

Claudia: [Recording begins mid-sentence] ...the Fuchs, in a beautiful home in Palo Alto on the campus of Stanford. It is March 18th, 2002. I'm here with Victor Fuchs, and Victor is going to tell us about his times at the National Bureau of Economic Research. So why don't you take it from there, and we'll go in whatever chronological or non-chronological direction you would like?

Victor: All right. My first time at the Bureau, I was there as a visitor, at the invitation of Sol Fabricant. I believe it was in the spring of 1958. I had a one-semester leave of absence from Columbia University, to work on a Social Science Council monograph. My monograph dealt with Location of Industry. It was eventually published by Yale University Press. I looked at changes of the location of manufacturing in the United States, between 1929 and 1954, approximately.

Sol, I guess, knew of me, or it might have been an introduction between George Stigler, who was one of my professors at Columbia, and Sol. Sol said, "We have some extra offices if you'd to come down and work there." It sounded good to me for the intellectual stimulation, contacts and so on. That's how I came to the Bureau as a visitor, and didn't return to the Bureau until 1962, as a staff person, when Sol hired me to direct a project on the service industries.

Claudia: Right. Can you say a bit about the fact that you were a graduate student at Columbia? You began in 1950, is that right?

Victor: That's right, 1950.

Claudia: 1950. And you continued at Columbia until, was it 1955?

Victor: No, 1958. That year when I was on leave writing was my last year at Columbia. I started teaching there immediately after completing [Inaudible].

Claudia: Okay. So 1958 is when you left your position as a graduate student, and you began your position as assistant professor?

Victor: No. I was a graduate student from 1950 on. I started teaching in 1953. I received my degree in 1955, and I left in 1958.

Claudia: Okay. When you left in 1958, you went to the Ford Foundation?

Victor: No, I went to New York University for one year, and then went to the Ford Foundation.

Claudia: Okay. So you went to Ford in 1959?

Victor: Right.

Claudia: Okay. Now I've got it all.

Victor: Pretty much.

Claudia: When you were at Columbia, you got your Ph.D. in a very short period of time. It was pretty fast.

Victor: Well, considering I was teaching full-time, yes.

Claudia: Well, I should say that you became an assistant professor very quickly.

Victor: Well, until I got the degree, I wasn't called an assistant professor; I was called an instructor.

Claudia: An instructor, okay. So from the time you were an instructor, until when you got your Ph.D., you were teaching Economic Theory?

Victor: No. I was teaching undergraduates in the School of General Studies. This was a special program. Most of the courses were in the afternoon and the evening; most of the students were older than the typical undergraduate.

Claudia: I was trying to figure out when you wrote "Warner and Fuchs" [*Concepts and Cases in Economic Analysis*]

Victor: That was during that period of time, yes. In fact, I was going to mention I like the case method of instruction, even though principles.

Claudia: Right, and how much interaction did you have with Arthur [Burns] when you were a graduate student?

Victor: I took one course with him, and that was the main interaction. The second interaction was interesting because it didn't occur. As a graduate student, when you take your oral exams in your courses, you're allowed to choose the professor you want. Who do you want to question you on Economic History? Who do you want for Theory, and so forth, and I chose Arthur as one of my professors who would question me. When I came to the orals, unfortunately, Arthur had forgotten about it.

At the last moment after we had all assembled, John Maurice Clark came in and said that Arthur had called him and said that he was terribly sorry, but he had forgotten about the exam, and would he please come in and question me on Economic Theory. I had never taken a course with Professor Clark. I had never even exchanged three words with him in the time that I had been a graduate student. He was a perfect gentleman, and he began the questions by saying, "What would you like to talk about," so there was no problem.

Claudia: So you had very little interaction with Arthur when you were at Columbia?

Victor: Except for that one course.

Claudia: Except for that one course, of course, was on theory?

Victor: Theory, on anti-theory.

Claudia: On anti-theory, yes.

Victor: We read [John] Hicks, for example, *Value and Capital*, and things like that.

Claudia: With [George] Stigler, Price Theory, right?

Victor: Price Theory, right.

Claudia: That must have been an absolute joy.

Victor: Joy?

Claudia: Yes.

Victor: Why?

Claudia: Well, I suppose when...

Victor: It was funny; I mean there was a lot of humor.

Claudia: I used to go to any course that George would teach at Chicago. I would just sit back and listen because it was humorous; it was filled with tidbits of interesting economics.

Victor: At what stage in your career?

Claudia: When I was a graduate student, like my second or third year.

Victor: Yeah, but remember this is the first-year course. It was 1951, and I don't know whether he... I think George is marvelous. I learned more economics from him than practically anybody, but I think you have to have a certain amount of sophistication and a certain amount of understanding in order to appreciate what he's saying. As an introductory course to Economic Theory, it was deficient in some respects. It wasn't very complete. George was very selective, wisely, I think, in what he chose. But there are lots of things that most people would get in an introductory course that I knew nothing about.

Claudia: I think his teaching, and his humor, were perhaps too subtle at times.

Victor: Right. The other thing I remember very distinctly is that he would often come about 10 minutes late to class, and then he would make up for it by leaving about 10 minutes early. As compared to the alternatives, to take the course with [Albert] Hart or [William] Vickrey, I still think I made the right choice.

Claudia: Right. Okay, now we get back to...

Victor: Yeah, that's not the Bureau.

Claudia: Well, it is the Bureau in the sense that one of the interesting aspects about people at the Bureau in the '50s and '60s is that so many of them had been Columbia graduate students, and that there was an obvious pipeline from Columbia. It was often Arthur, but sometimes it wasn't Arthur that was part of the pipeline.

Victor: Right.

Claudia: And in this case, it wasn't exactly Arthur; it was George.

Victor: It was George, because George was on the committee that was supervising this series of monographs, census monographs, sponsored by the Social Science Research Council. So it was George who was the pipeline. George was the connection between the Bureau and Columbia, and that monograph.

Claudia: Now, George comes to you and says, "Victor, do you want to work on Location of Industry?" What was your first sense of what you wanted to do? What had you been thinking about working on?

Victor: Very good question. Do you want me to make it up now? I'm not sure that I was thinking about anything. I just had a wife and three kids. Just getting along and making my way in the world. I knew I wanted to do the

research, but I didn't have that clear a line. In a way, I was straddling Industrial Organization and Labor.

I'll tell you where my thinking was. As a young assistant professor at Columbia, one of the senior professors took me to lunch and asked me what did I plan to specialize in. I said to him, "I wasn't sure that I was going to specialize in anything." It seemed to me that specializing in Economics was already too much specialization. He never spoke to me again the entire time I was at Columbia. But Location of Industry seemed good enough. I liked working with numbers, and this obviously afforded an opportunity to dig into a large dataset.

Claudia: Once again, at Columbia, did you take Industrial Organization with George?

Victor: No. I didn't take Industrial Organization. As a student, my interests were primarily in the direction of Soviet Economics, Comparative Economics Systems, International Trade, Economic Development, subjects of that kind. I did not take Labor. [Leo] Wollman was the professor there, and I didn't take Industrial Organization. Although, later on, I sat in on George's course on Industrial Organization and got a lot out of it. But I never took it as a graduate.

Claudia: Right. So Location of Industry, and clearly, as someone who had an interest in Trade, for example, in Development, Location of Industries would apply. No?

Victor: I was more interested in the development and so on from the point of view of Comparative Economic Systems. The Soviet System, and other types of systems.

Claudia: But the Theory of Trade and Location of Industry, you didn't see the connection?

Victor: A little bit, but I mostly didn't operate in a very deep theoretical level.

Claudia: Right, at this point, and we'll get to Gary Becker's influence on you a bit later. Another interesting point from other interviews is how many people say of the Bureau, "I had a family,"— and even Milton — "and the Bureau said, 'Would you like to work,'" and I thought, "Well, extra income for what I'm doing? That's great." Here is yet another example of where the Bureau steps in and helps people, and pays them for what, perhaps, they wanted to do, or in this case, entices you in a slightly different direction.

Okay. So this is the route that you came to the Bureau. So in this early year that you worked on this, where did you labor on this project? Were you physically at the Bureau in 1958?

Victor: Which project?

Claudia: Location of Industry.

Victor: For a period of the semester that I was on leave from Columbia, I was physically at the Bureau. Went in there almost every day. Had an office, not always the same office. One of the memories I have of the Bureau in those days is that there was a very tyrannical office manager.

I think her name was O'Neill, but I'm not sure. One of the joys of coming in on a Monday morning would be to see your effects in the hall being moved from one office or another, because somebody else was going to occupy the office that had been previously assigned to you. I was probably the lowest person on the totem pole, being just an unpaid visitor. I always had an office, but I never knew which one it would be.

Claudia: Do you have any memory of people who were there in that year, people you interacted with?

Victor: Yes. I think I remember. Memory can be a funny thing because we're talking a long time ago. Zvi Griliches was there as a postdoc or fellow, I believe. The memory I have of him is his poring through farm machinery catalogs. I said to myself, "Here is a brilliant econometrician who thinks it's important and worthwhile to dig in and get out the actual details, and the specifications and the prices of machinery, and so on." That is a memory I have from that early visit.

Claudia: Did you talk to anyone? I mean here you were working on this fairly large project. Where were you to begin? What were you to do if you had a problem? What were the best sources you were using? Census data, you were using Census manufacturing data?

Victor: Oh, yeah. Every month, I would go down to the Census Bureau in Suitland, Maryland. I would spend at least half a week down there. I was a sworn agent of the Census, so I had access to material that would have been barred for disclosure reasons. I was able to use all that material, and I was able to have a great many of my calculations done within the Bureau, so that the data didn't move out within the Census Bureau. I had more interaction with the colleagues at the Census Bureau than I did at the National Bureau.

Claudia: And those were the more recent data, but for the data for the late 1920s, 1930s, 1940s, you could use the published stuff that was in Columbia?

Victor: Published stuff wasn't good enough, because a lot of the geographical detail was not published because of disclosure reasons that would reveal information about particular industries, in particular locations. So I had had access to the unpublished material.

Claudia: I've used that material, but not for the reasons that you were using it. Of course, something like automobiles, there are lots of asterisks straight across. That's right.

Victor: I had the whole stuff.

Claudia: Did someone say to you, "This is how you do it"? How did you figure out, "I could go to Suitland, Maryland and get this"? Did this come to you?

Victor: I think the committee provided a little guidance.

Claudia: The committee? What committee?

Victor: The Social Science Research Council committee that George was a member of. They provided a little guidance, and the people at the Census Bureau provided a lot of guidance into the data. As far as what to do with the data, that I sort of made up as I went along.

Claudia: Right, but exactly where it was, I always imagined as a historian you have to think very hard about how to ferret out this information.

Victor: I had it ferreted out, but what to do with it after I had it...

Claudia: That was your problem.

Victor: The was the hardest part. Right.

Claudia: Okay. So now we're back on track in 1958, and that's were we ended. So in 1958, you...

Victor: A brief visit to the Bureau.

Claudia: And then from 1958 until 1959 you were at NYU for the year as something.

Victor: 1958, 1959, I guess, yes. I was associate professor at NYU School of Commerce, which had been my undergraduate school.

Claudia: Which you went to at night, while working during the day for your father, who was...

Victor: That was after the war. Before the war, I was a day student.

Claudia: Right. So 1946 to 1950, you attended NYU in the evening.

Victor: Just until 1947. I got my degree in 1947.

Claudia: Just until 1947. Okay.

Victor: I got a lot of credit for work done during the war.

Claudia: Where you learned a tremendous amount in Bowdoin.

Victor: At Bowdoin.

Claudia: And somewhere else.

Victor: Math and physics, then at Yale, electrical engineering.

Claudia: In 1959, you go to the Ford Foundation. You worked there one year, right?

Victor: No, I was full-time for two years, and then I was half-time for one year.

Claudia: Okay. What did you do? At Ford, you worked in the field of what, Development?

Victor: They had a program called Economic Development and Administration, but each program officer was, to some extent, free to develop his own ideas, or her own ideas, as they wanted. I became interested in a lot of problems having to do with human resources and so on. That was when I first got interested in the health field. I initiated the project on health education and welfare. I think it was one of the more successful projects. It cost \$25,000. It was internally administered. I signed up six people to work on the project— T.W. Schultz, Kenneth Arrow, Carl Kaysen, Bob Dorfman, Herb Korman, and Ted Gordon.

Claudia: That's quite a group.

Victor: Dorfman and Kaysen didn't come through, but four out of six is not bad. Schultz produced that little volume called *Economic Value of Education*, which has been a fantastic success, translated into many languages.

Arrow produced the seminal article on health economics, published in the *American Economic Review* in 1968. No, 1963. It's the most frequently cited single-authored article that Arrow has ever written. And then there were quite credible books by Herb Carmen on the economics of health, and Ted Gordon on the economics of welfare. So it was a good project.

Claudia: It was a good project, and it also appears that it formed many of your ideas that later blossomed in Health.

Victor: It was educational because what related to that was an assignment I got from the president of the Ford Foundation, Henry Heald. I think that was his first name. Anyway, he asked me to look into what, if anything, the Ford Foundation should do about health and the health field, because until that point they had not done anything in health.

I spent quite a bit of time looking into that. I hired some marvelous consultants — Walsh McDermott, from Cornell Med School; Leona Baumgartner, who had been the Commissioner of Health in New York City; Rufus Rorem, who was one of the founders of the Blue Cross movement in the United States. So I learned a lot from those people. Colin MacLeod from The Rockefeller University.

In the end, I concluded that the Foundation should stay out of the field of financing biomedical research, and medical schools and things like that, but that it should provide support for work in health economics, and health-care administration, and those type of things.

We did make one grant that would be of interest to you with your Chicago background, and that is a grant to George Bugbee and Odin Anderson, who were pioneers in developing data on drugs, on the consumption of drugs and so on. For many years, they were supported by the drug industry, and then the drug industry took away their support and they came to me and they said they had an opportunity to go to the University of Chicago, to the School of Business, but they didn't have any money. So I gave them a grant to get started there in Chicago.

Claudia: Just one small thing, which is, why did you leave a tenured position at NYU to go to Ford?

Victor: I didn't find the students at all challenging or interesting, and I didn't find the intellectual environment contributing to my development and intellectual growth. Mariam Chamberlain, who was a friend of mine from Columbia, and Neil Chamberlain, had deep Ford connections. They came to me and said, "You know, this is an opportunity to learn and do things," and so on. I thought they were right, and they were right. I learned a great deal there. Most of the top economists in the country came through the office one way or another, so I did learn a lot there.

Claudia: So it was a fruitful four years at Ford.

Victor: Two and a half.

Claudia: Two and a half. I keep on getting dates wrong. I tried to put together a vitae of work from the pieces that you sent me, but I couldn't get the exact dates, but now we have them. We have them through my many errors on this tape. You see, I told you that when we make these tapes we make mistakes, but I've made about 20 so far. So some of it was half time at Ford; what were you doing the other half time?

Victor: I was at the National Bureau. See, after two years at Ford, the National Bureau came to me and said, "We would like you to come and join our staff, and direct this project in the service industry."

Claudia: I thought that began in 1962.

Victor: Yes, that's right.

Claudia: Okay. So it began in 1962, because 1959, 1960, 1961, 1962, that's why I counted four years at Ford, but it was only two and a half, because it must have been the very end of 1959...

Victor: Right.

Claudia: ...and then you began the beginning of 1962. I get it. Okay.

Victor: Yes.

Claudia: Now we got it absolutely straight, Victor. Okay.

Victor: I did well at Ford. One of my other projects, which I'm kind of proud of, it really led to much of the work that we associate with the Poverty Institute at Wisconsin. It started with Jerry Summers and bringing him down to West Virginia, and getting him start to work on the unemployed in West Virginia. You remember in the early 1960s, there was a lot of concern about structural unemployment, or maybe you don't. Well, you wouldn't remember it secondhand, not personally. That was an interesting project, and gave support to the University of Wisconsin. I think it led to the creation of the *Journal of Human Resources* and so on. So that was a good thing; I enjoyed that.

At the end of the two years, I had to make a decision, because the foundation wanted me to stay on and become a more-or-less permanent staff person, and make a career at the Foundation. The Bureau was offering me an opportunity to do research. I liked both kinds of work, and so I decided to try, and I convinced each of them, "Let's try it on a halftime basis." I'll spend half time with the Bureau and half time at the Foundation.

At the end of one year, the Foundation decided that this really didn't work for them, and so then I made my choice to go full time with the Bureau.

Claudia: So who was the contact at the Bureau?

Victor: Sol. Sol Fabricant.

Claudia: Okay, and you had first met Sol when?

Victor: When I was a visitor.

Claudia: Okay. Sol came to you, and he said...what did he say exactly? As you remember it.

Victor: That they were looking for somebody to direct this project on the service industries and would I do it?

Claudia: Did you look at him and say "services?"

Victor: Not at all. This is an interest of mine. This is something that I had worked on at the Ford Foundation.

Claudia: Right, but didn't you say to Sol, "Services is in so many things. It's you, and me, and the janitor, and the..."

Victor: No, I think I had a clearer view of it than they did, because I thought about it a lot when I was at the Foundation.

Claudia: And so, what was the clear view?

Victor: That this whole American economy was being transformed, from an industrial to a post-industrial society, and it was being led by the shifted employment, just as the Industrial Revolution had been led by shifting employment from agriculture to industry. I'm going to...

Claudia: Anytime you want to get up, just get up.

Victor: Okay.

Claudia: Do you want me to turn this off?

Victor: I can see at this pace, Claudia, we're not going to do it in an hour, are we?

Claudia: Well, what we've got...I'll turn it off right now.

[Recording stops and then begins again]

Claudia: Okay, we're in 1958; you were working on the service sector, and...

Victor: No, I'm in 1962, and I'm starting a project on the service industries.

Claudia: ...you're working on the service sector.

Victor: Right.

Claudia: And motivated by work by the interest in the post-industrial society, take it in any direction you want to.

Victor: Well, that was a very, very fruitful time. I was full-time at the National Bureau until 1968. As I've said in my essay, I considered it to be a long and late post-doctoral experience. I was 38 years old when I came to the Bureau, and I felt that I really had not by a long shot completed my education and my training and so forth. The graduate work at Columbia was okay, but it was deficient in many respects. The work at the Ford Foundation was very interesting, and I learned a lot, but it wasn't the kind of learning that you associate with being a good research scholar.

The Bureau afforded that opportunity, because there were very good people around, and I mentioned, of course, particularly, Gary Becker. He, along with George Stigler, were the two main influences on me from the point of view of intellectual development, theory, economics and so on. I also give Gary credit for certain characteristics which I think are valuable if you are going to be a scholar, and that is the willingness to take chances, to be persistent, not to be deterred by some people who are just harping at you and so on. Those were things I observed about Gary, which made an impression on me. In addition, the content of his ideas and his theories of course, also.

Claudia: In many ways, Gary is extremely succinct in his ideas.

Victor: He's succinct, yes.

Claudia: He's extremely succinct.

Victor: Yes. He's become a much better writer over the years.

Claudia: Much better. I think so too. So from 1962 until 1968 you're physically at the Bureau?

Victor: I am physically there, going in practically every day.

Claudia: And whom else do you want to say...

Victor: Jacob Mincer. Jacob Mincer had been a fellow graduate student at Columbia. Of all the graduate students I knew there, he was the most impressive, the brightest, the most in command of economics and also statistical technique, econometrics and so on. I continued to see a lot of Jacob at the Bureau.

Claudia: Can you say anything about life at the Bureau? People like Gary and Jacob had jobs up in Columbia and came there occasionally.

Victor: It was somewhat monastic. People worked in their own little studies, and a small group would gather together for lunch every day in the conference room. This consisted of going down the street and going to the grocery store and buying sandwiches, and then coming up into the conference room and talking about the affairs of the day and so on.

I remember early on, almost from the beginning, being opposed to the Vietnam War, personally. Most of the people there had not formed a strong opinion one way or the other, or were actually maybe a little in favor of it. Over time that changed. I think I eventually persuaded, not I, but the events persuaded Arthur Burns that the war was a bad idea, and he tried to persuade Nixon, but not very successfully.

Claudia: When you would have lunch, would Sol be there?

Victor: Yes.

Claudia: Would Geoff [Moore] be there?

Victor: Geoff would be there, yes.

Claudia: Would Arthur be there?

Victor: Sometimes, yes.

Claudia: What were the interactions with Arthur and the group? Was there a sense that this was just a group of peers?

Victor: Oh, yeah. Right. There was an interesting type of interaction with Arthur, which would occur late in the day. If you were prepared to devote a good deal of the early evening to it, you would go down, either you would take the initiative or Arthur would ask you to come in for chat, and it would begin late in the afternoon, and he didn't seem to be in any great hurry to go on anywhere else. So you would sit there, and he was a very, very smart man.

He had a terrific range of context and understanding, and an appreciation of how the economy worked and how the world worked and so on. When the decision was made to escalate the Vietnam War, he knew about it, I think, long before the Council of Economic Advisers knew about it, because Johnson did not keep them posted on what his defense spending plans were. But the contracts were being let to defense contractors all over the country. Arthur knew that, and so he didn't need to have Johnson tell him what was going to happen to the defense budget.

Claudia: Do you have a sense that everyone got along? Arthur was a brilliant individual, and people had an enormous respect for the mind, and followed him in many ways. But, there are many statements about the fact that Arthur could be very, to put it bluntly, cruel to people.

Victor: Cruel?

Claudia: Yes.

Victor: He was very tough-minded.

Claudia: Cruel in the sense of speaking his mind without a thought about the fragility of the individual.

Victor: Yes, that's right. On the other hand, he had a side to him, which was exposed to me once, which surprised me a little bit, so I'll mention it. He and his wife, Helen, invited Beverly and I to their home for dinner. They lived in an apartment in Manhattan. I was very pleased and very flattered to be invited there; we were the only guests. At the end of the dinner, Helen asked if we would like coffee or tea? I said that I don't take either coffee or tea. She said, "What do you drink?"

I said "I drink milk." It turned out that she didn't have any milk in the house. Arthur immediately jumped up, and he asked Helen for a quarter because I don't think he carried money around. He ran down to the basement of the apartment house, where there was a vending machine that had milk in it, and he got milk and brought it back up. That really stuck with me, yes.

Claudia: Well, obviously.

Victor: A different side of Arthur than one we saw at the Bureau.

Claudia: I met him much later, and found him to be the most congenial, bright individual. It's a story I won't get into, but Victor said, when I asked him about Arthur, he said, "Well, I didn't see much of him. He seemed very nice, but one day he made Ruth Mack cry." And that stuck with Victor, that

if anyone could make Ruth Mack cry, that was very bad. Did you have anything to do with Ruth? Did you see her?

Victor: I saw her a little bit, but not a great deal. Our interest, in terms of subject matter and so forth, overlapped a little bit. I had one chapter in my dissertation on fluctuation — cyclical fluctuation — in the fur industry. She had done some work on hide and leather, so we had that in common. Ruth was a fellow at the Bureau in 1930, the same year that Arthur was a fellow, so they go back a long way.

Claudia: She goes back a long way.

Victor: I'll tell you one Arthur story, which is relevant to my work at the Bureau, and that is in about 1965 I had not completed the Service Industry project yet, but I was thinking about where I would be going next in my research. I more or less decided that I wanted to pursue certain questions having to do with health economics.

I came to Arthur and told him about my plans, and he tried to discourage me. He tries to persuade me to think about certain subjects like business cycles or economic growth. Something that would contribute more to my professional advancement. He didn't see a great deal of future for me growing as an economist, to spend a lot of time on something like health economics, which was sort of a [byway].

I respected his opinion, but I must have been somewhat tough-minded myself because I persisted in that for a while, and by chance I met a man named Quigg Newton, who was president of the Commonwealth Fund in New York. I told him some of my ideas and he said, "Why don't you write me a letter?" I sat down and I wrote him about a five-page letter, telling him some of my ideas about health economics as a field, and asking for some money.

And, here, my memory is not perfect; you can check the files and see when the letter went out. But one day I walked into my office, and it didn't seem very long afterward, and there was a check on my desk made out to Victor Fuchs for a very substantial amount of money. Again, I don't remember exactly how much money it was, but it was a big check. When I showed Arthur the check, he withdrew all his objections to my going to work in Health Economics. He's a realist, and if someone is willing to fund it, and the person wanted to do it, do it.

Claudia: Dick Easterlin and others have said something that's similar, which is that Dick felt that there was—and remember, Dick's talking about an earlier period because he's talking about 1955 and 1956 — that there was little or no interest in the Bureau, in what he called labor and population, that

nexus. Of course, what Dick was working on fit in, because it was in the long swings tradition, but this sort of fits in.

You come in when things are changing. How could the Bureau not be interested in labor if Gary's there, if Jacob's there? Do you have anything to say about that issue? That here is a collision of business cycles, and this new group, and you're, of course, moving from one to the other.

Victor: Well, I never did business cycles.

Claudia: No, but you were, I should say, the “non-labor into the labor” – the industrial organization, right?

Victor: That's correct. I think that it is very clear that Arthur's commitment was to business cycle research, and the economic development that the American economy...I don't think he was terribly interested in world economy, but American economy. That meant that if there were free funds available within the Bureau, that was the area that got priority.

On the other hand, if people were successful in raising funds on their own, there was no one standing in their way and saying, “You can't work on this, you have to work on that.” So that's the way you have to understand, as a question partly of where does the money go, and who brings the money in.

See, there are a lot of researchers who never brought a lot of money in on their own. Those researchers that were capable of raising money on their own didn't find any impediments put in their way to work on what they wanted to work on. So that's the way it reconciled.

Claudia: Then people like Gary come into the Bureau, using Bureau money, but then he comes up with some great ideas and brings money, I assume, into the Bureau later. His first projects were Bureau-funded and they were on human capital.

Victor: The project, the conference on investment in human capital, in 1962, you'd say, would be the beginning of that type of thing, but that was part of the conference program.

Claudia: CRIW, right?

Victor: Yes. Also, Gary came with very, very strong recommendations from George Stigler and [Richard] Freeman, which I don't think Arthur or anybody else were prepared to ignore or discount. After that, once we really got rolling in this whole area of what later was called the Center for Economic Analysis of Social Institutions and Human Behavior, or Human

Behavior and Social Institutions, there was a big fund-raising responsibility there, and that was mostly my responsibility.

Claudia: Do you have any... I'm going to skip...

Victor: I mean, to raise money for people like Gary and Jacob is partly a burden, but it's partly a privilege.

Claudia: Right. I can skip down to just a few questions, but I don't want to leave this very important part of your life, and part of your work on services, and I was wondering if there was any part of this. I know you want to be succinct, if there was any part of this important project that you want to say something about, in terms of what it left in the Bureau, what it meant to you, where you see it fitting into the Bureau, the influences of the Bureau on it, and back and forth?

Victor: I can speak more clearly about what it meant to me.

Claudia: Okay.

Victor: One was it left me with an interest in doing work in health economics, which I planned to spend about three years on. Whenever I think about my relationship to health economics, I think of Al Pacino in "Godfather III." Every time I think I've escaped it, they keep pulling me back in. This is a field that you don't easily escape from, and my contention was not to become a health economist and spend the rest of my life doing research on health economics, but I have spent a good deal of the rest of my life on that.

The other thing out of the service industries was a very strong interest in the role of women, and the problems of women that amount in society, and that did lead to work, like *Women's Quest for Economic Equality*, a strong interest in what was happening to the family as this new type of economy was emerging. So it definitely provided a backdrop for a lot of subsequent work that was several years in the service industries.

In terms of the Bureau, I don't know whether it had much impact on subsequent work there, except as it evolved through the work of the Center that I was talking about. Basically we had programs, eventually, in the economics of the family, economics of labor, income distribution, a program in Law and Economics, which was headed by Bill Anderson and Dick Posner; a program in health economics, and work in the economics of education. Now, all of that, you might say came out of Gary's intellectual and theoretical influence, and my moving from service industries into those kinds of areas.

Claudia: Right.

Victor: They have stayed very strong programs in the Bureau up in Cambridge. In fact, there are people in Cambridge who think that health economics started there.

Claudia: Right; and they don't know?

Victor: No.

Claudia: That's why we're doing this, so that we can tell them. Do you feel that in the years that you were physically at the Bureau from 1962 until 1968, that you influenced any of the young people walking through the Bureau?

Victor: I think, maybe, if I were to pick out a few people of the younger people, I would mention, first of all, people like Mike Grossman, who took over for me for the health economics program and who also took my position as professor at CUNY when I left there. I would mention Bob Michael, who was my deputy throughout this period that we're talking about now, and then who went to the University of Chicago. Very, very successful research administrator heading up NORC, heading up the School for Public Policy.

I didn't used to dispense a lot of advice but I remember one little piece I gave to Bob [Michael] when he was deputy to me, and clearly headed for a career. First of all, I pointed out that there were very few people who were good at administrative research, so that if you were good at it, you had the whole world open to you. As a method of operation, I suggested to him to be honest. I said, "It will so amaze people, you will make a fantastic..." He looked at me open-eyed; he said, "What do you mean?" I said, "You'll find out."

Claudia: I think you're absolutely right.

Victor: Just be honest, and you will stand out in the crowd. So there was Bob, and there was Michael, there was Bob Willis, there was Lee Lillard, who unfortunately died recently. There was Warren Sanderson, who was one of the younger people in our group. Whether I had an influence on Bill Landes or not; is hard to say. You'd have to ask Bill that.

Claudia: The piece that I didn't get to read, which is "Some Economic Aspects of Mortality in America"....

Victor: Yes. That was never published. I never submitted that for publishing, I did that for my own education. I understood that there was a lot of interesting data out there on mortality, and I knew that there were a lot of other kinds of data that I knew about, like education, income, and so forth. The epidemiologist who worked in this field never either thought of or never had the temerity to try to put these numbers together, and that's what I did.

I said, "Here there are all these numbers out here on mortality, education, and income. Let's try to put them together and see what kind of story they add up to." I presented this work a few times to epidemiologists and so forth and they were horrified. They thought that being a good researcher meant refining the data, making the data better and more accurate. The idea of drawing some obvious inferences from relationships between different pieces of data was not something that they did.

So I circulated that through a few people and it had an enormous impact. In fact, it's an interesting lesson, that if you really want to get attention, don't publish, because I actually had people show up at my door at my house in Roslyn, knocking on the door asking for a copy of this...

Claudia: Underground classic.

Victor: ...yes, underground classic. It did stimulate subsequent work. In fact, it led to three research assistants — Richard Auster, Deborah Sarachek, and Irving Leveson did a paper called *The Production of Health, an Exploratory Study*. This was interesting too, because I was going abroad for the summer, and they said if they had my permission, they had an idea to do a two-stage model and so forth. I said, "By all means." Three years later they finished the paper and they published it in the *Journal of Human Resources*.

Claudia: And to this day, the identification of the impact of income and education on health morbidity and mortality is still an issue that we try to crack that...

Victor: Absolutely. My own thinking on it has changed enormously.

Claudia: Yes?

Victor: Yes. I used to think that the correlation between education and health was another example of the formation of human capital and the production function approach, that education makes you a more efficient producer of health. Several years ago, I did some research on smoking and education and so forth, which led me to think that that's probably not the main way to think about it. Not to throw it out entirely, but that the correlation between education and health is really much more a third variable problem.

Claudia: I think in that case, you're absolutely right. In some other cases, it may be that you can...the question is whether you can have a treatment effect, whether you can increase education and increase health, and for some things, in less developed countries where parents don't know how to re-hydrate their children.

Victor: Yes, I'm talking strictly U.S. modern times. Oh, no. As a matter of fact, if you talk about the low-income countries, it's not education in general, but education of women in specific that can make a tremendous difference on the health of the population.

Claudia: Let me get back to the Bureau; I really just have one or two other questions. We're going to run out of time soon, so I'm going to put in another...in five minutes we're going to run out of time. I'll put in another tape and we can do just the last ten or 15 minutes, and then we will have somewhat completed this. I'm sure that someone will come back and look at this tape and say, "Why didn't you ask Vic this question? I'm going to go up there and ask him this question."

So the question is very Bureau-specific; it has to do with Arthur and the transition. It may be that you'll say, "I really didn't know much about it," but maybe you did. So when *Services* was published in 1968, Burns was no longer president. John Meyer was president.

Victor: That's right, 1968 was the year when Meyer came in, that's right.

Claudia: And Arthur, who some people say, fortuitously, became the head of the Federal Reserve Board, became chairman of the Fed. Others say that there was dissension, so there were sort of push-pull issues concerning Arthur at the Bureau and the transition to John. Can you say anything about the transition? It's complicated, and your view of it may be different from someone else's view.

Victor: To the best of my recollection, Arthur's interests had moved in somewhat other directions than simply running the National Bureau. You have to understand about Arthur, that until the age of 40 he was, in his own words, a recluse. He stayed in his office, the way Anna Schwartz would stay in her office, and he would do his work. He was not out front.

After the age of 40, he began to develop a very different style, a very different personality. He became very good at relating to all manners of people, business people and politicians. He was a very, very successful chair of the Council of Economic Advisers; he really restored that.

So I think that... and remember he spent four years in Washington. He came back and he said to me — and I'm sure he said it to other people too

— that four years in Washington completely withdrawn from academic life, completely withdrawn from research and so forth, essentially finishes you off as a serious researcher. So he saw his life moving in other directions, and I don't think Arthur's the only one. I think most people who would spend four years in Washington, would not return to a life in academia. Larry Summers, he returned to academia, but not as a researcher and a professor of Economics, right?

Claudia: He's a whole different issue, yeah.

Victor: And the reasons for that could be because you, on the production side, you lose the ability and the skill to be at the top of your game in that, after you're out of it for four years, or it could be on the preference side.

Claudia: With Larry Summers, I think it was on the preference side.

Victor: Yes, because he's still very young, coming back. So on the preference side, you see that you really want to do other things, right?

Claudia: Right.

Victor: Okay. Yes, I agree with you that Larry could get back into the game. Okay. So Arthur didn't really want to do that. He would have been happy if, let's say, Jeff Moore had assumed the mantle and run the Bureau the way Arthur had in previous times, but that was not to be. It wasn't so much that there was a lack of support for Jeff within the Bureau, as outside the Bureau, particularly foundations and things like that did not see Jeff in the same way that they saw Arthur. And so I think that's what led to the bringing in of someone from the outside.

Claudia: Let's stop here and we'll pick it up...

[Recording stops and then starts again]

Claudia: I'm back with Victor Fuchs, and...

Victor: So anyway, I think that Arthur did not particularly want to continue to run the Bureau; that is not an issue. John Meyer was recommended to him, I believe, by Gottfried Haberler, and obviously made a big impression as he does on almost everyone he meets, because he's so smart and so forceful and so dynamic.

He was particularly good, I think, at getting money from government. When he started to raise money, that's where he mostly went. Arthur had been very good at raising money from business people. When the Bureau was running short of cash, I've actually seen this a bit in the office, Arthur

would pick up the phone and call the head of a major U.S. corporation and speak to them in very personal, friendly terms, and tell them what his situation was, that he needed some money, and would he send some and get some of his friends to send some, and they did. They did support the Bureau.

Now, I personally always found private foundations the easiest place to work with to get money — the least demanding in terms of what you have to submit and so forth, but that may be partly because I've spent a couple of years at the Ford Foundation, so I know how foundations work. I never felt that they were doing me a favor by supporting me. I felt that if I had a good piece of work, that I was doing them a favor by helping them to spend their money in a reasonably constructive way. So that's just the different ways of approaching things.

John was, I think, a very good influence on the Bureau for the first five years. He was there for 10 years altogether. In the beginning, he brought a lot of fresh air into it. He brought in computers and that type of thing, a different type of research style, more econometrics and things like that. So it was good.

The particular projects that he chose to back in a large way were not very successful, and I think that was part of the problem. He put a lot of chips on three or four different projects, none of which really hit a home run, or even a triple, or even a double; and some of which led to very large deficits.

The second five years were more difficult for John, partly because of the deficits, and partly for other reasons that I don't know, that things just got out of hand under his leadership. So after 10 years, there was the transition to Marty [Martin Feldstein]. Marty came in to a difficult set of problems also, but has been enormously successful.

Claudia: Marty reinvented the Bureau.

Victor: Yes.

Claudia: Completely.

Victor: Changed not only the product that the whole configuration of what the industry was all about.

Claudia: Right, and then the Bureau almost lost its history, and that's what we're regaining right now. When was the Bureau West founded?

Victor: This was one of John's ideas, that there should be many Bureaus. At one time, he had five Bureau offices, and one of them was the idea to have a West Coast presence. He talked to some people at Stanford who were very enthusiastic about the idea. Stanford found an anonymous donor who was willing to put up the money to build their building. I don't know if you've seen the Bureau building. That building was built for \$250,000, and there was money left over for some of the furniture as well. So John wanted, initially, to get [Hal Lary] to come out and head up the West Coast office.

Claudia: So what year are we talking now?

Victor: We're talking about the early 1970s.

Claudia: So you're here?

Victor: I'm not here.

Claudia: In the early 1970s?

Victor: In the early 1970s I'm at CUNY in Mount Sinai School of Medicine, and part-time at the Bureau.

Claudia: But 1972, 1973...

Victor: I come here, but that's purely coincidental. I come here on sabbatical leave, or some kind of leave, to the Center for Advanced Study in the Behavioral Sciences, with no intention of moving to the West Coast. In fact, by that time, John had been after me to agree to head up the West Coast office, and I had said no.

When we came out here for the year, people said, "Oh you're going to like California. You're going to want to stay there." I said the probability of us staying is 0.1 percent. I'm a realist; I don't think it's zero, but it's 0.1 percent. Every month we were here, it went up by 0.1 percent. So by January, we were sitting out there on the patio in our shirtsleeves, having come back from a walk on the hills, and we're looking at each other, Beverly and I, and we're saying, "Why are we fighting this?"

So I agreed to come, but with a year's grace. I wanted to go back for a year, finish things up personally, research-wise, Bureau-wise, and so forth, and then we came in 1974. I also did not want to take responsibility for all the fields that the Bureau would be working in, so a co-directorship was worked out with Sherman Maisel, who was a Berkeley professor, who was interested in finance, interested in macroeconomics, and subjects of that kind.

Claudia: But you then became Bureau West, and you were half of the directorship?

Victor: Yes, that's right. In many respects, it didn't realize the hopes that John had for it. One of the hopes was that we could tap into new sources of funding out here that weren't being tapped into through the East Coast operation. Either because Maisel and I were not very successful, or for other reasons, that didn't materialize. There was also the expectation that economists all up and down the West Coast would flock here to do their work the way people from Columbia, NYU, and Penn would come to New York, but that didn't happen either. Maisel, I think, gave up the ghost about 1977 or so, and in 1978 I decided that I'd had enough with directing. I'd been doing it for 10 years, and so I wanted out as vice president and director.

Claudia: The projects that John began that, as you said, just didn't pan out; they were very costly. You said that there were five projects, some of which didn't pan out in New York, or he had moved part of the Bureau to New Haven.

Victor: Yes.

Claudia: Do you recall any one of them that was an expensive project that was just poor judgment, or just didn't pan out?

Victor: Yes there were a few of them. There was a project that Anne Krueger had on 10 volumes, 10 countries and so forth. That was a very expensive project. A lot of money, a huge amount of Hal Lary's time. He had to work practically full time on those manuscripts and so on, and they published them at great costs, and that was not, I don't think, a very successful project.

There was a project involving Richard and Nancy Ruggles that went on and on. I don't know whether there was any product that came out of that eventually. John was very enthusiastic about work on urban problems, and I don't think that was very successful.

Claudia: It's curious because one would have thought that there was a lot of U.S. government money in urban issues, and transport, and housing, and poverty at that time, an enormous amount.

Victor: There probably was government funding. I don't know that it was a shortage of money. I think the field had fallen on hard times. It was actually a field that I had worked in a bit earlier. I had a fling there for about two or three years where I worked on regional problems, extending out of my work on location of industry.

I think that field really ran into a dead end, theoretically. It just didn't revive until more recently. Now, of course, there is a lot of interest and a lot of good work being done on urban problems. Well, it isn't as if the urban problems weren't there then as well, but people didn't have a good idea about how to work on them. So that was not a successful project, either.

Then John had an idea that the Bureau would become the location of a huge computer. It would be something like a slack in physics, and that economists all over the country would think about problems that they would want to work out, and then they would send them or come to the Bureau, and have this huge computer grind out the answers for them. He was thinking of a model like the huge physics laboratories. But, of course, technology went an entirely different direction, and so that didn't materialize.

Claudia: One small point. We just have a small amount of time left — that in *Services* you acknowledge help from IBM, and I was talking to Dick [Easterlin] about this as well, and...

Victor: Oh, that's very simple. The IBM was free computer time.

Claudia: Right, and they were on 59th Street.

Victor: Yes, that's right.

Claudia: But, did you do it? Did you walk up to 59th Street and submit the jobs? Did someone else submit them? You did it.

Victor: I don't know that I personally walked up there. I usually like to give my research assistants as much opportunity as possible to do this.

Claudia: It was a woman named Charlotte Boshan.

Victor: Yes she was very good, very helpful.

Claudia: Was she the person who took the computer jobs up there?

Victor: I don't know if she physically did, but she was a very valuable person, and we should mention some of the other people at the Bureau who were very valuable. There was a man named H. Irving Forman — fantastic person.

Claudia: I'm a great fan of Irving's, and I talked to Dick about Irving as well, because Dick has his undergraduate degree in Engineering, but Dick was a terrible draftsman. Of course, Irving was the perfect draftsman for an

economist. So you might want to say some words about Irving's artistry, and his mathematical brilliance.

Victor: No, that's not what I wanted to say. Irving had been a research assistant, and he had drawn the graphs, I think, for Simon Kuznets, and he was so good at it that it was decided that he would draw them for other people as well. The thing that I most valued in Irving was his meticulous approach to things. His insistence on accuracy and clarity. So I used to send my research assistants to Irving with a figure that they thought they wanted to have drawn, and he would bombard them with questions, and nitpicking about this and that. I did this because I wanted them to see what it meant to pay a lot of strict attention to exactly what you were doing in this figure, and why you were doing it that way and so on. So that's the thing that I most valued, not his skill. His skill was there, and it's there for everybody to see. But the idea that this should be clear and it should be accurate is what I valued.

Claudia: His brilliance in setting up a figure so that you could make comparisons very clear, so that rather than, as many people do, where they put up a figure on each page, and you have to flip back and forth, he would do it so that like in *Monetary History*, which has, I don't know how many... 50, 60 figures, within each figure there are maybe six figures, but it's done so that you could make your comparison. That was the brilliance, and what I meant by artistry, is that type of artistry.

Victor: That type of artistry. Okay. Not the business cycle shading and the not shading...

Claudia: That was good too.

Victor: That was very magical. Yes, that was good too. I don't discount that, but I wanted to throw in this other side too.

Claudia: I like the way you put it, and I wish I could speak with Irving Forman, because I have been a fan of his for a long time. When I open up a Bureau book, I immediately look at the figures.

Victor: It can be very annoying and frustrating at the time, because you think you're finished. You think you know what you want to do, and you're just at the beginning when you start with Irving.

Now, Charlotte Boshan was very valuable at the Bureau because she was an interface between sort of just the straight research and computers, and punch cards, and that kind of thing. Now whether she played any role in my getting some free computer time from IBM or not, I don't remember. I don't remember how that came about.

Claudia: You said that there are people you wanted to mention?

Victor: Sophie Sakowitz. Sophie Sakowitz had, among other things, a responsibility for looking at every table of every Bureau publication and checking it for internal consistency. You can pick out a lot of possible errors in tables without ever having made the calculations yourself, by just looking at the different numbers within a single table, or comparing the numbers in one table with the numbers in another table. That was her responsibility. She did that. She did that very well. I think that was an enormously useful thing to do, because people do make mistakes all along the line in calculations. So that was another kind of thing.

The other thing I would mention is the esprit among the research assistants, and the ability to train the new ones as they came in. It was one of the greatest sources of personal satisfaction to me, to hire a newly minted bachelor's degree person. Very often they were women. Very often they came from the women's college at the University of Pennsylvania, which had a separate existence at that time. They produce some very good people.

They would come in, and they would be nervous, and they would be inexperienced, and pulling on their hair, and wondering about how they're going to do this, that and the other thing. A year later, watch them operate with the new one that's coming in. Self-assured, knowledgeable, training the new one, showing them exactly how to do this, that, and the other thing, and that just went on year after year after year.

Claudia: Did any of them go on to graduate work in economics?

Victor: Yes. Linda Edwards is an example, but there were many others. I'm not sure, but maybe June [O'Neill] might have been a research assistant there. Arleen Leibowitz, a research assistant there, yes, there were quite a few. And some didn't, but they still did very good work when they were research assistants.

Claudia: Right.

Victor: Yes.

Claudia: Dick said, when we were talking about the IBM on 59th Street, and of course he used it, somewhat before you did, he said that he would give the job to Charlotte, who was younger at the time. She would take the job up there. Then about four months later, he'd come to his office and it would be a big pile of output. He'd look at them and he'd say, "What's that?"

Claudia: By then, he had already...what he wanted to do, he sort of did back-of-the-envelope calculations, he'd take it by hand, and he had no idea what this stuff was. So it wasn't as useful. He needed much better turnaround. So I think that we've completed just about everything. There's always more. I know that you want to do your exercises. Well, one other person: Chris [Nagorski]. Do you remember Chris?

Victor: Yes, wonderful person. Very valuable. Bob Lipsey can give you a chapter and verse about Chris.

Claudia: Well, Chris is still there.

Victor: Yes, she is. I saw her last time I visited.

Claudia: She is the longest-running continuous employee at the Bureau, other than, I think, Anna, or Bob.

Victor: I don't know whether Bob is continuous. I think he goes back to 1947.

Claudia: He goes back to 1947, that's correct. Right.

Victor: Bob used to hire, or at least interview and test, all the candidates for R.A. jobs. He had a little paper and pencil test.

Claudia: So Chris began as an R.A.?

Victor: Yes.

Claudia: I see. I didn't know. Well, thank you very much.

Victor: I knew it was Chris [Mortensen], in case people get confused about the name.

Claudia: Do you have any...

Victor: The Bureau, to me, was and is a great place. I hope that it continues to flourish. I recognize that it has to change. I don't think that we touched, and I understand why because I had no personal contact with him, with Wesley Mitchell, who was after all the guiding star for the Bureau for 25 years. And it would be a shame if you don't pick up some stuff about Mitchell.

Claudia: I think for Mitchell, it may have to be the written record, his record, and other people other than Milton. But my sense is that Milton will speak more about Arthur than about Mitchell.

Victor: Well, George Stigler has a few pages in some of his autobiographical material about what does it take to create a productive environment, and some of that deals with the National Bureau; some of it deals with the University of Chicago. So you can get some stuff out of that, and I think you can get some stuff out of that volume that I showed you this morning.

Claudia: Right. Columbia has this oral history project, and I think that there are tapes, because that goes way back at least into the 1980s. So there were people who knew Mitchell who were interviewed.

Victor: If you want to interview someone who knew Mitchell very well, and who had a lot of opportunities to observe the Bureau, but from the outside, I would highly recommend that you go see Eli Ginsberg.

Claudia: Absolutely. Eli is someone who is on my list, and I want to talk to him anyhow, because he kindly sent me his book on college women, and it's something that I've been working on, on and off, for some time. Well, I think that one of the nicest things you said about your time at the Bureau was that it was a late and extended post-doctoral experience, because that means that you were able to sit back and think, and at the same time you were able to learn. That's why I think the word post-doctoral experience, that's my interpretation of it.

Victor: And you have models around, and you're working yourself. After all, I was in charge of a big project, but I was still learning a lot, and there were a lot of people there who you could learn from.

Claudia: Okay. Well, thank you very much.

Victor: Including your research assistants.

Claudia: And I think the nice thing about our lives, I think you would agree, Vic, is that we are always having a post-doctoral experience.

Victor: Right.

Claudia: I'm going to turn this off now, all right?

Victor: Okay.