the crunch being chaotic in the banking and money marketplace. It's orderly, it's strong, and the pressure is there, but it's well within the capacity of the banks to adjust to it. There isn't the major shift of monies. It's a constraint, and I think from the experiences of 1966 and the passage of the Interest Ceiling Bill to today we see a very important new and orderly approach to monetary policy. I think this has been a contribution to the economics of the country.

M: Thank you again.

[End of Tape 2 of 2 and Interview I]



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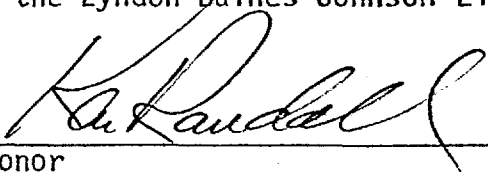
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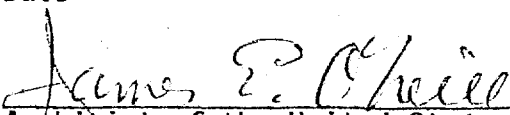
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