

The Association for Diplomatic Studies and Training
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M. PETER MCPHERSON

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INTERVIEW

Q: This is now the 8th of April 2018. This is Alex Shakow and I am pleased to be in the presence of M. Peter McPherson, who was the eighth AID (United States Agency for International Development) administrator from 1981 to 1987. And this oral history is one where we're trying to capture some of the early life and influences on Peter and his reflections about those tumultuous years as AID administrator. He has done many other things in his life, but we are not going to focus too much on those and particularly the ones after the AID period, but I hope somebody someday captures those as part of your life story as well.

Have you written a memoir, by the way?

MCPHERSON: No.

Q: No? This is the beginning of your memoir. Okay.

MCPHERSON: A second job to do that kind of thing.

Q: In your retirement, when you get to it, if you ever get there. Okay, so let's start at the beginning. It's going to be very important to know about when you were born, where you were born, what your early childhood life was like and to the extent that had some influence on your future. Talking about that would be great, including what your parents did and what it was like growing up.

MCPHERSON: Well, I was born in 1940 in Michigan and grew up on a farm that my family had owned since 1840 when they came to Michigan as early settlers.

Q: Where is the farm?

MCPHERSON: It is West Michigan, outside of a little town called Lowell. My father was a farmer. His father, my grandfather, was active in Republican politics and represented the rural community. I love my news clip from 1940 that I have on my wall here in the office. It says “McPherson to control State House of Representatives once more”. He was not then and had never been a member. But he led the farm community in the state for many years. Anyway, I grew up on that farm. It was a dairy and fruit farm. I milked those cows morning and night until I went to Michigan State.

Q: How many acres?

MCPHERSON: It was a big farm for the time. We had 1,000 acres. About half of it was owned by my mother and father, and half of it was rented from my father’s sister. We milked 50 to 60 cows, which was a pretty large number at the time. Today there is a farmer 15 miles away who milks 2000 cows.

Q: You personally did that?

MCPHERSON: When I got a little older I did milk the cows with the help of somebody. I loved the farm, but I decided along the way I was going to be a lawyer.

Q: At the age of six or seven or eight?

MCPHERSON: I started helping at seven or so and by the time I was probably 14 had a most of the responsibility.

Anyway, the farm was great for me. And I had seven brothers and sisters. It was a good life. We all worked very hard. We were land rich and cash poor which is often the case with farmers. As I look back, we probably we had less than I then thought we had.

Q: But it was a very close family?

MCPHERSON: We were all very close. My brothers and I still own part of that farm back in Michigan. I’m back there a couple times a year. The family gets together, usually involving our little country Methodist church. More homes are being built in our community because it is only 15 miles from Grand Rapids. But then it was a rural community with a small town a few miles away. Almost everybody farmed or worked in that little town, a town which I still love.

Q: Were you the eldest in this—?

MCPHERSON: I had two older sisters. I was the oldest boy. I am close to my brothers and sisters. One sister has passed away, unfortunately, but the rest of us are ok.

Q: Your father was a farmer?

MCPHERSON: A farmer.

Q: And did your mother work around the home or did she—?

MCPHERSON: She worked in the home but then in the early 1950s she went to Grand Rapids and managed the YMCA cafeteria system. She was a magnificent manager. Today, when women have more real opportunities, she would probably be a major business leader.

Q: But you got your management skills from your mother, you think?

MCPHERSON: I hope I got lots of them from her. She was a very capable person. She wasn't very interested in policy or politics but she was interested in managing, particular food/restaurant management. I can remember seeing her managing the finances of her business and working through personnel issues. It was great fun to watch, hear her and to learn from her.

Q: When you were sitting around the table at your home was there much discussion of international affairs or even of national affairs or—

MCPHERSON: Oh, yes.

Q:—was it pretty locally focused?

MCPHERSON: Both my parents had been to college. My mother had had a couple of years of college and my father had a four-year college degree in agriculture from Michigan State. Probably because of my grandfather's work, we had a lot of local and state political discussion but also national and some international discussion. My father was really smart and well-read. Like all teenage boys, I suppose, I had many debates with my father.

Q: Oh, I don't know; I mean, sometimes teenage boys don't engage at all, so, but—

MCPHERSON: Anyway, lots of debates. And it was a good growing up environment. Went to a one-room country schoolhouse, by the way.

Q: As grammar school?

MCPHERSON: Grammar school—K through 8th grade. The school was called the McPherson School.

Q: For your grandfather?

MCPHERSON: My great-grandfather had given the land for the schoolhouse. He was a smart guy; he put a provision in the deed when he transferred the property for the school that, when the land and the buildings on it were no longer used for education, the property would revert back to him or his heirs.

MCPHERSON: So, in 1960 as the direct descendent, my father got back the one-room schoolhouse and the little plot of land on which it was located.

Q: I'm not sure; did you say where your grandparents or your great-grandparents came from?

MCPHERSON: Old Peter, my great, great, great grandfather came to this country in the late 1700s. He came from Scotland, and he married a woman in the U.S. who also came from Scotland. And they were a strong, hardworking family..

Q: So, your Scottish roots, that's where the McPherson—where does the Melville come from? The M in M. Peter McPherson.

MCPHERSON: Melville was the name of my grandfather, the man who was the state rural leader.

Q: But have you ever used Melville?

MCPHERSON: I was called Peter from birth because my grandfather was alive when I was born. I was always Peter.

Q: So, you were saying you went to high school.

MCPHERSON: Went to high school in Lowell seven miles from the family farm. And it's a reflection of the time and place that Lowell high school had more or less two groups of students: the students that came from the one-room country schoolhouses around the town and what we called the city kids from Lowell. I think Lowell had a population of 1,500 at the time. It was probably not a great school academically by today's standards but I did like it. After high school I went to Michigan State.

Q: But in high school did you take leadership positions or were you involved you with international activities at all?

MCPHERSON: Well, I was a page in the Michigan House, House of Representatives, and started a high school debate team and—

Q: So, you were already interested in politics even from an early age?

MCPHERSON: Yes, very much. For example, we had to write a senior paper for high school and my paper was that we should privatize the TVA (Tennessee Valley Authority).

Q: Did you do a lot of research for that?

MCPHERSON: Oh, yes. I dug in. I don't know how I got to that topic, but I was always interested in such policy issues. I have substantially softened my views about TVA since I was 17 years old

Q: Well, for a high school student to be thinking in those terms, that's pretty ambitious. And did you get a good grade on that?

MCPHERSON: Yes. The teacher thought the paper unusual and liked it. The debate team was a wonderful experience. The school did not have a debate team, but I thought why shouldn't we? So, I got the librarian of the high school to become the team sponsor and we organized ourselves and went off to debate various schools in the area. It was good for us and exciting. I remember in my senior year the debate topic of the year—all debate teams in the state had the same topic—was whether Supreme Court decisions should be able to be overturned by a three-quarters vote of Congress.

Q: And which side did you argue?

MCPHERSON: Debate teams had to be prepared to argue both sides, and we did. I still think that the Supreme Court makes too many decisions interpreting the constitution that cannot be overturned by our usual democratic process. The Court gets too much into rewriting the constitution year after year.

Q: So, this was a little bit of your lawyer coming out as well.

MCPHERSON: Oh, I loved the law and I will always be a lawyer.

Something else about high school. The school had no written rules for students and the principal just decided matters as thought best. I don't think that he made unfair decision but I thought rules should be written down for all to see. This was not a personal matter because I never got in trouble with the principal. Anyway, I got a small group of students together to argue for written rules. We made no headway and so I got one of my friends to run for student council president on a written rules platform. He was a very good guy and I thought would be a strong candidate. Our opponent was an attractive and nice cheer leader who had no substance in her platform. We were unable to get the students excited about not having written rules. My friends and I thought the students were more or less sheep on this kind of issue. Anyway we lost badly. I can still see in my mind the study body wide assembly where our candidate got no more than 25% of the votes by raise of hands

After high school I went to Michigan State and—

Q: Was there any question about going to—

MCPHERSON: Not really. I had been to MSU's campus many times with 4-H, my parents had gone there, and I did not know about other schools.

MCPHERSON: Thinking about 4-H reminds me of activity before high school. I was also very active in Boy Scouts and trapping; I liked the outdoors and loved to trap muskrats.

Q: Are you available for hire?

MCPHERSON: I trapped my first muskrats when I was seven, and I caught seven muskrats that year. And I took the pelts down to a store owned by Molly Whitman, a wonderful lady whose brother came in once a year to buy furs. He gave me \$4 a muskrat pelt that first year. Twenty-eight dollars was a lot of money in 1947.

Q: You could practically pay your tuition to Michigan State for that.

MCPHERSON: I bought more traps for the next year and put the rest in the bank.

Q: Good for you.

MCPHERSON: Trapping was a passion of mine for a few years. When I was an 8th grader, I trapped 67 muskrats and one mink.

Q: And did this grow out of something that your father was doing or just you—?

MCPHERSON: I don't know how I decided I wanted to be a trapper.

Q: And the Boy Scouts? Did you take that seriously?

MCPHERSON: Took it very seriously.

Q: Were you an Eagle Scout?

MCPHERSON: My regret is I was two badges short of an Eagle. I did not get the necessary camping and swimming badges. They were just too complicated to do on the farm. I still regret that I did not get those badges and the Eagle.

Q: Until you went to high school. Not during high school?

MCPHERSON: Then after I went to high school the world was different and I stopped trapping and scouting.

Q: Then it was politics and debates and—

MCPHERSON: Exactly. But it was good—when I think of all we packed into high school.

Q: So, what was your Michigan State experience like? I mean, what did you major—

MCPHERSON: You were asking whether or not I had thought about going any place other than Michigan State. My Latin teacher said you need to go to Michigan. She said that Michigan a stronger school academically.

Q: University of Michigan?

MCPHERSON: University of Michigan. And I remember thinking—she was such a nice smart lady, Mrs. Roth—I remember thinking, I'm not going to Michigan; I'm going to Michigan State—because we always showed 4-H cattle down to Michigan State. My grandfather had been a member of the board of trustees; I mean, we were Michigan State people. Anyway, I went to Michigan State and jumped into campus politics right away. I ran for vice president of my freshman class. I'm probably going into things you don't even—

Q: No, no. This is all very important stuff.

MCPHERSON: So, I ran for vice president. There were ten candidates. I ended up third. The boy who won as vice president, I ran his campaign to be president of the class the next year, which we won. And then the year after that, I ran for and was elected class president. Yes, I was very involved in campus politics.

Q: And were there particularly big and significant issues at the time that you were there or was it just the usual college politics?

MCPHERSON: John Hannah was then MSU President and later became AID Administrator.

Q: Of course, yes.

MCPHERSON: Hannah as President took the position we couldn't have a Communist speaker on campus because I think he felt that it would upset the state legislature. At the time, I was class president I was also president of the State of Michigan Young College Republicans. I took the position we should have a Communist speaker as a matter of free speech. Besides, I argued, a Communist speaker would probably be wimpish and unimpressive. Why don't we get them on campus and show students who a Communist is? What's wrong with that?

Q: Enlightened even at that young age.

MCPHERSON: President Hannah had a council of student leaders meet regularly at his house, the same house that I later lived in as President.

Q: Yes.

MCPHERSON: I raised my hand at one of those meetings and said that we should allow a Communist speaker on campus. I remember him looking at me and saying—I just remember, so clearly, “Now Mr. McPherson” and then he told me why that was not a good idea. I did recall that exchange many times when I was MSU’s President. MSU students always asked me lots of questions.

Q: And did the communist ever come to speak?

MCPHERSON: Well, my friend Dick McLellan, who was president of a fraternity, had his fraternity invite the communists to speak one spring day in the yard of his fraternity. About 500 people showed up. The fraternity was technically not on campus grounds. The Communist was indeed wimpish and unimpressive.

Q: Do you remember who it was?

MCPHERSON: No, I don’t. He wasn’t a big, national person. But President Hannah put McLellan on social probation, which meant he couldn’t be fraternity president anymore. Back then university presidents had real authority.

Q: What year are we talking about? Is this 1959?

MCPHERSON: late spring of 1959 I think.

Q: For a Republican in Michigan in 1959 to advocate the kind of free speech you were talking about—that was unusual?

MCPHERSON: That was unusual, even more so because I was president of the Young Republicans. But it just seemed to me logical. We have the Constitution, the First Amendment.

Q: Absolutely. That issue is still relevant today.

MCPHERSON: Public universities need to comply with the first amendment and I am involved in the issue in my current role.

Q: But was there ever any doubt in your mind that being a Republican was what you wanted to be?

MCPHERSON: I don’t think so. Remember I was for privatizing TVA.

Q: Right. So there was a family tradition?

MCPHERSON: Family tradition. I’ve have the framed sample ballot on my wall here in the office from when my great-grandfather Peter ran for township supervisor in 1886. And led the Republican slate against an Irish Catholic Democrat slate. The township was

divided between Irish Catholics Democrats and the Protestant Republicans. And he lost. The votes are recorded on the ballot. He wrote them down—lots of family stories about those township battles. By the way, I ended up marrying an Irish Catholic girl.

Q: Were there particular faculty members that were influential during your stay at Michigan State?

MCPHERSON: Oh, there were. There was, for example, Madison Kuhn, who is, of course, now gone. He was the dean of Michigan historians at the time and a great American historian. After all these years, I often think about things he said. Kuhn was a man who thought deeply on issues. There was also Tom Castevens, a graduate student who taught courses. I recruited him to be the advisor for the Young Republican Club. He became a close friend and intellectual mentor. By the way, he came to AID for a year on a sabbatical when I was Administrator. There were some others.

I often ask people what faculty member had a big impact on them, and a large number of people have one or more faculty that had a substantial impact on them.

Q: What were you majoring in?

MCPHERSON: Political science. I took a lot of economics. I suppose I was more interested in economics than business. After Michigan State, I went to the Peace Corps for a couple of years.

Q: But did you go immediately to the Peace Corps?

MCPHERSON: No, I spent a year here in law school at American University, but I ran out of money. I wanted to go into the Peace Corps anyway, so I came back to law school after the Peace Corps.

Q: But how—I mean, you were a Michigan boy; why did you—how did American University loom large?

MCPHERSON: Well, Washington loomed large. Congressman Jerry Ford got me a job to work with a man by the name of Congressman Zion.

Q: Right.

MCPHERSON: Zion was from Indiana.

Q: I see. But you were working in Congressman Zion's office during the day?

MCPHERSON: Right.

Q: And then law school at AU—

MCPHERSON: At night.

Q: —at night. And you did that for a year before the Peace Corps?

MCPHERSON: Then I went in the Peace Corps.

Q: Had you been thinking about the Peace Corps?

MCPHERSON: Yes.

Q: Peace Corps was by that time only a couple of years old?

MCPHERSON: Right. I went in the Peace Corps in '63, late '63. The Peace Corps was a great experience

Q: Had you always had your eye set on it; it wasn't that somebody pushed you into it?

MCPHERSON: I can't remember exactly. Early on I had been more focused on domestic issues but my interest in international matters grew at Michigan State.

Q: Michigan State is a great source for Peace Corps volunteers, as I recall.

MCPHERSON: Yes and MSU had many international students even then. My Michigan State experience is what I hope so many students will have. Here I come from a small town and farm, in some ways a provincial background. So, I go to this huge school— huge then, it was 25,000, today it's 50,000— and all of a sudden, I'm in with a bunch of East Coast students as well as Michigan students. This was before the New York University system and New Jersey University system were built up and a lot of students from the East came to Michigan State. A freshman first-term class was a political science course where the professor let me and a student from the Bronx sort of take over the class. The Bronx student argued that the only way you could have freedom was to have socialism because it was the way to meet everyone needs and freedom for all, and I said the only way you can have freedom is with market forces that provided economic opportunity. We had a classic difference of view. And I thought anybody that says "idear" instead of idea could not that smart, and I'm sure he thought I was a country bumpkin. But we both went to work in the library, and the faculty member let us have full rein. The Bronx student and I came to respect each other, and it was good for both of us. By the way, as a banker, I lived for a year in Manhattan and I love the place.

Q: MSU really opened your eyes, did it?

MCPHERSON: Oh, absolutely. And people like Dr. Castevens argued the international issues to me. I didn't study as hard as I, in retrospect, wish I had. I wanted to take over the campus student politics and the Young Republicans. But I certainly got a range of intellectual and people exposures and developed some leadership and organizational skills.

Q: Do you think that your experience was very unusual or were there others that you knew who came from similar backgrounds who had similar experiences?

MCPHERSON: I think students with my background and many other backgrounds usually grew with their experience at Michigan State. It is what a university should do for its students.

One of my friends on campus was Ernie Green. Green was the first African American to graduate Little Rock High School. He graduated in 1958 so Ernie and I arrived at MSU at the same time. President Hannah personally paid a full scholarship for Ernie to Michigan State. Hannah was or became Chair of the U.S. Civil Rights Commission. Hannah was a great man.

Q: And you knew him well?

MCPHERSON: I knew Ernie well. He ran the campus NAACP chapter when I was President of the Young Republicans and when I ran for class president. He helped me put together the coalition that won the election. We keep in touch. I saw Ernie just a few weeks ago.

Q: So, you were building bridges even then?

MCPHERSON: I guess so but the way I thought about it then as getting people together to win the election.

Q: They had the same—

MCPHERSON: Yes. The results were good for me and good for Ernie. We worked together before and after the election. Give a lot of credit to Ernie. He was the big man in all of that.

Q: This is a natural phenomenon that this is what you were able to do then. Yes, okay. So, you joined the Peace Corps and did they—did you have a preference as to where you wanted to go? Did you speak Spanish or—?

MCPHERSON: I didn't speak Spanish. I remember seeing the picture of a Peace Corps volunteer working with a group of Andean people sitting as a group, and I thought "This could be very interesting. I think I can make a difference." As to the Peace Corps, they were not very interested in where a volunteer wanted to go, probably because volunteers did not have very informed preferences.

Q: Not then, no. And so, talk about your Peru experience. What were you doing there and what impact did it have on you?

MCPHERSON: I was trained to organize credit unions.

Q: Did you know what a credit union was?

MCPHERSON: Yes. Well, sort of. But I was interested in business and money and economic growth.

Q: Where did you train?

MCPHERSON: In the University of Oklahoma and then in Mexico for a month. So, I went to Peru, and I was assigned to work in a place called San Martin de Pores, which was a *barriata* of Lima. The *barriatas* were the very poor recently build up areas around Lima. Right next to where I lived was a place called El Monton. El Monton was the old Lima garbage dump where squatters had come in to build on top of the garbage. El Monton was a place where a volunteer could make a difference. I got the Irish Catholic priest, who was just a few years older than I was, to help organize a credit union and build a Food for Peace feeding center.

Q: Were you all by yourself there as a volunteer?

MCPHERSON: No, there were three other volunteers in the area but I was the one who probably worked most in El Monton during that particular period. The priest was willing to be the treasurer for the credit union we organized. Nobody else would have been trusted. And we organized at his church one night by candlelight; I remember the organization meeting so well. I stood up in my not very good Spanish and explained what credit unions are and the priest in his good Spanish explained that he would hold the deposits.

Then the priest and I organized a food feeding center. I persuaded the AID mission to provide PL-480 food as partial payment for local people to work to build it and also to provide the food once it was up and running. The priest was wonderful. When I went back to Peru in 1981 as Administrator, I had the mission find my old priest friend. I met him for coffee in a little shop. But I walk in, and he was not wearing his collar. I remembered all these late night discussions about religion. He'd married a Peruvian girl. He said, "Peter, don't be mad at me." Of course, how could I be mad. He was then and I am sure still is a good man.

MCPHERSON: After I worked in the El Monton and my own *barritia* for many months, I was assigned to work in the City of Lima PL-480 food preparation center and provide technical support for the 70 or so volunteers around Peru working in schools to distribute PL-480 food.

Q: Yes.

MCPHERSON: So, I moved into where we were cooking the Lima food. I was a support person for the volunteers around the county, not the leader.

Remember Director Sargent Shriver had organized the Peace Corps so that there was a very low staff to volunteer ratio.

Q: Sure.

MCPHERSON: And what that approach meant that some volunteers ended up providing some quasi-staff support. It was a great job for me.

Q: Lots of independence.

MCPHERSON: Lots of independence.

Q: A lot of responsibility.

MCPHERSON: I traveled some in that job by myself into the Andes and on the coast and had some real learning experiences. For example, we decided that we would try to combine better health with the school feeding. So, we got all these big signs made for the schools in which PL-480 food was being distributed. Most of the poor people were Indians or Indian heritage, and our signs had this little Indian child with his Peruvian cap on; the child has his hands up with the words “Manos Limpios.” That is Spanish for clean hands. The signs and the campaign was a big hit, except in Arequipa, the second largest city in the country.

Q: Why?

MCPHERSON: So, the volunteers all around the country put up the signs including in Arequipa. Unbeknownst to us, there had been a big political campaign three years earlier in that city where the outs had run an anti-corruption campaign with the slogan “Monos Limpios.” The outs with their slogan lost. The signs did not last long.

Q: Oh, gosh. This is a very Peace Corps story.

MCPHERSON: It really is.

MCPHERSON: We didn’t seem to get in real trouble, but it certainly embarrassed us, and we saw there were the limits of our knowledge.

I ended up having a pretty close relationship with some AID staff/

Q: Who was there for AID in those days, do you remember?

MCPHERSON: The PL-480 was run by a Mr. Apadaca. There were a couple of others in the Food for Peace office that were very helpful. Also, a Mr. Phillips was the private sector person in the mission. There were a couple of others in the mission with whom I dealt — all dedicated people.

Q: You learned what AID was about?

MCPHERSON: Absolutely.

There was also a group of people, volunteers and others, that were intensely interested in development, so we spent lots of time thinking about where Peru should go, including the urban issues, the rural issues, the ag issues, and much else. Peru was a great development experience for me including, for example, understanding buses don't come on time or maybe never come. Experience living in a developing country teaches you about the challenges in developing world.

Q: It didn't shake your belief in the free market system?

MCPHERSON: Oh my ideas kept developing and getting refined. I certainly saw that government had an important role but market forces do, too.

Remember, this was in the 1960s, the time in Latin America of the Alliance for Progress.

Q: Yes.

MCPHERSON: And there was a sense of optimism that we could do enormous things in Latin America. The Alliance for Progress did have a big impact. It didn't have the full impact about which we all dreamed. But I will never forget that sense of optimism, hope and expectation we had.

Q: Had you been moved several years earlier by the Kennedy speech in which he talked about the kind of vision he had for AID which then—

MCPHERSON: Yes.

Q:—and for the Peace Corps?

MCPHERSON: Certainly. It was moving.

Q: Right.

MCPHERSON: President Kennedy gave his speech on the steps of the University of Michigan Union. I know exactly where he stood. The Peace Corps had me and others go back there and give some remarks during their recent anniversary.

Q: But you weren't there at the time he gave it?

MCPHERSON: No.

Q: How much of your ultimate interest in AID and development would you say was fostered or engendered through that Peace Corps experience?

MCPHERSON: Most of it. No question. If I hadn't gone into the Peace Corps I would have probably been much more domestically focused in my career, perhaps done what my father wanted me to do, go back and practice law in Grand Rapids.

Q: He didn't want you to go back and run the farm?

MCPHERSON: Yes, go back and be a lawyer and run the farm too, something like that. He did not agree with my going into the Peace Corps. I remember him driving me to the pickup point for me to go into Peace Corps training. He said "Peter, you're never coming back home to live here again. It was sad because I thought he was probably right. And I never did really come back until after he was passed away and I came back to as President of Michigan State. He would have been very proud.

The Peace Corps gave me and most volunteer a sense of what the world is and what you might do within it.

Q: Well, you certainly did build on that. How long did you stay in Peru?

MCPHERSON: About 20 months.

Q: So, you had a full Peace Corps term?

MCPHERSON: Pretty much. I left a few weeks early because I had an eye infection that needed to be treated.

Q: And then when you came back you went back to law school?

MCPHERSON: Well, I wanted to study some business and I went to Western Michigan for a few months mostly focusing on finance. I don't know how the school was willing to do this, but I got an MBA in a semester and a summer. And then I went back to law school. Remember, the Peace Corps put money in a bank account for our return from the Peace Corps.

Q: Yes, \$2,000 or something like that.

MCPHERSON: I have forgotten the amount

Q: About \$100 a month, I believe was the—

MCPHERSON: Yes. But between that and work I had enough money to put myself in order. And came back, went to law school. After law school, I then went to work for the IRS in the international tax division.

Q: This time while you were at law school you were going full time during the day? This was no longer—

MCPHERSON: No, I was going nights again. I was married by that time to my first wife Natalie

Q: Nights again and working on the Hill at the same time?

MCPHERSON: Well, I also worked for an insurance company and clerked in a law firm. I was interested in both law and business

Q: Doesn't sound like the Peace Corps.

MCPHERSON: No.

Q: And then IRS. Interesting.

MCPHERSON: Yes in international tax

Q: Was that just because it was a job or you—

MCPHERSON: No, I was interested in taxes. As time went on, I had developed more interest in finance and business. Remember my credit union days. And I have always been interested in economics and tax is in part microeconomics.

Q: And then what?

MCPHERSON: Stayed at the IRS for several years, was ready to leave, was interviewing for several jobs, and I got an offer to go to the White House for President Ford.

Q: Had you known President Ford in some way when he was a congressman?

MCPHERSON: Yes.

Q: You had worked for him?

MCPHERSON: Yes some.

After I came to Washington I and some others very informally had taken over the National Young Republicans.

Q: Just as a side—

MCPHERSON: Very much as a side activity. It was very informal. So, Senator Brock, you remember Senator Brock?

Q: I do.

MCPHERSON: He suggested to the Ford White House that I'd be a good person to come into the White House and do personnel work. I went to work for President Ford in Presidential Personnel. I told my boss in the WH after he hired me that I grew up in Congressman Ford's district and knew him some, but that I don't have a close relationship with the President. I thought I ought at least to tell him that I knew the President.

Q: Did you worry that he thought you did have or didn't have a relationship?

MCPHERSON: Well, I thought that he probably might hear it and I thought it would be unwise if I hadn't told him. On the other hand, it is usually a mistake for a White House staffer to brag about your relationship with President.

One day my boss came down the hall—this was in the Old Executive Office Building—and said “Peter, we've got to go see the President on that matter that you've been working on.” So, we went to the Oval Office, and Ford said “Peter, what are you doing here? How are your parents?” I was very glad I'd told my boss, but I think he had almost forgotten about our conversation since after the first time I had never again mentioned knowing the President.

Anyway, the Ford White House was a wonderful opportunity. In a few months into the job, I became the Deputy Director of the office, the number two person. Doug Bennett was the Director and handled the big jobs like the cabinet positions and key congressional and political relationships. He had spent years on the Hill. With his oversight, I had responsibilities for much of the rest of the work of the office. We had about 30 people, mostly young people. I saw the whole U.S. government from the inside.

Q: Right.

MCPHERSON: We all worked 18 hours a day and—

Q: Were you responsible for getting Dan Parker in as—

MCPHERSON: No, he was Administrator when I came to the WH. But there is a story about Parker when I was at the WH. The WH, of course, had various people we wanted to get placed in the departments and agencies.

Q: Of course.

MCPHERSON: When I was AID Administrator I generally resisted WH placements and was largely effective. I wanted to protect the career system. I learned how to do this from my days at the WH. That is another story.

Q: Right. But where you sit determines what—

MCPHERSON: Well, also I didn't understand AID as well as I came to.

Q: Also, Dan Parker had not had the same experience politically that you had.

MCPHERSON: Well, he was a businessman—Parker Pen was his family firm—and I don't think that he had gone through the political or policy struggles. However, he was a nice and thoughtful person.

Q: Right, yes.

MCPHERSON: So, I told Dan that the WH wanted a person to AID and I thought the deputy job in Bolivia mission might work. Parker properly resisted. Then Parker said, "We need to take this to Larry Eagleburger." Larry was then Kissinger's man that ran the Department of State operations. And I said okay, let's talk to Eagleburger. Then Eagleburger called me up and said, "This is great, Peter, you and I just should start negotiating these AID appointments.

Q: These were your areas of responsibility?

MCPHERSON: State, AID, Defense and some others were the departments and agencies I worked on until I became the deputy with overall responsibilities.

Q: How old were you when you were doing this?

MCPHERSON: 35.

Q: Oh, okay. That is a reasonable age for that job.

MCPHERSON: Probably, though I had much to learn.

Q: Okay.

MCPHERSON: Parker immediately decided that the WH candidate would be ok as deputy for Bolivia, and Parker and I returned to working on the AID jobs.

Q: He was.

MCPHERSON: Our man was a Latin American scholar and bilingual and I hope it work out well. Another personnel matter that occurred later was interesting: I'm sitting there in my office as Presidential Personnel deputy director, and Eagleburger called.

MCPHERSON: Eagleburger was smart and tough; I'm sitting there in my office thinking I'm a big shot. I get the call from Eagleburger. And Eagleburger's jumping up and shouting what a jerk I am and how I won't let anything get done at the White House Personnel. On and on. After the call, I said well I guess I'm not as big of a shot as I thought I was and maybe I did not understand the job after all.

Q: Was he right?

MCPHERSON: So in about five minutes later Eagleburger calls up and he says “Peter, everybody has to do something for their country from time to time. Have a good day.” And I realized that when he called me he was sitting in Kissinger’s office with the Secretary. I understood that I was sufficiently junior that Eagleburger could make that call to me or maybe he just thought I would understand. Eagleburger never talked about the call. By the way, Eagleburger was one of my commencement speakers when I was President at Michigan State.

Q: Oh. You learned a lot of lessons in that job.

MCPHERSON: I did.

Q: And I thought that when you were doing this four years later, whenever, that it was the first time, but in fact, this was part of your skill set.

MCPHERSON: The White House personnel office was a wonderful job to learn this town. Also in White House personnel you come to understand that the appointees are human beings; they have their flaws, their strengths.

Q: And how do you balance the terrific pressures you get on the political side with your conscience and wanting to, as you say, provide a competent job, and these are important jobs, but they’re responsible jobs; how do you balance that?

MCPHERSON: The first thing is for WH personnel to understand what are the really important jobs. Sometimes it is not obvious. You need to listen to department and agency heads and some others. Usually, you can develop enough trust so that the department and agencies will tell you what is really important. In that context, WH personal needs to explain their own problems to the department and agencies from, for example, the Hill. Then the WH has to work hard to get the right match. Our Bolivia candidate was an expert that brought some good thinking to the agency. This process can work but it takes effort.

MCPHERSON: So, the Ford White House was a wonderful job, and probably provided more broadness, perspective than almost anything I could have done at that point in my career, packed into a year and a half.

So, then the National Republican convention is coming, and Jim Baker has taken the job as the chief delegate hunter for President Ford for the Ford–Reagan contest at the convention in ’76. I was recommended to Baker and I went to work for him as more or less his deputy. It was a successful convention. After the convention, I manage the campaign for a group of Midwest states. Through all of this, I developed a relationship with Baker which a few years later when Baker was WH Chief of Staff was very helpful in running AID.

When Carter became President, I was recruited to run and essentially set up the Washington office of this big Ohio law firm, Vorys, Sater, Seymour and Pease. I ran that office, literally, from the day after the inauguration day of Jimmy Carter to the day before the inauguration of Ronald Reagan.

Q: Were you also still doing Young Republicans?

MCPHERSON: By then I was working with the regular Republicans but not very much. I was practicing law and working hard; we were building our Washington office. It was a good time. The law firm was wonderful. The managing partner in Ohio John Elam, who's now passed away, was an excellent lawyer and a great mentor. I miss that man.

Q: What kind of law were you practicing?

MCPHERSON: Mostly tax and some Ohio clients. And then, the 1980 election approached and Reagan became a candidate. Some of my friends were supporting Reagan and I was recruited to help Reagan. I became deeply involved. The campaign compensated the law firm for my time. And then, at the convention where Reagan was nominated, Ed Meese asked me to help him plan the transition. Of course, we didn't know if we were going to win, but the transition had to ready to go by election day if we did win.

Q: Sure.

MCPHERSON: So, I became Ed Meese's person to put together the structure, the legal pieces, and so forth, but not the substance of the transition.

Q: That must have been fascinating.

MCPHERSON: Oh, it was. And then when we won the election, Ed Meese, who was the transition head, made me the general counsel of the transition.

The story along the way is how I become AID Administrator. Shortly into the transition planning, Ed asked me put together the list of the jobs a new administration should fill first. So, I put together a small group of former WH Personnel staff. There was something of a fraternity/sorority of people had who worked in White House personnel in Republican administrations. I recruited some of the very best to help me.

Q: Sure.

MCPHERSON: And we identified the 400 key jobs for early requirement in the new administration and wrote job descriptions and other considerations for each of those jobs. It's about getting excellent people, but also about getting people who can get done what the country needs. So, my team gave the presentation on the 400 jobs to Meese, to Casper Weinberger (first Sec. of Defense under Reagan) and to Pen James (who would later head WH personnel for Reagan).

That group of three accepted our recommendations with only minor modification. The job descriptions were used by Pen James in the transition and the early days of WH Personnel to recruit the people. The job descriptions were big, thick books; somebody must have them someplace, perhaps Pen James.

MCPHERSON: Meese took me home after the Weinberger/Meese/Pen James presentation. He said, Peter, if we win this, what do you want to be? I said I'd like to be AID administrator.

Q: No kidding?

MCPHERSON: And Meese said "I think we can do that."

Q: Had you any doubts? Was this something you had been thinking about for a long time?

MCPHERSON: Oh, yes. I forgot to tell you, Ford appointed me to the BIFAD (Board for International Food and Agricultural Development) just before he left office. BIFAD is where you and I met.

Q: Right.

MCPHERSON: Near the end of the term, President Ford asked if there was something he could do for me. I said yes, there's a BIFAD vacancy and I would like to be appointed to the position. There was a vacancy because somebody had not been able to accept the appointment Ford had made to the brand new BIFAD. Ford said fine to the appointment, and it was done.

Q: I was going to ask you how you had gotten on that. I see. So, that BIFAD Board experience, plus your Peace Corps experience led you to—

MCPHERSON: That's right. I got into the substance at BIFAD. You were the first person that briefed me at AID. It was an important preparation for the AID job just a few years later.

Q: As I recall, you were a very active member of BIFAD.

MCPHERSON: I was a very active member. I loved the substance. The staff of BIFAD taught me a lot.

Q: And probably you were the only former Peace Corps volunteer that was on that board.

MCPHERSON: Yes but the board members were smart and engaged as was the staff. Cliff Wharton, then President of Michigan State, was the chair. Woods Thomas was the

executive director, a smart guy. Morris Whitaker was the BIFAD economist. I learned a lot.

Q: But when Meese asked you that did he seem surprised that you were interested in the AID job?

MCPHERSON: No, he just said “I think we can do that”.

Q: Was this on the assumption that there wouldn't be very much competition for it?

MCPHERSON: I not sure. I become the general counsel and worked hard. I didn't say anything more to Meese after that first conversation. I had thought well, he's going to do what he's going to do. Meese is a good man and I sure he would think about me. During the transition, I saw Meese several times a day. Then one day Meese came by my office and said the president's approved you becoming Administrator of AID!

Q: And this was before—

MCPHERSON: During the transition. Probably a month into the transition.

Q: So, you knew even before the inauguration that this is what you were going to do.

MCPHERSON: Yes, I knew.

Q: Had it been announced publicly?

MCPHERSON: No, because remember, candidates had to go through the FBI security check and only the very top jobs got that priority.

Q: Right.

MCPHERSON: So, then the night before the inauguration, Jim Baker called and said that the person who was to be White House Counsel had a conflict that he had to work out before he could take on the job. So Baker said that he wanted me to be the White House Counsel for a few weeks while the new person could come on board, and then I could go to AID. Of course, I agreed. I went to the inauguration, walked back from the inauguration with my son to the White House, walked into the WH Counsel's office in the West Wing. I think I was the first person in the WH from the Reagan group. I remember it still.

Q: The White House Counsel job is the chief legal advisor to the president?

MCPHERSON: Right.

Q: Not his, I mean, we see a lot of this these days but not his personal lawyer?

MCPHERSON: The WH Counsel is not the President's personal lawyer

Q: This is the—so, in charge of appointments at Justice and places like that?

MCPHERSON: The White House Counsel is appropriately focused on the White House with a great deal of interaction with Justice. In brief, Justice is the lawyer for the whole government.

But the WH Counsel office can be a very active. For example, in those early days we prepared the executive order that substantially decontrolled oil and some other matters that had been worked on in the transition.

Q: And how long were you there before?

MCPHERSON: Oh, five or six weeks, something like that. Then Fred Fielding came on board to be WH Counsel and he was there all eight years. Fred did an excellent job as WH Counsel.

Q: Was your AID nomination handled while this Counsel job was going on?

MCPHERSON: Yes, but I was confirmed very quickly.

Q: Right.

MCPHERSON: In those days most confirmation moved quickly. I was sworn in but did not have a big ceremony; we just did it in the Administrator's office I thought about a ceremony but planning it seemed like a distraction. In retrospect, I think I should have had a ceremony and brought in all the constituent groups.

Q: So, what was your impression upon landing at AID? I mean, you knew a little bit about it because of BIFAD, but did you have some sense of?

MCPHERSON: Well, I'd written a brief document laying out what I thought were key things that needed to be done at AID. The document was found by someone and widely circulated before I got to AID. It wasn't a detail document but basically laid out what become the Four Pillars. It ended up being a powerful policy document.

MCPHERSON: Well, the first—I had these ideas in my document which became the "Four Pillars," but those ideas weren't very developed.

Q: Where did they come from?

MCPHERSON: My Peace Corps and BIFAD experience and my work experiences plus a lot of learning from people and reading. BIFAD was critical. I learned a lot from Cliff Wharton and Wood Thomas.

Q: Please describe those four pillars.

MCPHERSON: In brief, they were 1) developing human resources, 2) developing institutional capacity, 3) science and technology and 4) private sector/policy.

MCPHERSON: What I didn't fully understand at the time was that establishing these pillars was not only policy but a critical management/operational set of decisions.

Q: What do you mean?

MCPHERSON: Well, you remember we refined and drove the pillars, and from those efforts came a great deal of the changes that we made and what we got done.

When I went to Michigan State, I established six "guiding principles" which played the same role at Michigan State as the pillars did at AID. By the time I came to Michigan State, I better understood the power of sustained focus on a few key matters. At Michigan State, I used a fairly elaborate and most productive process of consultation to develop the "guiding principles." Consultation is critical in universities, and in any case, I was an outsider who had much to learn about universities.

Q: When you came to AID you had never run anything large like this. You'd run your law office.

MCPHERSON: That is right. However, a leadership role in politics helped. Running volunteer structures is a real management education.

Q: Right.

MCPHERSON: But it's a good point that President Reagan took a risk on this man who the Administration thought was competent and had good judgment but did not have experience in running a large organization.

Putting the principles together was an important initial step. I had somebody come up to me on the street three or four months ago and say "You don't know me, Mr. McPherson. I was a junior person at AID when you were Administrator. Let me list for you Four Pillars. They became important to all of us." Ideas and follow through get things done.

Q: I was gone but I know people who were there said that the four pillars loomed large.

MCPHERSON: The Pillars were critical big policy and management decisions.

Q: Because?

MCPHERSON: Because we refined and drove the Pillars day after day. The Pillars would not have made much difference if we had just had put them out and moved on. The organization refined and developed the Pillars. It was, of course, important that many

employees agree with some or all of the Pillars. It was critical for staff acceptance that the goal of the Pillars was to help poor people. The Pillars were not counter to the basic beliefs and culture of AID, and AID did much to improve and strengthen them. By the way, at the time there were 500 former Peace Corps volunteers in AID, and my former Peace Corps status gave me creditability.

Q: Did you promulgate these in the first few months after your arrival?

MCPHERSON: Yes. Because I'd worked out the concepts in the months before. The way I did the Principles at Michigan State – using an extensive consultive process – might have been better but a new administration generally has to move quickly.

Q: And this was pretty top down?

MCPHERSON: Yes.

Q: But the implementation of it tended to be very engaging, right?

MCPHERSON: Yes. The Pillars were sufficiently broad so that AID staff could and did refine them greatly. Of course, I learned from the Washington staff and the field and we made modifications over time. I talked to a lot of people at all levels of the agency in the years I was at AID.

Q: And did you work a lot with people in the bureaucracy to explicate these things?

MCPHERSON: Fully. As we talked before, PPC (Bureau of Policy and Program Coordination) put together a set of policies, many of which I believe are now still in place. Lots of career input on those policies and many stood the test of time. We understood that it was important for the career staff to have ownership.

In the early weeks of the Administration, OMB Director David Stockman took the position that there should be an eight percent immediate reduction of AID staff. My counter was this would mean a Reduction In Force (RIF) and that would be terrible for the agency. I said that we would do the reductions through attrition over a period of time, and that all of the reductions will come in Washington. Reagan for the first and only time made the final budget decisions for that first year at meetings in the Oval Office. Stockman and I sat in front of the President arguing our case back and forth for a few minutes. Finally Stockman agreed to attrition and the President said ok.

Q: He got tired of arguing with you.

MCPHERSON: I was persistent.

Q: But Stockman was cutting—

MCPHERSON: Much bigger deals all over the government.

Q: Yes, all over, so—and the president listened?

MCPHERSON: Didn't say anything.

Q: He didn't need to?

MCPHERSON: He said "Okay, boys, you've got that one settled," and he went on to the next meeting.

Q: And did you, in fact, over the next four years by attrition reduce the Washington staff by that much?

MCPHERSON: We did, yes.

Q: And did you have to deal with Stockman again?

MCPHERSON: Oh, all the time. I usually enjoyed my struggles with David. He was certainly a worthy adversary. Not long after that meeting with Reagan, at AID we looked around the world and found that we had some very underperforming projects. I said, let's cut out some of these projects. Unfortunately, I found we couldn't reallocate the money we cut from old projects to new projects. We decided that we should cut out the project anyway and establish that we were strong managers. I insisted everybody look through their portfolios, and we determined that there was \$28 million of projects that should be terminated and the money given back to the U.S. Treasury.

Q: As I recall, you had a Rose Garden—

MCPHERSON: We asked to present a huge check to the President. The President loved the idea and it became a Rose Garden event. Secretary of State came too. The picture with me giving the big check, probably one foot by three feet—made the front page of the New York Times, Washington Post, dozens of papers of all over the country. And Stockman later said "Oh, my god, McPherson, you're never going to let me live this down because the president keeps asking me why cannot get the other agencies and departments to do what Peter did."

The WH event was the idea of Jay Morris who later became my Deputy at AID. This very creative man sadly has passed away.

Q: So, would you say that the benefits that came to USAID from that one action—

MCPHERSON: Multiple.

Q: —saved you billions over the years?

MCPHERSON: Not billions but multiples of what we gave back. Besides we should have terminated those projects. Moreover, doing so and the event gave us the leverage to get Congress to change the law so that we could reallocate the money from terminated projects to new projects. I suspect very few at AID know the history on how we got that authority. I always enjoy these battles.

Q: Well, especially the ones you win.

MCPHERSON: Especially ones you win.

Secretary George Shultz was a strong supporter of AID. He understood economic development and made our case.

Back then AID directly negotiated with OMB (Office of Management and Budget) on the AID budget instead of through State. This direct approach was very important to protect our money and our role within the whole government.

Q: Right. Those were the days.

MCPHERSON: I remember late night negotiations with Stockman over the next couple of years. Finally, Stockman said “Ok Peter I will agree on this additional money, but you must commit to never mention your \$28 million to the President again. I did agree, but I don’t think the President needed reminding.

Q: There are people who say that you spent a lot of time on the relationships with key parts of the government, and I guess this is one illustration of—

MCPHERSON: Absolutely, it is important

Q: —the payoff.

MCPHERSON: I believed AID administrators have to sleep with their sword under their bed so to speak because somebody is always trying to get your money, trying to get your program. You have to build the relationships; you had to be prepared to struggle. Such struggles are necessary for leadership of most federal government agencies, but AID is particularly subject to attack for a range of reasons.

Q: So, is that one piece of advice that you constantly—consistently give to your successors?

MCPHERSON: Absolutely.

Q: Did the people in AID come to appreciate the fact that relationships were helpful to them and—

MCPHERSON: I think so. Even as the Administrator must protect AID budget, staff and program, the Administrator also needs to build bridges and personal relationships in other agencies. I certainly had strong relationships, for example, with the Department of Agriculture, some key career people at OMB and many parts of State. In the end, government leadership must be about getting things done and doing it well, and usually that takes relationships and two way collaboration.

Q: Yes.

MCPHERSON: And it was lucky that I'd had relationships with Jim Baker and Ed Meese. They were key leadership in the White House under President Reagan in the first term. Both of them very helpful in advice and sometimes direct help. For example, in the first budget round, Stockman proposed to eliminate the AID family planning program. So, I called Baker and said I can't do this, Maybe I should just go back to my law firm. Jim said "Peter, that's not right. Stockman just wants your money; he doesn't care about family planning. Just fight him and just work it out."

Q: And you did and—?

MCPHERSON: We did and kept a large, large family program.

Q: Did you have to give him money from somewhere else?

MCPHERSON: There were some adjustments but not huge. It was a good lesson for me weeks into becoming Administrator.

Q: Because other people who were after—

MCPHERSON: Other people were against family planning but probably not Stockman.

Q: So, the relationship with your counterparts in State and Treasury and OMB were excellent throughout your period, would you say?

MCPHERSON: Yes, almost always. For example, with USDA (United States Department of Agriculture). I had an excellent relationship with both Secretaries of Agriculture of the Reagan Administration. Back then there was an interagency committee that made decisions about the allocation of Title I and Title II food and some other matters. AID, USDA and OMB were the key players on the committee and each had a somewhat different vision on what to do with the program. By working that committee and understanding the needs of others, AID had an impact across the whole food effort. A successor of mine agreed to give up a role with Title I in turn for USDA deferring to AID on Title II. But AID needs a role with Title I with policy discussions with countries. That was an unwise agreement because we lost more than we gained and we lost some relevance.

We worked a lot with the Middle East people at State because of the huge Egyptian AID program. The tension always was, however, that State usually wanted to give Egypt more of the program in cash and we at AID wanted to do projects. We at AID were correctly convinced that cash would have little impact on people. One time when this issue came to a head again was when President Mubarak of Egypt was coming to Washington. State wanted to increase the cash transfer by \$200 million. I could see I was likely to lose on the question with Secretary Shultz because of Middle East political issues unless AID had a better idea. I can still remember the night sitting out on my back porch and worrying about this. I remembered that we had done a study on the huge sewage and water needs of Cairo and Alexandria. Moreover, there had recently been raw sewage running on some streets in Cairo. So the next day my people and I put together the proposal for a \$500 million sewage and water project spread over a period of years. State agreed that we would propose this to Mubarak instead of the \$200 million in cash for an announcement when he came. AID of course wanted to build the sewer and water but also to ensure that fees were collected from users and that the fees were separated into their own account instead of going back into a general Egyptian government account. Shultz, his people and I met with Mubarak when he came. There was a long discussion about the fees and an account for the fees. No agreement was reached and then Shultz said, "Peter, we need to discuss Middle East Peace. You and our Egyptian friends need to work this out. The same discussion happened in the Oval Office the next day. Finally, Reagan said, "You guys just work this out." Well, we did more or less work it out. The announcement was made by both presidents the next day. The sewer and water project worked better politically for President Mubarak than the money. In time AID expanded its involvement in sewage and water. Over time these projects saved thousands of lives. AID staff had the foresight to develop great ideas for times like that one. A few years ago AID did an evaluation of the health impact and found that the cleaner water and dealing with sewage saved many thousands of lives, particularly the lives of children. The lesson here is that you cannot just fight other agencies but need to come up with approaches when possible that solve everyone's problems.

Of course, sometimes AID just needs to be strong and creative. A case in point is when the Under Secretary for Management tried to move AID out of the State Department building. This was a threat because being in the State building was a big advantage for AID in working with the Secretary and the rest of the Department. The Under Secretary thought that he had Shultz's blessing but Shultz had only agreed that there could be a discussion. Both State and AID had people in the building and also in other buildings around town. The Undersecretary wanted to put all the State people in the State building. It's a long story but, in short, we argued that to allow the Secretary access to people he needed most, State should move some of their people out of the Department building and AID should move some of people back in. My finance person Tom Rollis developed the ideas and the detail. In the end, the Under Secretary gave up and told his people not to mess with AID anymore.

We have not talked about Congress. I spent a lot of time on the Hill aided by very able, mostly career, staff. Both the Senate and House were controlled by the Democrats most

of the time I was Administrator. I worked especially hard on the appropriation committees and we counted the votes year after year. I had excellent relationships with Sen. Dan Inouye and Congressman David Obey who were the chairs of their respective appropriation subcommittees. The staff of these members were also critical. I look back very fondly at the Hill relationship and work. The Administration and the Secretaries of State were critical in increasing the AID budget in those years.

Right after I got to AID, I went to see Secretary of State Al Haig. I told him that on paper I reported to the President, but I did not think that made sense to do so in practice because I was not likely to see the President much. I asked if I could report directly to him (not to anyone else in the Department) and attend his morning staff meetings. The Secretary thought that was just fine.

Q: Is that how that happened?

MCPHERSON: Absolutely. And when Shultz became Secretary, I had a similar meeting with him and he agreed. And they were not big staff meetings, eight to 10 people, and I had a chance most mornings to talk to the Secretary if I needed too.

Q: And did you get a sense that your being able to do that protected AID and also kept a different perspective on the part of the secretary and others?

MCPHERSON: Yes. It also kept AID issues in the mind of the Secretary. I remember one time Haig at a staff meeting asked me how food production was coming in Africa. I thought that was pretty exciting question for a Secretary of State. I could regularly say things to the Secretary without ten people in the chain clearing it or asking questions. And remember that on paper I still reported to the president, so some assistant secretary of State couldn't say here's what AID should do.

My agreement was largely an upside for AID. Remember that the Secretary of State always has had some control over AID. President Clinton's Secretary in effect removed an AID Administrator.

Q: I mean, the situation is clearly much different now. When you've talked with your successors have they realized what they lost?

MCPHERSON: Yes. The change in the law on the reporting relationship happened when Secretary Albright was in office. The legal change in fact changed a lot. Bryan Atwood fought the change and probably prevented the full merger of AID into State. I guess Sec. Albright's support for the change was part of her getting along with Sen. Helms of NC (Chair of the Senate Foreign Relations Committee) but the change was a bad idea. Later Secretary Rice set up the F Bureau to control budgets including AID's budget. This has been a costly mistake for everyone in my view and created a new costly and unhelpful F Bureau bureaucracy. The State Department bureaucracy has always wanted easier access to AID's money and more control over AID. State has a somewhat different mission than AID, and too much State control is a mistake for everyone, in my view.

In the years since the late 1980s, AID role has been reduced, in most cases, for reasons beyond the power of the then Administrator.

MCPHERSON: I'm not blaming my successors; I just think it's just a real struggle.

Q: When you first arrived you had to find people to fill the various jobs that existed, the key jobs; any particular difficulties in doing that or any sense that you were being pushed around by your old office in the White House?

MCPHERSON: Not so much because I immediately went out and hired some excellent people with strong political credentials that the White House would have otherwise wanted to place somewhere. It helped that I knew Pen James at WH Personnel very well.

Q: And you knew who those people were?

MCPHERSON: Sure, because I worked in the campaign. I knew who the strong people were, and I could argue my case to the White House. It did not work perfectly but fairly well. The one big issue I had with the WH was who would be my Deputy Administrator. I knew that I and other new people did not fully understand AID and its mission. I wanted to keep Joe Wheeler, the Deputy in place when I arrived. He was a particularly capable career person. I was able to keep him in that job for a couple of years.

Q: Right.

MCPHERSON: And every national campaign after that, both congressional and presidential, I would always recruit some capable folks from the political process so that I could tell the WH I had done my share. We also did some shorter term appointments.

Q: And that won the day?

MCPHERSON: That generally won the day. It certainly helped that Reagan had a professional White House personnel office that would hear the needs of AID.

Q: But you enjoyed it when you were doing it for—

MCPHERSON: Of course.

Q: —Ford and so, maybe you had some good guys in there and they enjoyed it, too.

In that first year at AID, do you remember any big crises that were particularly difficult for you? I mean, you were in an administration that was not wildly enthusiastic in general about development.

MCPHERSON: But they were—that's true, but we were in the middle of the Cold War, and the Secretary of State and many in the Administration wanted an active AID that

would project of American values. AID was seen as important and our budget grew enormously.

Q: And they came to see it because events pushed them there or you were present enough so that you could make it clear or they just had very good sense?

MCPHERSON: I think I helped but the facts around the world and the Administration's broader goals were the biggest factors. For example, our Central American program grew enormously.

Q: Well, let's talk about that for a moment. There were people on the Hill who would have been unhappy about the population program. There was ultimately Mexico City. You once told me that it was Joe Wheeler who convinced you of the full importance of—

MCPHERSON: Joe Wheeler brought to me shortly after I got there a family planning project agreement for \$80 million that needed my signature to get done. I had fought with the White House not to eliminate the program, but this was a lot of money in 1981. And Joe, wise and thoughtful man that he was, still is, talked me through it. I kept it on my desk for three or four days and talked to some experts and others. I then signed it.

Q: Well, \$80 million for three or four days, you probably signed off on some larger things much more quickly.

MCPHERSON: I did, but I had to get myself through the issue and think about it carefully in very concrete terms. The President was against abortion and how did the various methods of family planning fit into that thinking. It was helpful that a study in Chile had shown that there were fewer abortions when family planning was available.

Q: Right.

MCPHERSON: Common sense. But we later developed and wrote out a set of philosophical and factual underpinnings to be supportive of family planning. Do remember Dr. Simon?

Q: Julian Simon.

MCPHERSON: Julian Simon said more people would create more growth, opportunity, energy, etc. There is something to the argument – consider the problems of the declining population in Japan. But the problem is that families and society must also have the resources to feed, clothe and educate their children for them to become productive adults. That is likely to be a challenge if a large portion of the population is young and not yet economically productive. Simon never agreed with our family planning program, and he had the ear of some in the Administration. Secretary Shultz supported our arguments.

Q: Your starting point, though, had been just not really exposed to it, is that right?

MCPHERSON: Right. I needed to work it through in detail. By the way, I did talk at length with my friend Congressman Sandy Levin

Q: Right. Sandy Levin who had been the assistant administrator responsible for population programs during the Carter Administration and subsequently was a Congressman from Michigan for many years.

MCPHERSON: We talked a few weeks ago.

Q: He's finally retired.

MCPHERSON: He's a good man.

Q: And his son is running for that seat. Did this require a lot of political capital on your part, to push back on the Hill?

MCPHERSON: I wasn't sure where the White House would stand. I suppose it did cost me something, but what is political capital for except to use it from time to time?

Q: Well, I've told you that when I listened to six of the former heads of AID's Office of Population, when they were asked which administrator of AID gave them the greatest support, they said, to a person, you. So, you obviously did your study well and it had great impact.

MCPHERSON: Well, they were great people. They worked hard and delivered.

Q: Absolutely.

MCPHERSON: Wonderful people with whom to associate. I don't mind those battles.

Q: You thrive on them.

MCPHERSON: I do thrive on them. Sen. Helms was unhappy, of course.

Q: Jesse Helms of North Carolina, that is, for the record.

MCPHERSON: Yes, Jesse Helms was unhappy. We had a mission director in Guatemala who worked hard to carry out AID's family planning policy. Helms's friend was ambassador to the country, and that ambassador demanded that our mission director be sent home.

Q: Ah, yes.

MCPHERSON: We had to bring him out because the ambassador could make that decision. But I made him head of AID's Central American program. That sent a message to all of AID.

But it was not just some on the right that attacked the program. Remember the President of International Planned Parenthood.

Q: Right.

MCPHERSON: Well, she thought it was terrible because I wasn't willing to support abortions with AID money. So she and her organization paid for these big signs on the back of D.C. buses saying "McPherson kills women" and demanding that I resign.

Q: I missed that.

MCPHERSON: I certainly remember it. I'm driving down K Street and there's a bus in front of me saying "McPherson kills women."

Q: That was the first you'd seen it?

MCPHERSON: Yes. So, we called up the bus company and said we wanted one of the signs when you're through with them. They did not give me one. It would have been a great keepsake. I suspect that the President of International Planned Parenthood did not understand that her signs strengthened my position in the Administration. I think she was largely playing to her domestic supporters anyway.

Q: We have not talked about your wife and your family in all this process. How did you manage to find time to, in the midst of all this, to?

MCPHERSON: My first wife Natalie and I were married a couple of years after I came back from the Peace Corps. She had a little boy, from a previous marriage. I raised this wonderful boy, Michael Kircher, like my son. He is now a successful engineer running a testing laboratory for Lockheed in Arlington, Texas. Natalie and I also had son, Bruce, who has worked for AID in the office of general counsel. He is an excellent lawyer, a better lawyer than I ever was.

Q: Yes, I was pleased to meet Bruce at one of the recent memorial services when he came with you.

MCPHERSON: That's right. He's going through language training and expects to go to Pakistan here next year in the Foreign Service, as a lawyer.

Q: A chip off the old block.

MCPHERSON: He's very excited about going abroad. Natalie, my wife, was Ph.D. economist. We were divorced 34 years ago, and she sadly has passed away. When we were together and I was at AID, she was deeply involved and interested in the ORT work. She was a smart woman who cared deeply about the issues.

In 1989 I married Joanne who was a very effective First Lady at Michigan State. She has two wonderful children by a previous marriage. We have been happily married for 30 years. With her kids and mine we have six wonderful grandchildren.

I want to finish the family planning issues. Those battles were intense.

Q: Yes, well, let's finish those, if you can, for just a few more minutes. I take it that Frank Ruddy was one of the people who was not enthusiastic about your support program.

MCPHERSON: Yes. Frank wasn't happy about it. There's a long story, and I will not get into it deeply. I insisted the Africa bureau follow the established family planning policy. Frank would not agree. For that reason Frank was moved from Assistant Administrator for Africa. Long story.

Q: Remind me to tell you a story that he and my brother in law were, I think, at Holy Cross together.

MCPHERSON: Is that right?

Q: And they have very funny stories of that experience. But one crazy guy. It has zero to do with policy.

MCPHERSON: Frank was a very smart person, but I was not going to have the Africa bureau have a separate policy on family planning.

Q:

On the family planning side and what more would you like to say about that?

MCPHERSON: I had this wonderful support from the AID family planning offices. The family planning community outside of AID got jittery when International Planned Parenthood attacked me. I think they supported me—they knew what I was doing and why—but many of them did not speak up, apparently because of their own internal politics

Q: This was the U.S. International Planned Parenthood office. These are separate entities, you know.

MCPHERSON: Yes. A word about the Mexico City policy. The policy was the Administration policy. Lots of people got involved in this one. Mother Teresa called President Reagan. President Reagan called me and said I should you call Mother Teresa.

Q: And?

MCPHERSON: And I called Mother Teresa and she explained how important the policy was. This was before Mexico City. I told Shultz about the call. Anyway, it became clear

this was going to be the policy of the administration, so Mexico City took place and we put it in place.

Q: And how did you manage your own staff on that score?

MCPHERSON: Well, they understood I wasn't hiding anything. People like Duff Gillespie and all of those good people, they were close enough to the struggles, so they did not agree but said, Ok, let's figure out how we do it.

Q: And, if I'm not mistaken, there was some playing around with language and you managed to get the language a little better than—

MCPHERSON: A little bit but not much. Anyway we were sued by the providers/NGOs. I have court documents someplace where "McPherson" is named in the court case. I think the staff at AID felt that we all needed to keep our eye on the big picture. The U.S. Government had to play an international leadership role in family planning. And we could play that critical role without supporting abortion. Abortion was not a key part of the program. The Reagan administration provided more family planning support in nominal dollars than all previous administration combined.

The UNDP (United Nations Development Program) was a major struggle for us because China was arguably using their annual \$10 million from the UNDP for their one child policy. We briefly saved the program because I got Under Secretary of State Jim Buckley (he led the U.S. delegation to the Mexican Conference) at a press conference in Mexico City to endorse staying in UNDP while we worked for changes. I went to President Reagan through National Security Advisory Bud McFarlane to propose that the U.S. stay in UNDP if China would use the \$10 million for Child Survival work in China. Bud got the agreement from the President. I think Bud thought the President might have even been willing to agree to stay in UNDP if China agreed to use the money only for condoms.

Q: UNFPA (United Nations Fund for Population Activities).

MCPHERSON: The then head of the UNFPA tried to make something work with the Chinese. However, the Chinese said they weren't willing to make the adjustment for the use of the money. So we had to leave the UNDP pursuant to the agreement within the Administration. When the decision was about to be announced, I told Sec. Shultz what we needed to do. Shultz was having dinner with a senior Chinese leader that evening.

Q: It had to come after that dinner, right?

MCPHERSON: Yes. I think that they had that dinner and then the undersecretary for political affairs stayed behind, and he told the Chinese about the decision.

Q: Well, whatever you did on this and other issues, you won the hearts and minds of the Population Office.

MCPHERSON: As I said, under Reagan, AID put more money into family planning in nominal dollars than all previous administrations combined.

Q: And who would have believed that beforehand?

MCPHERSON: Who would have believed it?

Q: Yes. No, it's one of these—

MCPHERSON: I talked to Administrator Green the other day and, among other matters, told him how important family planning continued to be for Africa and that the U.S. needs to play a major role there

Q: And did he acknowledge that?

MCPHERSON: Yes, but money is of course tight.

Q: Yes, I just had lunch with Tag Demment, APLU international Vice President, and he was telling me about trying to get Green to think about higher education.

MCPHERSON: Yes, it was at that meeting, right.

Q: Well, good luck on that.

Look, why don't we—we've been going for two hours and you must be exhausted but I'm feeling that this has been a wonderful opportunity to learn a lot about you that I did not know and that I know other people are going to be interested in. There are lots and lots of subjects about your AID period to talk about.

MCPHERSON: Yes, we need to go down through those subjects and talk about them.

Q: And just, again, just to mention some of them, I mean, since we're on health and ORT and working with Jim Grant and UNICEF, the Women in Development, the Percy Amendment—

MCPHERSON: Let's talk more about Egypt someplace along the line, too.

Q: The whole famine relief for Africa and the struggles involved with that, Ethiopia, for example, and ultimately the development fund for Africa and how that emerged. Private sector, I haven't stressed that but that was, of course, a key feature of the—

MCPHERSON: Let's talk about policy dialogue, too.

Q: And policy dialogue and John Bolton's role in that, right?

MCPHERSON: Sure.

Q: Experience on working with the Hill and what—I mean, in many of these areas, by the way, it would—it’s always going to be good to get whatever your thoughts are about how this can be relevant—this experience is relevant for your successors, just as we’re interested in the history of USAID for this purpose you exemplify and represent and have lived through so much in so many areas. The world is different than it was when you were AID administrator but as you’ve been implying a lot of the same issues still exist.

MCPHERSON: Right.

Q: Okay. Well, thank you very, very much.

Q: Okay. This is Alex Shakow, and I am sitting in Peter McPherson’s office, where we are about to start the second full session of his oral history interview. It is November 30, 2018 several months after our first interview.

So, Peter, when we finished the discussion some months ago, we talked at considerable length about family planning and the issues surrounding it, but you made a comment about President Reagan and his views in this area, and you said that he was not ideological on family planning. And I just wondered, to fill out that, if there were issues in which President Reagan took a particular interest in AID matters, whether for ideological or practical or political reasons. Were there other issues that you took to the president? As you know, Lyndon Johnson was very involved on issues of food aid to India, but how about you and President Reagan?

MCPHERSON: Well, he certainly did not want AID to fund abortions. I told you last time about getting a call from Reagan and to tell me to call Mother Teresa.

Q: Yes, yes. You did describe that.

MCPHERSON: I enjoy thinking about when Reagan called.

Q: Oh, really?

MCPHERSON: When Reagan called, without thinking, I stood up. Even though he was blocks away.

Q: That’s why he liked you so much.

MCPHERSON: Whatever. I stood up. He took a deep interest in the famine in Africa, particularly in Ethiopia. We haven’t talked about that yet.

Q: We have not, and that’s certainly on my list to talk about. So, you want to talk about it now? That’d be fine.

MCPHERSON: Let me think if I can cover the rest of your question then we can talk about the famine. The President of course took a strong interest in the Cold War issues.

Q: So, you mean Central America?

MCPHERSON: Central America and other matters. He didn't personally get into them in depth, but it was clear that he was very supportive of our efforts such as those in Central America.

Q: But, you didn't get phone calls from him on a daily basis saying do this or do that? I mean, he was not interested in details.

MCPHERSON: No, not in details. But he certainly was a strong supporter of the AID levels in Central America.

Q: Where did that come from, do you know?

MCPHERSON: He was the leader of the free world and saw that foreign aid was important in, for example, El Salvador. Of course, Sec. Shultz talked to him about this at length at various times when they discussed strategy. At the start of the Administration, there was a widespread perception that AID wasn't going to be very well funded under Reagan.

Q: Right.

MCPHERSON: And that definitely wasn't true. There was very large increases.

Q: But you think it was more the humanitarian side of it that interested him, or he was balanced in this? I mean, leader of the free world, on that basis it could be both security and humanitarian.

MCPHERSON: The Cold War was critical, but his interest in Ethiopia and the African famine was because of his interest and support of key humanitarian issues.

So, let me go into the famine.

Q: It's quite a controversial subject, I gather, and I admit to great ignorance myself about what was going on at that time. I gather that Andrew Natsios has argued that the administration's reluctance to respond immediately to the Ethiopian famine resulted in quite a lot of deaths, but I don't know that story.

MCPHERSON: I have not seen Andrew's comments.

Q: Anyway, tell the story your way— how it came about and what your involvement was.

MCPHERSON: Are you sure that we're talking about the same famine that Natsios—

Q: Well, '82, '83?

MCPHERSON: The big famine was in '84-'85.

Q: '84-'85, okay. That's the big one, right?

MCPHERSON: That's the big one. There were subsequent famines and serious food deficiencies in Ethiopia and Africa in which Andrew was directly involved—

Q: Oh, maybe that's what that's about. He was still in Massachusetts or someplace like that.

MCPHERSON: I think he was in Massachusetts.

Q: Okay, well scratch that.

MCPHERSON: So, here's what happened. Sometime late '83 or '84, more and more stories about huge food shortages and pending famine were beginning to come out of Eritrea and Tigray then part of Ethiopia. It was difficult to verify because of the isolation and the Mengistu regime did not want information out.

Q: But AID had a mission there, right?

MCPHERSON: We had a mission there. Their travel was restricted and, in any case, we had difficulty knowing what was going on. This was before had satellite photos. That came afterwards in large part because of the famine and the need for better information.

Q: Right, so FEWS (Famine Early Warning System) and all that stuff was—

MCPHERSON: Yes, FEWS was created right after the '84-'85 famine to deal with the deficiency of not having enough data early enough. Some key people at AID created and got FEWS underway. My recollection is that Ray Love was central in getting the concept on the table. Ray was the bedrock of so much that we did in Africa when I was Administrator.

But to go back to the '84-'85, it was hard to determine what was happening, and the governments of both Ethiopia and Mozambique were essentially part of the Soviet bloc.

In any case, we started to provide food but not nearly enough. Senator Danforth of Missouri was able to get into the country and look at the situation. I went with him to see the President. Then I went to the county.

Q: Went up to?

MCPHERSON: To Eritrea, a place called Mackenzie and other locations.

Q: At that point, Eritrea and Ethiopia were still one country, right?

MCPHERSON: Yes. Before my trip we were moving food through NGOs but not massive amounts. Not long after we started the large increases. About half a million tons of food to Ethiopia in '84-'85.

Q: And was this PL-480 Title II or was it—?

MCPHERSON: Title II.

Q: So, it was grant?

MCPHERSON: It was all grant.

Q: But generated local currency or not?

MCPHERSON: No. Not Title III.

Q: Just grant?

MCPHERSON: Just grant.

Q: Okay.

MCPHERSON: The Ethiopia government didn't really want the food delivered. They did not say that but tried to delay the food in many ways.

When I got back from my trip I mentioned a moment ago, I immediately went to see and showed Reagan the pictures and talked to him about what I saw.

Q: There was a large amount of malnutrition, children dying and that kind of thing?

MCPHERSON: Yes.

Q: And the reason that there wasn't a lot more food being given before that point was because of the political—?

MCPHERSON: The government of Ethiopia tried to keep the disaster news from getting out and tried to slow down the delivery. But certainly, the Soviet ties and distrust of the Ethiopian government made it harder in Washington. Public interest (Bono with his whole world effort was starting to be a big help in public concern), the Danforth report and my trip and report to the President broke the dam in moving the food. I showed my terrible pictures to Reagan in the Oval Office. Baker, Meese and Bud McFarland were all there. That is where Reagan said "A hungry child knows no politics" I came out of that meeting and quoted the President to the press. Those words established the U.S. policy.

There were still discussions with OMB (Office of Management and Budget) on the amount, but I felt that I had the authority to really push all the food I could get in. I remember the time that I told David Stockman, Director of OMB, that I needed to announce additional food the next morning on Good Morning America. I think he felt I might announce it with or without his agreement. Anyway, he agreed.

There were problems getting food to the people who needed it because the Ethiopians didn't want to allocate the trucks to take the food to the region; their priority was to move coffee. We demanded more trucks—it was a big public standoff. In the end, we imported our own trucks to move much of our food to be distributed by NGOs. But the time needed to import trucks of course delayed some food delivery.

Q: And hiring people locally to do driving and all the rest.

MCPHERSON: It was a scramble to get the food into the region but we did.

Q: And this was all AID-organized? Was World Food Program active there at the same time?

MCPHERSON: Some, but AID delivered a large part of the food. But other donors were important too.

Of course, we had huge food problems in many countries in Africa. USAID was the largest provider of food but others were very important too.

There is a great story about some of the other donors to Ethiopia. We took much of our food in with our own trucks because, as I said, we couldn't depend upon the Ethiopian government transporting the food. There was this serious question as to whether Mengistu really wanted to get the food to the region. Something like Stalin in Ukraine in the '30s.

Q: So, political opponents you don't have to feed them.

MCPHERSON: Yes. So we brought our own trucks and had NGOs deliver the food. But the Europeans, Canadians, and Japanese brought food into the port in Ethiopia and waited for the Ethiopian trucks. The government trucks did not come and a lot of their food just sat in the port. We suggested to these donors that we all have a joint press conference demanding the trucks from the government. The other donors were not willing to be so public in their demands. So, I sent my Deputy Administrator Jay Morris to Ethiopia to see what evidence/photos he could get on the food in the port?

Q: Tell me more.

MCPHERSON: It was great to be at AID. The State Department probably would not have agreed to this kind of thing. We just did it. Jay went to the port and surreptitiously took pictures of the food in the port. The food had been there for a few weeks; there were

huge piles of bags of food out in the open air and some of the bags had broken open. The bags had the name of the donor on them and some of this writing could be read in the pictures. It was outrageous for the food to be wasting away while people were starving

Anyway, Jay brought back a lot of pictures of the big piles of bags, many of the split open and with the donor name still viable. I invited the ambassadors from all the donor countries to my office, and I gave them the pictures of their food.

Q: And then what happened?

MCPHERSON: I asked the group again to hold the joint press conference. One of the ambassadors asked the question on all their minds. He said I guess you probably have other copies of these pictures? I said yes. They said they did not want the pictures released and would promptly consult their governments.

Q: What happened then?

MCPHERSON: I knew most of my counterpart development heads, and I believe most of them were willing to hold the press conference. But their governments were not as aggressive. I did get a call from one of the donor heads saying that her government had directed her to tell me that it would be an “unfriendly act” for the U.S. to release the pictures. Of course, I had no interest in releasing the pictures. I just wanted the donors to be much more aggressive with the Ethiopian government including holding the press conference.

Q: And?

MCPHERSON: Within a few days we had a very good joint press conference.

Q: And did Mengistu—?

MCPHERSON: Mengistu then delivered some trucks. Not all that we wanted but a lot and the other donor food starting to move.

Q: How did—when you first went out to look and got those pictures you showed President Reagan, how did Mengistu receive you?

MCPHERSON: He never would see me.

Q: So, you never met Mengistu?

MCPHERSON: I never met Mengistu though I regularly asked for meetings.

Q: Interesting. He knew you were running around loose in his country?

MCPHERSON: Yes, and I guess he didn't feel he could stop that, but he didn't think he needed to see me.

Q: That's very interesting.

MCPHERSON: Yes. In time it worked better in the country. We provide a limited amount of food to the government of Ethiopia as part of an agreement for them to do some needed work with the famine. We doubted if the food we gave them was used well, despite their commitments, but it was worth it in the big scheme of things.

Q: But this was—somewhere I thought I read that this was the largest effort of provision of food for this kind of disaster relief ever or something like that.

MCPHERSON: I think so but I don't know what the numbers were right after World War I and WW II. Over a 12-month period we delivered two million tons of food to Africa including half-million tons to Ethiopia

Q: It's obviously a massive management effort, too. Who was in charge of this for you out there?

MCPHERSON: Well, there were several key AID staff in Washington and of course in the field. Julia Chang Block was the Assistant Administrator responsible for PL-480, and early called for getting food into Ethiopia. Her work and AID Africa Bureau supported the separate structure in AID we used to drive the famine effort.

Q: What was going on in Sudan at the time?

MCPHERSON: The biggest challenge was to get food out to Darfur, at one point the roads out to the region were washed out, and we could not truck the food in. So we took a lot of food into Darfur by helicopter. I rode out on one of the helicopters; these are lots of stories here, but—

Q: Those are the ones that everybody wants to know.

MCPHERSON: Kelly Kammerer, who you remember.

Q: Of course, yes.

MCPHERSON: Kelly and I went out in one of the helicopters. So, we get to the—

Q: Kelly at this point was doing what? I mean, he was doing congressional still?

MCPHERSON: Yes.

Q: Yes, okay.

MCPHERSON: So, we approached where we were to land and deliver the food. There was a big crowd waiting on the ground.

By the way, in Sudan they started calling the grain “Reagan.”

Q: The what?

MCPHERSON: They called the grain we brought in “Reagan.”

Q: Oh, “Reagan.”

Q: I’m sure the president was very pleased with that.

MCPHERSON: I suppose so.

Q: Did you ever tell him?

MCPHERSON: Yes.

The grain we brought in was in several bags held in a net hung underneath the helicopter. That day we did not have enough people on the ground to control the crowd. So the net was cut loss when we helicopter landed with the bags in a pile. So, I jumped on the top of the huge pile of bags hoping that I could bring some order to the process. Not a chance.

Q: And you started slipping down?

MCPHERSON: People starting pulling away bags. The pile I was standing on got smaller and smaller until finally I was standing on one bag of grain and some guy came up and slit the side of the bag and started taking the grain out. Kelly saw all of this and he still tells the story.

Q: I’ll bet he does. But I did Kelly’s oral history; I’m just sorry I’ve already finished it because I would have asked him about that one. We didn’t talk about that.

MCPHERSON: So, to go back to the Ethiopia-Mozambique issue, there had been a lot of discussion on whether we should provide Ethiopia and Mozambique grain, and that’s why the President’s “A hungry child knows no politics” was so important.

Q: But there were rebel units scattered around the country, were there at that time?

MCPHERSON: I didn’t see any fighting.

Q: Yes.

MCPHERSON: I had key support going into the Reagan meeting where he made the decision on the food. UN Ambassador Jeane Kirkpatrick supporting me for example.

Q: And she was influential with the president too, right?

MCPHERSON: Yes. And Bud McFarlane, then Director of National Security Council, clearly was supportive. John Bolton, then head of AID's PPC (Office of Policy Planning and Coordination) was arguing against giving these countries food, but he did not work against it outside of USAID.

Q: And his opposition was political?

MCPHERSON: Yes, because of their Soviet alignment.

Q: He didn't care whether people were dying.

MCPHERSON: He certainly would not have phrased it like that. John was looking at the Soviet issues. John argued his case to me but, of course, I was strongly for providing the food.

Q: In order to do this, was there some kind of interagency process?

MCPHERSON: No. But I did go to a number of people myself outside the AID.

Q: Or did you just get the president's okay, you had support from—

MCPHERSON: The President made the decision.

Q: And you just didn't bother about whatever PPC was telling you, unlike during my day when, of course, the administrator always listened to PPC.

MCPHERSON: Well, John was a very strong and effective head of PPC but he did not prevail on this issue. His office did produce a large number of draft policies for discussion with the team and approval by me. John did a good job with this. I am told that many of those policies are still in place. John was interested in development.

Q: We'll come back to that at some stage. But as far as this case was concerned, even though it was political, politically against, maybe, traditional interests, it was the fact that this was a really important humanitarian effort, the president was on board, his key advisors.

MCPHERSON: Yes. I had strong support from George Shultz.

Q: Well, you didn't need much more than that. Agriculture? I suppose it was—

MCPHERSON: Oh, they were for it.

Q: Yes.

MCPHERSON: They were for it. Jim Baker too.

Q: Right. Well you know, everybody who counted in the administration was supportive. Were there lessons that came out of all this? I mean, this was a massive effort. Lessons for AID, lessons for the United States government.

MCPHERSON: The need of some reliable early detection system was a key lesson.

Q: FEWS

MCPHERSON: The need for FEWS was a lesson AID acted on.

Others in the future may want to consider whether you need a separate structure within AID to carry out a huge but temporary effort like this one. I early set up that separate structure from the Africa Bureau because their focus was ongoing projects. It was the right decision at that time but it had costs.

Q: So, did you pull people out of various parts of the agency to take this role?

MCPHERSON: Right.

A broader lesson was that the immediate cause of hunger is often the weather but famine can be made worse by lack of response to the need e.g. not making trucks available. Famine can also be best avoided by more productive agriculture and better Ag related policy. The famine in Ethiopia was weather but underlining it was under performing agriculture and bad economic policies. Note that there has not been a major famine in India and China since the 1960s. Certainly the Green Revolution seeds had a major role in more food for those countries.

Q: So, it fit in with your four pillars?

MCPHERSON: Yes and I think common sense.

Q: Right. But this one was a particularly dramatic one.

MCPHERSON: It was a dramatic one. It was one of the many times that AID was at its best. AID all pulled together and delivered for millions.

Q: What happened in Ethiopia as a result?

MCPHERSON: Mengistu survived. He stayed in power for a few more years and is still alive. He lives in Zimbabwe.

Q: Did he ever say thank you?

MCPHERSON: No.

Q: And did he change his policies?

MCPHERSON: No, but I was not looking for his thanks.

As you know we have a lot of Ethiopian cab drivers here in Washington, DC some of whom at the time of AID's famine effort even recognized me.

Q: Without prompting.

MCPHERSON: Without prompting. Very very few U.S. citizens would recognize an AID Administrator. The people of Ethiopia appreciated the help of the U.S.

Q: They loved you.

MCPHERSON: Not me personally but they deeply appreciated the people of the United States. They loved what we did.

Q: That's great

Let's stay on Africa for a while since we're there. I mean, we could branch off and do policy and all the rest, but we'll get back to that. Other parts of Africa, South Africa; in 1986, there was an act of Congress that said AID should get into the business of aiding the majority population, and yet I gather that the administration really didn't support that.

MCPHERSON: We did some work in South Africa in the 1980s, mostly training as I recall. The big commitment came later after Mandela came to power.

We also did some famine work 1984, '85 in South Africa. I met with a group of white leaders in South Africa and urged them to feed their starving people. They turned the conversation around to talk about how they had a lot of livestock that were in trouble. It was incredible. We then proposed to match in food whatever the private parties in the country contributed. We worked with a strong and committed group of private citizens and the amount they contributed for the match was important.

Q: But in addition, subsequent to '85, you had to do things and I guess mostly through NGOs (Non-Governmental Organizations) or something like that. No, I was reading what Tim Bork, who I guess was the mission director there, wrote in Janet Ballantyne's book that said that when they first started working there AID and Americans were not very well liked, but over a period of time, as the programs came into play that the attitudes changed. Did you ever visit South Africa?

MCPHERSON: Yes, during the '84-'85 famine. That's when I met with the leadership that told me their livestock were starving.

Q: Oh, I see, it was the leadership that was telling you that. Yes.

MCPHERSON: Yes. It was some government ministers. The big AID South African program started later though, as you were saying.

Q: But while you were there did—

MCPHERSON: We did the famine work. We had some leadership training, but it wasn't big.

We did a lot of work with the so-called frontline states. I led a U.S. delegation for Sec. Shultz and looked to see how we could strengthen those economies.

Q: You mean like Namibia and Angola and places like that?

MCPHERSON: Botswana, Mozambique, etc.

Q: Carol Peasley has suggested I ask you about working with Chet Crocker, who was the Africa State Department assistant secretary, I guess, focused on those countries surrounding South Africa during that period; any particular stories or recollections about that period?

MCPHERSON: Chet Crocker understood AID and was supportive at State. He was certainly the most knowledgeable about development of the regional assistant secretary in the Department. Of course, development was particularly important for Africa and Chet knew it.

Q: And that was not just an invidious distinction? I mean, that his being the most informed but he really had substantial knowledge.

MCPHERSON: That is true. Also Princeton Lyman was his deputy. Our wonderful friend Princeton who recently died.

Q: Exactly.

MCPHERSON: Princeton was excellent. He was key to the good working relationship between AID and the State/Africa. And I tried to respond to what Crocker would ask from time to time from AID.

Q: What kinds of things did he ask you to do?

MCPHERSON: Oh, he would say, Peter, can you help me with a little support in this country or that country for these reasons. Sometimes I was not too sure and would check with Larry Eagleburger, State Under Secretary Political. We usually worked things out

Q: The Development Fund for Africa has been praised as a unique initiative. Was this a program, an approach that you became deeply involved on? It is an example of how AID and the Hill could work together very closely to the benefit of development, but I just wanted to ask if you were engaged in this at all or just gave your blessing to it.

MCPHERSON: Oh, deeply.

Q: Well how? Tell me how.

MCPHERSON: I think it was an idea that came out of discussion with the AID Africa staff and me. It was driven by the need to have more program flexibility and more policy impact. Ray Love had probably been thinking about it for years. Anyway, the development of the idea was certainly a group project. You remember that the plan provided a certain amount of money that could be used in any of several countries and for any activity i.e. it was not restricted by county or function.

There was a meeting with the President in the cabinet room where I argued how it could be done and why.

Q: Really? How did—I mean, just the way that I understood it came about was that there were people on the Hill who were working closely with people in AID at the working level and confidence and trust developed. But you had to get this approved at the Reagan level?

MCPHERSON: To be honest, I do not recall but I do know there was critical hill support. Could not have happened without the Hill.

Q: Interesting.

MCPHERSON: The functional accounts and the country allocation mandated by Congress meant we often didn't have enough capacity to address the most pressing problems and opportunities of a country or the capacity to discuss key policy discussions with a country's leadership. As you remember, we were deeply engaged in policy discussions with countries, issues such as price controls on farmers when they sold their production. We had credibility on Capitol Hill and within the administration on much of our policy approach,

Going back to the meeting with the President, I remember that Jim Baker was at that meeting. Dick Darman, Baker's powerful man at the White House, was at that meeting, too. I recall Darman writing me a little note in the meeting something like, "McPherson, you have presented this so that there is no option but for the President to agree." I think that was intended as a compliment!

Q: This was the first time he had seen that in your work?!

MCPHERSON: Anyway, the idea was approved and the idea later put in place provided a fund for work in Africa not restricted by country or type of work. This very high-level support from the WH certainly helped.

Q: Unfortunately, it didn't last beyond that first four years or whatever it was.

MCPHERSON: But it's a good example of what can be set up. It's the kind of thinking, modified of course, used by the Millennium Challenge Corporation.

Q: Yes, and that was the key, I mean, that the members of Congress trusted you and your staff to do what you said you were going to do.

MCPHERSON: Yes, I think they generally trusted that we would do what we said and that we had our heart in the right place. People like Chairman Obey and Chairman Inouye. They generally trusted us to give them answers when they asked questions, to really tell them what we were doing and to tell them when we had problems.

Q: That's on my list to ask you about, and if you want to jump into that now we can do it, because certainly for AID the Hill is a very important place.

MCPHERSON: Critical.

Q: And you had your, you know, your nemeses there but on the other hand you had—

MCPHERSON: I had great friends.

Q: Yes. So, talk about those and how you nurtured those and how it worked.

MCPHERSON: Well, many people were, of course, interested in how the money was going to be spent, both liberals and conservatives. And of course, getting our budget appropriated by Congress each every year was absolutely critical. Because Congress generally did not pass authorizations bills for AID, the appropriation committees became the authorization committees.

Q: Right.

MCPHERSON: So, I worked hard with the appropriation committees, including getting to know the members of those committees individually.

Q: Was Passman gone by the time you—?

MCPHERSON: Oh, yes. Fortunately

Q: It made it easier.

MCPHERSON: Made it a lot easier.

Q: But you had Matt McHugh and—

MCPHERSON: Matt was wonderful, of course, and old Chairman Long.

Q: Old Doc Long, the expert on economics from Baltimore.

MCPHERSON: He was always pleasant with me, and I generally could make my case to him. He was quite elderly by the time of my last meeting with him. You and I are not so young anymore either.

Q: He had other characteristics that went with age, however, that so far, I don't see evident in you, and I don't think in me.

MCPHERSON: So the last time I went up to see him was shortly before his committee's markup of AID's appropriation bill. The markup was to take place in a few hours. I had three or four points about which I was concerned. I started going through them, and he fell asleep.

Q: So, did you wait? I mean, that's a tricky problem. I mean, what do you do then?

MCPHERSON: You just wait, don't say anything.

Q: And he doesn't say anything.

MCPHERSON: He did not say anything.

Q: And you leave it up to his staff to wake him up.

MCPHERSON: Yes, absolutely. His staff nudged him a little bit. He said "ah". And I just went on as if nothing had ever happened. He then did focus on the points I wanted to make. His good staff was there and of course I had talk to them, too. I got along well with Chairman Long.

But of course, the next year David Obey of Wisconsin became the chair.

Q: A very different—

MCPHERSON: Very, very different.

Q: Yes.

MCPHERSON: And very knowledgeable and interested in knowing more.

Q: And very incisive in the questions he would ask.

MCPHERSON: Absolutely.

Q: And demands he would make.

MCPHERSON: And demands. But not unreasonable questions for a chair of the appropriation foreign-ops subcommittee.

Q: Rough around the edges.

MCPHERSON: Not really. I regularly would go see Obey, and I always went alone. He liked that I knew the program well enough so that I could discuss it alone. He generally did not bring staff either.

And so, we had our talks; they would start off with Obey telling me how awful the president was doing on various matters. And then he'd say "Okay, Peter, what do we need to talk about today?" And then we'd go down through area issues.

And the same with Inouye. Inouye was an easier personality but very smart and caring like Obey. But Inouye—

Q: Bill Jordan? I mean, Inouye had Bill Jordan as his assistant, right?

MCPHERSON: Well, the Inouye staff person I dealt with was Richard Collins. Collins was Inouye's appropriation staff person

Q: Oh, okay. So, much better. Yes, I think that Bill Jordan maybe had moved on.

MCPHERSON: Yes, I didn't know him

Q: I dealt with him. He's the one who said that, in the New Directions program that every AID officer needed to provide aid to a poor person directly. So there you are with Inouye or Obey, and you went up, you saw these people on your own, which is terrific.

Had the ground been laid by the very qualified people you had, like Kelly Kammerer and people like that?

MCPHERSON: Oh, yes.

Q: Because they really lived up on the Hill, didn't they?

MCPHERSON: Yes, Kelly and others.

The regional bureaus had very strong senior career people as deputies and they were often important on the Hill.

Q: My understanding was that at some point AID and its congressional relations kind of froze up and did not allow their—these key players to spend much time with their counterparts up on the Hill; was that your understanding? That wouldn't have been true in your time, but I've always thought that was one of the great failings on the part of several subsequent AID administrators, that they didn't encourage their people to—

MCPHERSON: I had good reason to trust the career/foreign service staff. They often brought deep knowledge and on the ground realism to discussion on the hill.

Q: What kinds of issues did people like Obey or Inouye raise with you? I mean, were there specific programmatic issues or did they have to do with personnel or?

MCPHERSON: Not personnel matters. Inouye was interested in family planning and other matters too. He was interested in particular American Schools and Hospitals Abroad (ASHA) projects.

Q: But from a positive standpoint.

MCPHERSON: In a positive way. They both were supportive of the general thrust of what we were doing. I think the key was to be open with them and know what you were talking about.

Inouye and Obey were both helpful. Let me give you a case in point with Inouye. One year Inouye had committed publically that he was not going to increase AID's Operating Expenses (OE) account for that year's budget. But we really needed \$10 million more. I explained our problem to the Senator and he did see the situation but felt he could not back off his public position. I believe he had taken his OE position in the context of containing costs in some other budget. But we really needed the \$10 million. We were down to the wire with the mark-up of Inouye's bill the next morning. I recall driving around in my car trying to figure out what to do.

Here was the plan I came up with: OE was defined as money that was too spent for a specific set items. You could not spend other appropriated money (non-OE money) on one of those listed items. However, you could spend other appropriated money on items not on the OE list. So my idea was to take off one the items on then OE list that was worth about \$10 million, and thereby allowing us to use other money to fund that \$10 million item. I called my AID finance person Tom Rollis with the idea and he quickly came up with an item to take off the OE list worth \$10 million. I was able to get Inouye on the phone with the help of the WH operator. He thought it was a great plan and called Richard Collins of his staff to write it up. The next morning at the markup it was done. Rollis and I really enjoyed that one.

I should note that Sen. Kasten of Wisconsin was Chair of the Sub Committee for the first couple of years of the Reagan Administration.

I worked things out with Kasten in important part with the help of his staff person, Jim Bond. Collins, Bond and I stayed in touch for many years.

Q: What else?

MCPHERSON: It was a big opportunity for me when Jim Baker asked me to go to Treasury, but an opportunity was lost when I left AID.

Obey and Inouye had both agreed to write in the appropriation bill sweeping language giving AID the authority to rewrite their laws and regulations as to personnel and procurement notwithstanding what other laws and regulations on the books. This goes back to the fact that the appropriation process had taken over authorization. I did not consult with anybody else in the administration on this approach because I never could have gotten agreement from OMB, OPM, etc.

Q: Of course. And what happened to that?

MCPHERSON: I went to Treasury and Obey and Inouye didn't do it.

Q: You went to—you moved to Treasury as undersecretary?

MCPHERSON: Yes.

Q: I see. And as a result, AID did not follow-up on it or the Hill did not follow-up?

MCPHERSON: Well, I'm not sure that Alan Woods pushed it too hard.

Q: Probably not.

MCPHERSON: I don't think so. But in some ways, this was an agreement based on Inouye and Obey trusting me to be thoughtful and to consult with them as we made the changes.

I talked to Alan about this but Alan was new. There also were some at AID that were uneasy about getting this sweeping authority.

Q: But it's that authority, I mean, thinking back to—listening to you and other administrators talk about what really needed to be done, that whole—

MCPHERSON: This would have been beautiful.

Q:—the same thing that was needed.

MCPHERSON: It was needed.

Q: Yes.

MCPHERSON: We were able to change some unwise things anyway. You remember that we got the authority to reprogram money of terminated project subject only to notification of the new project.

Q: Well, I know you gave—once you had that big check for \$29 million that you—

MCPHERSON: That's right.

Q: But after that you got it changed so that—

MCPHERSON: You could reprogram it without giving it to Treasury.

Q: I see. Okay. And that—Yes.

MCPHERSON: Yes, that was very nice. It was in part a matter of trust.

Q: And when you hear people complaining at AID about their morale or other issues, it's often procurement questions and personnel questions still—

MCPHERSON: Still are there.

Q: Yes, yes.

MCPHERSON: I had some Republicans that thought I was a little too moderate.

Q: On the Hill?

MCPHERSON: Yes. Helms, particularly. But Congressman Jack Kemp thought I wasn't doing enough to achieve tax cuts in developing countries. I argued to Jack that a country was in effect cutting income taxes when the country got rid of price controls on food sold by farmers. In other words, getting rid of these controls reduced what a government took from farmers so this was in the nature of a reduction in taxes. Governments were in effect taxing the farmers so that they could provide subsidize food for urban populations. This was really a tax and retribution plan.

Q: And he was smart enough to be able to buy that, right?

MCPHERSON: Well, he was a little skeptical. Jack did important things for the U.S. in my view but he did not fully understand that revenue and tax issues are different in developing countries.

Q: Because virtually nobody was paying tax, so that's one reason that—

MCPHERSON: I argued to Jack that the tax structure of our early Republic, designed in important part, by our first Secretary of Treasury Alexander Hamilton was based on tariffs and transaction taxes not on income taxes. Income taxes are really complicated to

administer. Of course, there are lots of problems with the tax structures of many developing countries. I should add that the U.S. has some major issues too.

Q: Right.

MCPHERSON: I had pretty good bipartisan support. The Republicans sometimes were more interested in the security Cold War issue, the Democrats more interested in development numbers. Many members were interested in both. By the way the Israel program helped pull together support for the whole program.

Q: Well, we've always said that AID does better in Republican administrations than Democratic administrations because Republicans support the president and the Democrats support the policy, the interest in AID. During your period there was quite a lot of, I mean, there was a lot of growth in AID—

MCPHERSON: Huge.

Q: And a lot of it was Economic Support Fund, as well as Development Assistance

Q: Yes. I don't know what the exact numbers were, but both ESF (Economic Support Fund) and DA programs helped get support for the whole program?

MCPHERSON: Yes, absolutely.

Q: Was this a conscious choice, or did it just happen this way or were you manipulating the numbers behind the scenes to try to be sure that you had what you needed?

MCPHERSON: Well, we certainly saw that you needed both and we pushed for both. George Shultz saw this too. For AID, Shultz was key.

Q: Of all the secretaries that—?

MCPHERSON: Probably. Shultz was an economist who cared.

Q: Who else did you have as secretary?

MCPHERSON: Haig. Haig for a year starting from the beginning of the Administration. But Haig was a broader thinker than history tends recognize. One day he asked me what's happening to food production in Africa. I thought what a great question for a secretary of state to ask an AID Administrator

Q: What had motivated him?

MCPHERSON: I don't know. There was no context to the question

Q: And once he had the answer what happened as a result?

MCPHERSON: I provided a verbal answer and followed up with a brief answer. He was interested and seem satisfied that we were focusing on the issue.

Q: This preceded some of these famine problems?

MCPHERSON: Yes

Q: Was Shultz there the entire rest of your tenure?

MCPHERSON: Yes.

Q: And Baker was in the White House during the entire—?

MCPHERSON: No. Baker was WH Chief of Staff for Reagan's first term and then he went to Treasury early in the second term.

We've talked earlier how important it was for me and AID that both Jim Baker and Ed Meese were at the White House.

Q: And people you knew well. Right.

MCPHERSON: Knowing Baker and Meese because of the previous relationships was quite extraordinary for an AID administrator.

Q: I was going to say, did you spend a lot of time up there?

MCPHERSON: Not sure what portion of my time, but I worked hard at it

Q: And it paid off.

MCPHERSON: Yes

Q: Well, the fact that you were there for so long, too.

MCPHERSON: I came to know and like the people.

Q: Yes.

MCPHERSON: And worked out individual ideas with them and projects and so forth.

Q: So, as a lesson for future administrators—

MCPHERSON: That stay a while.

Q:—that pays off for them. My impression is that Raj may not have spent as much time on the agency, but he apparently did a good job cultivating the Hill because—

MCPHERSON: I think so too.

Q: —the bipartisanship in support is pretty strong.

MCPHERSON: Yes.

Q: But, so he was following your guidance.

MCPHERSON: Well, I did talk with him but I assume that a lot of people told him to work with the Hill. I have the impression that Administrator Mark Green is spending a lot of time on the Hill too.

Q: Of course, he comes from that environment, too.

MCPHERSON: So, it's been easy and natural for him.

Q: Yes. I'm sure.

Policy. I know you want to talk about Egypt, and I don't know that it's more sensible to talk about your focus on policy reform and how you managed to get that underway or you want to talk about a place like Egypt first. But let's do policy.

MCPHERSON: Sure.

Q: You know, if you look back to the time when I was there, we were in the '70s, early '70s, we were kind of moving away from paying much attention to economic policy. I mean, we tried hard not to lose that and to pay attention to it. But then I was there when the New Directions came in and Kissinger's view was that, to the extent he had a view, I think, you may have a better sense of it, that all this policy stuff, that the World Bank should do that and AID should focus on these humanitarian issues.

MCPHERSON: Right.

Q: So, you come into power and one of your four pillars is economic policy.

MCPHERSON: Right.

Q: And I've read something that you wrote where you said that before too long AID became well known, appreciated for its efforts in this area, both inside the government and abroad. So, tell me how you did that since you obviously changed the focus, and in the '80s the focus was much more on policy, including things like private sector and so on, but on good policy. You're also quoted somewhere as saying that dogma does not make any sense. I had that quote from somewhere.

MCPHERSON: Well, I came to AID with the idea that there were four areas we ought to emphasize.

Q: Right.

MCPHERSON: My thinking came out my Peace Corps experience where I in fact had spent a lot of time with AID, out of my experience with BIFAD as well as doing lots of reading and talking to many people.

Q: Right.

MCPHERSON: So, then I wrote the fairly short paper from which came the Four Pillars many months before I went to AID. The Pillars became both a vision and important management tool, when I went off Michigan State I followed the same approach with a lot more consultation.

Q: You said the last time that when you went to Michigan State you spent three or four months asking people for their views and then you drove the ideas through. But in AID you drove them through right at the beginning.

MCPHERSON: Yes. Universities require a great deal of consultation in decision making. When I went to AID, I felt I had to move quickly and moreover I did not yet understand the full power of learning and building that consultation brings.

Q: And it must have been quite popular, actually, with the staff.

MCPHERSON: I think so because the Pillars built on some great work AID had done over the years. It helped that staff came to know that I really wanted to improve the lives of poor people. In that regard, it helped that there were 500 former Peace Corps members on the AID staff when I got there.

Q: And privatization, I remember when Elise DuPont came to be the-

MCPHERSON: Assistant Administrator.

Q:—head of that office to deal with the private sector, and I thought well finally AID will have a real test of whether it can do anything in the private sector.

MCPHERSON: We never put large amounts of money into private equity or loans, though.

Q: No, but how much—how important to privatization was your policy emphasis and reform and how much were you pushed in that direction by political forces?

MCPHERSON: I thought we should do some of this work but I thought working for sound policies and strengthen people, institutions and technology was probably the work that AID could do to have the most impact.

I didn't think that the bureau should be too large. Senator Helms thought I should make it much bigger.

Q: Helms thought you should make what much bigger?

MCPHERSON: The private sector bureau with more equity and loans in private sector transactions.

Q: Oh, a private sector bureau.

MCPHERSON: Much bigger. But he was one of the relatively few that really pushed on the issue. I said to Senator, but you don't like the SBA (Small Business Administration) and so why do you think that the bureau should be a huge international SBA ?

Q: Did that quiet him? I doubt it.

MCPHERSON: No. I suppose Helms thought that most of what AID did was a waste and so the bureau was better than the rest. Still I had a great argument. When I went to Bank of America, I became much more knowledgeable about the private sector and now understand that it is very difficult for governments to put together private sector deals that really work. It takes expertise and sustained engagement that is hard for government to pull off. At B of A, one of my responsibilities was a fund that invested in equity deals in Latin America. I saw how hard it is for people that really know the business and whose bonuses depend on success.

Q: I remember. In fact, when you first arrived and I was still there and I was writing testimony for you, one of the things you insisted on putting in was a section about the private sector. Did I ever tell you that what I did was to dig out what I had written for Jack Gilligan four years earlier and used the same tactic?

MCPHERSON: And I thought you were brilliant.

Q: I learned afterwards, by the way, that I was really totally ignorant of the fact that in Latin America we actually had done a hell of a lot of work with the private sector, but I was not aware of that— it shows how ignorant I was.

MCPHERSON: Well, Latin America, as you remember, was the oldest and a very sophisticated bureau. If anyone could have done it, it was them.

Q: Well, it started, really, I mean, during the Alliance work and subsequently—

MCPHERSON: Some parts of Latin American had a relatively stronger private sector with which they could work. Environments. But the policy changes were very critical there. And in Central America, for example, we were able to hold back money sometimes if countries were not willing to make policy changes like evaluation of currencies or open up the economy. I remember the time the President of Costa Rica called Shultz and said McPherson won't release a certain amount of money because he argues Costa Rica needs to open up our banking sector.

Q: But.

MCPHERSON: Shultz said I agree with McPherson. Now, there's a Secretary of State.

Q: Well, it helps when you have a secretary who also had—

MCPHERSON: Who is an economist and understands.

Q: Right and had held positions in other parts of the government.

MCPHERSON: Like the Treasury.

Q: Yes, right.

MCPHERSON: But I think working away at the issue and having thought out careful positions— there's a huge amount to be said for persistence.

Q: Well, as you talk about driving things through, it's that persistence that gave confidence to the staff, too, that you were going to be there for them on that.

MCPHERSON: Right.

Q: How much did you confront the inconsistencies of the United States government policy? For example, working on development of textile production abroad was not permitted. I even remember when we wanted to export textile manufacturing equipment that created a lot of resistance—

MCPHERSON: That was before I came to AID.

Q: Was it pre-you? I see. Okay. But did you, I mean, were there other kinds of policies on tax and trade and other things that got in your way or were they marginal in terms of their impact?

MCPHERSON: I think relatively unimportant compared to what had sometimes been the case. We had the law that restricted what we could do with agriculture?

Q: The Bumpers Amendment. Yes.

MCPHERSON: Yes, the Bumpers Amendment.

Q: I wanted to ask you about that, too.

MCPHERSON: And that was something about which we had to be careful. Everybody remembered the soybeans work in Brazil.

Q: What was the soybeans in Brazil?

MCPHERSON: Well, we basically helped establish soybean production in Brazil.

Q: Ah.

MCPHERSON: That's a well know and often repeated story. Brazil would have probably increased soybean production whatever AID had done. Some parts of Brazil are ideal for soybean production.

Q: Sure.

MCPHERSON: We worked to get Guatemala and Costa Rica, for example, to adjust their exchange rates. They were very overvalued and killing their exports. Devaluation is certainly not always wise but it is important in certain circumstances. After the devaluation in Guatemala, I remember when the country's non-coffee exports first exceeded coffee exports in value.

Q: But that was not direct agricultural support.

McPherson: But also we did some work to increase food production in the Andes, Haiti, etc. and had no Bumpers problems with that work. A lot of that food was consumed in the countries. Our Ag work around the world was fairly effective and the work was certainly varied. For example, we helped the government of Haiti kill ever pig in the country to get rid of swine fever and then helped to repopulate the pig population.

Q: But did Bumpers mean that you could not hire agriculturists or—?

MCPHERSON: No we hired a lot of Ag folks and I wished there had been the money to hire more.

Q: But in general Bumpers did not really constrain the program?

MCPHERSON: Bumpers was not a major inhibitor. But we did want more Ag money than Congress appropriated. This was not because of Bumpers but rather because some other programs had more support than agriculture in Congress

Q: Well, about that same time the agriculture was also declining as a focus in the World Bank very substantially, in part because our people didn't think they knew how to make the right investments in Africa, that there were too many different factors at work.

MCPHERSON: The bank's big investment in Ag extension did not work out and I think that had an impact on the bank's Ag thinking more broadly and some impact on the thinking of others. Several years later Vice President Gore told me at a reception that Ag development aid did not pay off. He did not make the distinction between extension and other Ag work probably because they had all been lumped together to him. Ag investment returns depending on the intervention. The returns on Ag research have generally been outstanding. Huge irrigation projects and rural integrated development have generally had poor returns.

Q: That and some of the rural development activities, which didn't pan out the way it was anticipated; too complicated and—

MCPHERSON: Yes. Problems are created with too much central planning and too few incentives/flexible for farmers.

Q: Yes. Other sectors, since we're mentioning agriculture, I was reading somewhere that education officers, according to somebody's article, in the '80s practically were an extinct breed. I mean that—do you remember anything about?

MCPHERSON: Was that K-12 education work?

Q: I guess so.

MCPHERSON: We did not have the resources to do a lot of work on K- 12 but were interested. We adopted a policy that said if possible parents should put some money into teacher salaries to help make sure the teachers showed up at the schools. I had gone to many schools in rural areas, for example, where teachers were not present even though they were being paid by the government. We also did not put a lot into to strengthen universities because it was so hard to get change at universities. Student strikes, particularly in public universities was a big problem then. In recently years, I have changed my mind some on this issue particular in Africa. In many countries in Africa there are several times more university students than 20 years ago and there is not enough capacity to provide decent education. APLU, the organization I now run, is committed to help in this area and have been urgent AID to become more involved. I think my position is not just because of where I now sit but because the need has become so great.

Q: So, education got squeezed out?

MCPHERSON: We were not spending much money on K-12 or on some university strengthening when I got there and the numbers were not increased that much.

As you know, there is now a billion dollar account in the AID budget for K-12. I think some that more of that money should be used to achieve policy and structure change. I am not sure what they are doing now. I do think that K-12 is important for AID, especially now that there is money to do the work.

Q: Other thoughts?

MCPHERSON: I loved what they were doing in Uganda a few years ago. They put up kiosks in communities showing how much money was going to each school. It put real pressure on teacher to show up and for the money to be better spent.

We did drive up the numbers of developing county students studying at U.S. This work was consistent with the Pillars. When I got to AID the number was about 7000 a year. I insisted that every project of any size had to either include long term training or explain why not. The numbers quickly increased to 16000 to 18000 a year.

Let me go back to another big private sector related issue we had. It was mixed credits. Mixed credits involved a development agency like AID subsidizing interest rates for equipment or construction loans made by the private sector companies of donor countries. This might be irrigation equipment or a power generator. Usually there was a development justification for the purchase but the approach took up a lot of resources away from AID/other donor agency regular development work. Most of the donor development agencies were under pressure to do these mixed credit deals. Many donor countries had their equivalent of our Ex-Im Bank (Export-Import Bank) but private sector sales sometimes did not qualify for those institutions or did not provide enough subsidies to make a sale work. The companies pushing mixed credits in the U.S. were very powerful e.g. Archer/Daniels/Midland, GE, etc., and I could see how much of our development program could be eaten up by mixed credits. AID's problem was that some donors were already doing a lot of deals, for example, the French. The U.S. private sector felt the competition and argued that AID only wanted the kind of development work we knew and loved and were not really interested in the private sector. At AID, we felt that the tradeoff was going to be sale of equipment versus ORT, Ag research projects, etc... I went to a donor head meeting— The Tidewater group led by the DAC Chairman— and made a speech saying that “mixed credits are a tiger in our house.” I think it went well— at least some of my donor colleagues used that phrase for years. AID called for the donors to work together to agree on limits to the use of mixed credits. We did not have the power to get this done. When Jim Baker became Secretary of Treasury he got an agreement with the other donors by working through OECD and the ministries of finances of the donor countries.

Q: Jumping around a little bit, but do you want to talk about the Egypt program?

MCPHERSON: Sure.

Q: Obviously, a lot of money went into that program after the Camp David Accords.

MCPHERSON: The battle always was how to spend, cash transfer versus projects. Related was our push to get Egypt to move to open their economy with less government ownership. On economic policy we basically failed. Many years after I left AID, Mubarak opened up some but I often wonder what would have happened to Egypt if it had moved step by step to open up the economy starting back in the '80s. He probably would have achieved a lot more growth that might have changed its politics.

Q: You're saying that despite the amount of money involved, the fact that it was a political decision which could not be changed meant your influence was limited?

MCPHERSON: The U.S. at Camp David had promised \$1 billion a year and the Administration asked and Congress appropriated the money every year. It was in large part ESF and State had the lead with ESF but AID was supposed to program a fair amount of the money as opposed to just transferring the money to the government of Egypt. AID's strong desire to program the money and to achieve policy change was hindered because Egypt knew they were going to get the money. We never stopped trying to get the policy changes but we knew that our best opportunity for change would be good programs like the sewer and water project we talked about.

The last time I saw President Sadat, we spent an hour alone on the lawn at his residence in Alexandria. He told me he strongly supported family planning but it was dangerous for his government. Sadat was killed not too long after that conversation.

President Mubarak was under some real pressure all of those years to continue the subsidies on food, etc. Not long before I took over AID there had been riots in the street over the government raising the price of bread and street riots were always a possibility.

I went to Egypt twice each year and almost always saw President Mubarak. I saw him first when he was Vice President. We were providing a couple of hundred million dollars of PL-480 to Egypt (that was part of the \$1 billion figure), and we knew that some of that food was being fed to animals. I pointed this out to him. He called in an assistant and asked if that was true and the assistant said yes. Nothing much happened though.

When I saw Mubarak, I always politely argued my case with the facts. At any given time, there was always a reason not to loosen up the economy but never really doing much really cost Egypt. Of course other people point out that Egypt was political stable for a long time.

Q: How did you feel about the ultimate distribution of money and what impact did it have?

MCPHERSON: I strongly felt that at least some of the money could have been better spent in Egypt or in some other countries, but we had some Egyptian projects that did have big impact.

Q: Such as?

MCPHERSON: In just two years, we got 85 percent of the women using ORT for their children. Mrs. Mubarak was the public leader of the campaign. Most Egyptians had some access to TV and our ads were great with Mrs. Mubarak as our spokeswoman. I think the power generation we built helped a lot but it could have helped more if the economic policies had encouraged growth. Some Ag work was effective. There were a number of effective projects.

I spoke to you earlier about our massive sewer and water projects in Cairo and Alexander. A few years ago, AID did an evaluation of the health impact of that effort and the impact was enormous. I was pleased to be invited to speak at the meeting where the evaluation was released.

MCPHERSON: The State Department always wanted to give Egypt more cash. There was always a political problem that would be eased by some money. But, of course, the next year State and the Egyptians would assume that the cash level would start at the new higher level. The State people were of course good and smart people but development was not their priority.

Q: As I recall the annual amount of assistance was \$600 million or something like that, and how much were you pushed into giving cash?

MCPHERSON: It was a billion dollars when you included the PL-480, etc...

MCPHERSON: Egypt and Israel received equal amounts.

Q: But you had DA and ESF, or is it all ESF?

MCPHERSON: It was all ESF, plus the PL-480. Of course, my argument was that we program ESF unless we it was determined otherwise.

Q: Right. So, you used it as if it were development assistance?

MCPHERSON: Yes, exactly. We were able to do that a fair amount of time but it was always a struggle. And of course we were limited in our discussion on program because the Egyptians knew they were going to get the money anyway.

MCPHERSON: We put in place some key economists that were very good, that could articulate and explain.

Let me talk about the policy broadly. John Bolton was important in putting together a large number of policies for various sectors and subsectors.

Q: In fact, I think you produced more policy papers in those first three or four years than ever before or probably after.

MCPHERSON: Did I mention that I am told that many of them are still in place.

Q: Yes. I think that's right.

MCPHERSON: And John was an important part of driving that effort. John was a good listener to the career people on the policy work even if he did not agree. Now, he had some ideological positions, like not giving Ethiopians food because of their government. But I think the career people in that office appreciated him, for example, the head of Women in Development. She told me about how John read her draft on the policy for her office. He had questions all over the paper and then the two of them worked out the issues quite well and were ready for the full group discussion

And we'd have big meetings of the key people to finalize the policies. You remember that conference room right across from the administrator's office?

Q: Right.

MCPHERSON: In that conference room we worked at most policies for a couple or hours. It was very productive.

Q: And I think John Erikksen told me that he thought that period was also very productive, and that he felt that John Bolton had not, on most issues, let ideology get in the way.

MCPHERSON: Well, and he believed, for example, in market forces and poor people empowerment through rural roads, better seeds, education, etc., and institutional building.

Q: Right. But you were involved in encouraging this policy development for the agency and you would have these reviews and be active in them.

MCPHERSON: Deeply involved. Chaired every one of the meetings to agree upon the final policy. It was a very rewarding part of the job. My involvement signaled that the policies approved were going to be put in place if possible.

Q: You mentioned Women in Development. This was also the period of the Percy Amendment and how much of that were you—?

MCPHERSON: The Percy Amendment was put in place before I got to AID.

Q: Oh, that was '73, not '83?

MCPHERSON: Yes.

Q: Oh, I see.

MCPHERSON: But we did make a significant change in how Women in Development was implemented. Before I arrived the approach had been for the WID office to provide

grants for WID work and to be something of an issue advocacy group within AID. Too often they were not in the mainstream of AID work. We cut back on the grants but required that WID matters be considered in all project proposals and that be reflected in what was submitted. This brought about immediate and far reaching changes.

Q: Sure.

MCPHERSON: It had a big impact in AID people and those with whom we worked. An example I remember well was an El Salvador project during the war there. We had a WPA type project because of was large unemployment and “heads of households” were given the opportunity to work. The draft of the project proposal defined only men as “heads of households” but, with the WID considerations, both men and women became eligible. This was important because at that time there were many poor women who were *de facto* heads of households

Q: Women, sure.

MCPHERSON: WID continued to provide technical assistance to the field and a lot more issues came up because people were more often struggling with what to do. WID issues were developed and incorporated into projects more effectively than the previous approach. The WID office had very good people doing the work.

MCPHERSON: You wouldn’t want to eliminate the WID office because you needed someone who can provide advice to the field, but the field had the job of driving the work. Of course, fairly often the WID office would have an opinion on what the field was proposing and would jump in.

Q: What about the role of women in AID and the access of women to advancement and so on; what’s your take on that during your period?

MCPHERSON: We had some key women in leadership roles. Julia Chang Block comes to mind. But not enough. I would do much more if I were running AID today.

Q: Right, of course, the times have—

MCPHERSON: Times have changed for the better. At APLU, the organization I current run, four of 11 vice presidents are woman and four of the 11 are African-Americans. Leaders need to think about diversity, including gender and race, every day, and cannot discriminate.

Q: Sure.

MCPHERSON: AID and everybody else should have done better.

Q: Yes. I mean, I’ve just finished Marilyn Zak’s oral history, too.

MCPHERSON: Did you?

Q: She has some strong feelings about that generally but then—

MCPHERSON: Well, I think that she was probably right. Marilyn was quite senior but no doubt would have done more. She was and am sure still is capable.

Q: Yes, I know. She was the first woman who was sent to the War College.

MCPHERSON: Good for AID for doing it and to her too

Q: Anyway, that's a separate matter. But no, it took people like Marilyn and others to fight for these positions to—

MCPHERSON: Push through. Good for Marilyn.

Q: Yes.

MCPHERSON: And you had Janet Ballantyne too who became very senior.

Q: Of course. There were individual women who—

MCPHERSON: Individuals, but there were not enough of them.

Q: And you know as I think you read about from time to time, not all the women, even those who got to senior positions, were particularly supportive of other women.

MCPHERSON: I have heard that.

Q: You mentioned child survival in Egypt. That was clearly a very big deal for you and AID in the '80s and the work on ORT (Oral Rehydration Therapy) and child survival generally and working with Jim Grant. And do you want to talk a little bit about that?

MCPHERSON: Absolutely. Well, the Cholera Research Center in Bangladesh had produced ORT a couple of decades earlier. By the way, Gatorade is basically ORT.

Q: Is it? I didn't realize that.

MCPHERSON: Yes. It's the same concept of sugar and water and salt, the combination that can rehydrate. This is why football players drink Gatorade.

At the time the biggest killer of children in the developing world was dehydration from diarrhea. ORT was fed teaspoon by teaspoon to children to rehydrate them. I have seen children go from near death to a little smile over a matter of hours.

Jim Grant was then head of UNICEF and a very effective world leader. Jim was the world leader in promoting vaccinations. He also became deeply involved in promoting ORT. He carried a packet of ORT everywhere.

Nile Brady, my Assistant Administrator for Science and Technology, talked to me about AID starting to work on ORT. I know his excellent staff had argued the case to him. Nile as usual was persuasive.

I should note there that there were a set of people like Grant, John Hannah, former President of Michigan State and Norman Borlaug of Green Revolution fame and others, that I came to know well and who would call me up and say Peter, you've got to think about this and that. They were very helpful.

Q: Grant would pull out of his pocket this little—

MCPHERSON: His little ORT packet.

Q: Yes. He was incredible.

MCPHERSON: He was. Grant wanted more resources spent on ORT than he had available because he was already spending a lot of money on the vaccination campaigns. Quite soon I had dinner with Father Hesburgh and Jim Grant in Grant's apartment above the old UNICEF building. Remember, they had that apartment for Grant on the top of the building. I don't know whether it's still there. And I was persuaded that night that we ought to make ORT a big project.

Q: It would have been pretty hard with Jim Grant and Father Hesburgh to say no. I can see that it's a good thing it was such a good cause.

MCPHERSON: It was a good cause. I had to think it through carefully because it was going to be a major reallocation of resources and effort.

Q: But not to two people like Father Hesburgh and Jim Grant.

MCPHERSON: Yes, they were great men. So AID pulled together \$100 million from programs from all over the world. By then I had the authority from Congress to reallocate money to better performing projects. Some of that reallocation was painful but I concluded we had to do it.

Q: Did you create new projects? Were you taking on projects where you could work with UNICEF or were these—?

MCPHERSON: Much of the work was new projects.

Q: These were not add-ons to existing health projects?

MCPHERSON: No, because that generally would not have worked for us at the time

Q: No, I think that's right. No, that's why it was so important for Grant to get you onboard—

MCPHERSON: Right.

Q:—because you were going to be the one that was going to make it spread.

MCPHERSON: Yes. We had the staff in the field and we had the money. Moreover, Grant's projects in large part were mobilization projects e.g. mass vaccination days. ORT needed mobilization and education effort but then ongoing efforts to make the ORT available as children got sick.

Q: Sure. Yes.

MCPHERSON: We did homework about the world and then sponsored a conference of 1,000 people here in Washington. The conference was co-sponsored by AID, UNICEF and the World Bank. For part of the conference, we broke the participants into their home countries and they worked together on how to deliver ORT in their countries.

Q: What was your total AID staffing at that point? 5,000 people?

MCPHERSON: Yes. We had many AID staff at the meeting but most of the participants were non-AID people/leaders from developing countries.

Q: Some of these were people who were employees of health ministries abroad?

MCPHERSON: Yes but also leaders outside of government.

Q: Yes.

MCPHERSON: The AID mission staff worked out who would come generally with the responsible agency in the country but we also reached beyond the government.

Q: Sure.

MCPHERSON: It was a two-and-a-half-day conference. Participants were very excited and all felt we could save lives and change the world. Everyone understood the impact of ORT.

Q: Sure. The results are—

MCPHERSON: Phenomenal.

Q: Yes.

MCPHERSON: The night before the last day of the conference, Grant said “Peter, we can’t just send these people home without goals. Of course, each country will need goals, preferably goals that can be measured. The breakout groups have been working on country goals. But what about an international goal?” So, we sat talked and consulted with a number of people that night and agreed that our goal would be “two million lives saved a year by the end of the third year of the campaign.”

Q: So much easier to understand than the Millennium Development Goals—

MCPHERSON: Yes, I did consult with some key people at the conference, UNICEF and World Bank people and of course with AID staff. The next morning, I gave the concluding comments for the conference and said I’ve consulted about the goal we should have and concluded that there was broad support for the goal of two million lives saved a year in three years. I said this to great cheers and excitement. There was a sense in the room that we could all do this working together.

Q: Right.

MCPHERSON: We had another big conference a couple years later to keep up the exciting and pressure.

In three years we did reach our goal.

Q: Probably exceeded it, actually.

MCPHERSON: Yes

Q: So, is that one of the—I mean, as you look back on the big deals of your tenure—

MCPHERSON: Absolutely.

Q: This one and Ethiopia famine?

MCPHERSON: Probably.

Q: Yes.

MCPHERSON: These are the impacts that you can count, right? But other achievements are very important too like policy work, institutional building, etc.

Q: Right. So, that’s why it’s the old evidence issue.

MCPHERSON: I have learned so much from others over the years. I often think of Grant. Going back to Michigan State: we decided after lots of discussions that we needed a huge increase in students studying abroad. We were sending about 700 students abroad a year,

and then I said, after extensive consultation on campus, that our goal would be to have 40 percent of our graduates by the Class of 2006 have a study abroad experience. We announced the goal with big fanfare, told the press the faculty were strongly supportive and that was certainly true. Great press coverage on the faculty support. We pushed hard including at the half time ads at football games. We just pushed away year in and year out and we reached our numbers. At one point we were sending 2,500 students a year

Q: And now it becomes a standard practice in many institutions.

MCPHERSON: The U.S. study abroad numbers should be bigger.

One of my big projects here at APLU is to dramatically increase the number of degrees award by public universities, especially to low income and minority students. We have put together 130 universities, about two-thirds of our membership, into groupings of universities of about 10 schools a piece, with the goal of substantially increasing our graduation numbers. With the schools we are in the process of agreeing on numerical goals for the whole group.

To get their numbers schools will probably do a number of things including graduating more of the students that start, increasing the total number of students in the school and decreasing the time it takes to get a degree. A few weeks ago we had 250 people from all the schools meet in New Orleans to kick all of this off.

Q: I see. And this is all based on your having learned this technique when you and Jim Grant sat down to do this on ORT.

MCPHERSON: I've learned you need big ideas and big goals. The ideas and goals need to be a lot bigger than the individual leader. You need dreams and commitments.

Q: But that's what leadership is all about, right?

MCPHERSON: I strongly believe that.

Q: The guy is from Europe, and it drives him a bit nuts

But how you doing? We haven't even talked much about Central and Latin America.

MCPHERSON: We ought to do this again.

Q: Yes. I don't want to rush you into this, but I can tell you once again, I find this all fascinating, and I am the luckiest guy in the world to be able to do this.

Q: This is Alex Shakow again, and we are resuming, for what I think will be the third and final session, the interview with Peter McPherson for his oral history. It's December 17, 2018. .

So, because this is the final session I'm going to be trying to cover a variety of topics that I think we may have touched upon or we may not have, but this will give you a chance to at least react to some of the things which I know people are interested in and then you will certainly be able to add to them.

First of all, I should clarify just for the record that when I asked you at one point about Ethiopia and the famine, I mentioned that Natsios had at some point been critical of the speed with which that task was taken on, and I subsequently found a quote from him in some recent testimony that he gave, and what he was really getting at was that at the beginning of any famine it is very hard to bring food in from outside and deal with the immediate problems because of the problems of distribution in the country. So, I think that's the feature of it, and so what he says is Ethiopia in 1985, when imported food aid took four to six months to reach the rural areas of the country, by this point it was too late as the death rate had peaked and had already begun to decline. But it's in the context of imported food, okay.

MCPHERSON: OK.

I did not feel like the death threat had peeked before the U.S. food starting pouring in.

Q: So, that's the clarification.

So, shifting from Africa, we've talked a little bit about Latin America, but I don't think we've really given adequate attention to it. You were a Peace Corps volunteer in Peru, and obviously, based on what you've said, it was very important to you. This was a time when also there was a good deal of Economic Support Fund money that was being used as part of a political response to what was going on in Latin America, and that was used, as you pointed out, for a lot of very positive development purposes. Cold War concerns were great, Sandinistas, Iran-Contra, the Kissinger Commission report; and I gather that you even used to pay weekend visits to some of these places—

MCPHERSON: I did

Q:—in Latin America or Central America and elsewhere. So, I guess what I would ask as a general point is what you think, given all that went on in that period, if you could kind of look at it as a whole and say what do you think AID's legacy was in that area, in Latin America, Central and Latin America during your tenure.

MCPHERSON: AID had a critical role with Alliance for Progress and has played an important role ever since in Latin America. By the way, I was in Peru in the early '60s and saw that impact on hopes and expectations of the Alliance. AID has done a great deal for economic growth and improvement of life in the decades in Latin American. By the 1980s, AID still had a significant role in countries like Peru and Ecuador but not with Brazil, Mexico (except with family planning). Our largest role was in Central America.

There is no question the economic policy changes AID supported in Central America had an impact. For example, the currency devaluations put some countries in a much better competitive position to increase exports and achieve economic growth.

There was a broad range of other work we did that had an impact, but, of course, there were problems.

Guatemala had a large Indian population that did not speak Spanish. Some Guatemalans did not want Indians to learn Spanish because they did not want Indians integrated into the rest of the economy and country. A couple of AID contractors who had been teaching Spanish were killed.

Q: In Guatemala?

MCPHERSON: In Guatemala.

Q: Yes.

MCPHERSON: It was shocking. We asked the remaining teachers if they wanted to be pulled out or stay and to continue to teach. They decided to stay. No more were killed, but it was scary.

I remember coming back from a trip to Guatemala and telling Secretary Shultz how exciting it was that one of the major parties in Guatemala had an Indian running for vice president on their slate. I told Shultz it would be like the Democrats in Mississippi in the '60s having an African American candidate for lieutenant governor.

Of course, AID was not doing much in Nicaragua. Some things history don't seem to change; the same person is now back running Nicaragua.

We had a large and complex program in El Salvador. We put in a lot of effort and resources into making land reform work. Land reform was important for the country and had begun in a big way in the late '70s. AID supported the conduct of a couple of elections, e.g. voter registration, polling places, etc. By the way, the Communist lost by big margins in those elections because the Communists did not have support in rural El Salvador.

There was a large U.S. effort (not AID) in the country in support of the war against the Communists. The U.S. did a great deal of military training and provided large amounts of military supplies. But the U.S. did not have many troops in the country. That proved to be very wise. I visited the country several times during those years and stayed in the residence of the ambassador. I often heard gunfire at night. I was always impressed by the people of the country. In the middle of all this, there was lots of construction going on in San Salvador. The people of El Salvador are hardworking and self-reliant.

At one point, the communists assassinated two labor leaders in San Salvador. Lane Kirkland, President of AFL-CIO, called and said that I needed to put some guards on certain other labor leaders. He said that the leaders were in real danger. So I got my general counsel into my office and said I wanted put the guards on the labor leaders. Do I have any legal problems, I asked? He came back shortly said the GC office thinks it's contrary to law. So, I said, let me read the law.

Q: The old lawyer coming out.

MCPHERSON: I always liked to read the law. When I did read the law, I found some ambiguity in the provisions.

Q: Was this before or after AID had stopped supporting AIFLD trade unions

MCPHERSON: AID was supporting AIFLD trade union work. Anyway, I thought there was enough ambiguity in law for me to act. I said that I'd have Lane Kirkland's support and I'm sure I'd have President Reagan's if he were asked. So, I said, let's get the guards immediately in place. The people guarded were not assassinated.

Q: These were contractors that you hired to—

MCPHERSON: Yes, they were known to the mission and/or embassy and were able to be hired immediately.

Q: Who Was the AID Mission Director?

MCPHERSON: I believe the mission director then was Marty Delgado. He was excellent. I can still see him smoking his cigar in meetings with him in the mission. The mission director job in El Salvador was a hard and a big job. Lots of money, projects and pressure.

Q: Was that where you went on one of your weekend trips?

MCPHERSON: My weekend trips.

Q: What was driving you there?

MCPHERSON: The El Salvador and the other Central American programs were so big and complicated. I wanted to understand them and show my support. Also, I was very interested. And I could do a lot on a weekend. Central America was not that far away

Q: Right. I'm sure it was remarked upon enough and people have told me about it so I think that it obviously made a big impact in terms of the morale of staff.

MCPHERSON: Well I hope they liked my visits and that my visits were not too much of a burden.

Q: Absolutely. That is the kind of engagement that sends a message much farther than just the one country you may visit.

MCPHERSON: This discussion is timely. This morning “The Washington Post” endorsed a Marshall Plan for Central America.

Q: Right. Which I think the Mexican president is fostering.

MCPHERSON: Yes. I think this is an opportunity. I was on the board for ten years of the Inter-American Dialogue. I was at a Christmas party there Thursday night, and said to the leadership of the Dialogue that I felt the Dialogue could make a contribution in the planning of the new work. Of course we need to learn from our experience in the ‘80s.

Q: That would be terrific. There is no alternative to solving this problem than seeing that the reason for their leaving the country has changed.

MCPHERSON: A new program would no doubt need a very large security component because of gangs and that would be tricky. Mexican involvement could be key but has its own challenges.

Q: Sure.

MCPHERSON: Like we did in Colombia with the drugs. You’re going to have to get in there, it’s going to be hard and the security component will be significant. But the assistance needs to go much beyond security. In that regard, it may differ than Columbia, though I do not know what happened in Columbia in detail.

Q: You were able through the use of ESF funds to make a significant change in the policies of at least some of those countries.

MCPHERSON: Absolutely.

Q: Countries like Costa Rica and I think Ecuador at the time and some other places. So, it’s always amusing to hear people talk about the Marshall Plan—

MCPHERSON: That’s the name everybody uses for a big idea.

Q: —and they’d love to use that. Of course, if you could find a set of countries that are more different than the recipients of the Marshall Plan—

MCPHERSON: Europe right after the war—the object of the Marshall Plan— was so different than where people now usually want in new Marshall Plans. Europe had trained people and institutions that had worked before the war. What they needed were resources to rebuild and to stimulate the economy. The Marshall Plan also gave a sense of hope and confidence to Europe. The U.S. help was one of the great acts of generosity and self-interest in history. The establishment of AID in 1960 was in the same spirit and scope.

Q: And they knew how to use it and that's what—Anyway, that's—You're too young to have run the Marshall Plan so we won't focus on that here.

MCPHERSON: But they had Averell Harriman. I've told you that story, haven't I?

Q: No.

MCPHERSON: When I get to AID—

Q: Well, it's his office that you're in, right? Didn't Harriman have that office?

MCPHERSON: Yes. When I got to AID in 1981, I wanted to capture the bipartisan tradition of support for AID. So I invited for lunch all the living former Administrators of AID and living former heads of predecessor agencies. After lunch, I had a forum with that group and all the Washington staff.

I asked each of my guests to speak to the employees. Averell Harriman was among the men who came. He had run the AID predecessor agency of the Marshall Plan. By 1981, he was quite elderly.

Q: But still married to—

MCPHERSON: Yes. Pamela was her name I believe and she later became important in Democrat politics.

At the end of the lunch Harriman took me aside and said, “Young man, you won't be talking to me again, and so I have some advice for you. Do not bank in Moscow.”

Q: Don't bank in Moscow?

MCPHERSON: He went on to say that, when you deal with the Russians and give them something, don't expect to be paid back in the next set of negotiations. He said this in contrast to most relationships where people give a little back and forth in ongoing relationships. He said, “Do not bank in Moscow.” I am sure that he had used that line before of “Young man, you will not be talking to me again” but it got my attention.

Q: Too bad he wasn't around to give the same advice to the president, the current president.

MCPHERSON: Absolutely. Harriman probably is turning over in his grave.

Q: Oh, that's right.

MCPHERSON: It was so much fun. I've been thinking about when I will be old enough to use that Harriman line.

Q: But you're going to have to change the country or you're going to use—?

MCPHERSON: I don't know. It is a great line.

Q: Okay. What about the Iran-Contra affair? You were not providing resources to Nicaragua; were you caught up in any way in this mess?

MCPHERSON: No, I wasn't. No one ever talked to me about it.

Q: Of course.

MCPHERSON: I remember hearing about it for the first time reading it in "The Washington Post."

Q: Oh, so you didn't know anything from the inside about it?

MCPHERSON: No, never heard about it. Shultz was in town the day it came out in the "Post", and so there was a staff meeting that morning with Shultz. All of us there were saying this story cannot be true.

Q: Was Shultz saying that too?

MCPHERSON: No. Shultz had not yet arrived. Shultz was a few minutes late.

Q: I see. You knew about it because of "The Washington Post"?

MCPHERSON: Yes.

Q: Yes, okay.

MCPHERSON: I was aghast that could happen. It just did not sound like the President. I was later asked about it in a general way at a congressional hearing. I, of course, said that neither AID nor I had been involved.

Q: Henry Kissinger. Kissinger was made head of this commission and recommended a Marshall Plan for Central America, right?

MCPHERSON: Right.

Q: What was your sense of that? Were you engaged much with him in that work?

MCPHERSON: AID and I were very engaged. The final report had three major components as I recall. One of them was economic development and growth. I don't remember that we used the words "Marshall Plan" but we might have.

Q: Probably not.

MCPHERSON: AID staff basically wrote the economic component of the report. There's a story about this report. Lane Kirkland was on this commission.

Q: Your friend Lane Kirkland.

MCPHERSON: Lane was a friend and a big thinker, but of course sometimes friends can disagree.

Q: Unlike the Russians, you could bank with Lane Kirkland.

MCPHERSON: You could bank with Kirkland.

Q: So, anyway, Lane is on the Commission—?

MCPHERSON: He's on the Commission and of course Kissinger wants Kirkland to sign the final report. Kirkland, first and foremost a negotiator, said I'll sign the report if one-third of the Central America economic aid is allocated a new organization to be set up. Labor was to have at least one-third of the board of the new organization, and in effect, Central American labor would control a bunch of the Central American AID money. Kissinger cut the deal and told me and others after he had done so. The Commission agreed to the deal. It was impossible for me to fight the deal at that time.

Q: Right.

MCPHERSON: Fortunately, I was left with role of organizing the new organization.

Q: He who holds the final cards.

MCPHERSON: Anyway, I never got around to setting up the new organization. Shultz asked me about it two times. I let myself believe that Shultz asked me because Lane had called him. In any case, Shultz never really pushed. Shultz was a wonderful boss and this was the only time that I avoided responding to him. It was not just that AID was going to be taken apart with the Kirkland/Kissinger organization, but also it was about what labor wanted on economic policy. A good example was valuation of currencies. Organized labor in Central America generally wanted overvalued currencies, and AID wanted market valued currencies. Urban labor wanted cheap food with controlled farm gate prices, and farmers wanted market prices for food they produced.

Kissinger never forgot that I had not set up the organization. He must have mentioned to five or six times over the years since. He, of course, understood that I did not agree with the plan and that is why we I never set it up.

Q: Kissinger is interesting because he was in charge, wasn't he, at NSC or at State in the '70s when he was pushing economic policy to the World Bank and getting it out of AID

and of State, and yet he comes into the 1980s and he's all in favor of AID getting involved in the policy work. Did that inconsistency ever seem to bother him or—?

MCPHERSON: No. He would probably say there were broader issues involved, specifically getting Kirkland's vote on the Commission report. By the way, I knew that Kirkland was going to support the report whether or not he got his organization. He was too deeply involved in supporting his free labor movement in Latin America and in fighting the Communists.

Q: Well, in order for you to get some of these things done it must have been challenging. Over the years, other than that occasion you've described, your relationship with Kissinger has been a good one?

MCPHERSON: I felt I could argue my case to Kissinger

Q: One on one.

MCPHERSON: Yes. Of course, I am not suggesting that I was even close to being a peer. That surely was not the case.

Q: You never had the experience, as did Dep. Administrator Johnny Murphy, of Kissinger throwing a document out at you and saying that he doesn't read Xeroxes.

MCPHERSON: John Murphy.

Q: Yes.

MCPHERSON: Who was no shrinking violet.

Q: Not at all. But Kissinger apparently threw out this document on the grounds that he should come back when he had the original. And Malcolm Butler tells this story about how, when he was doing something, he was called three times to Kissinger's office; each time he gave him the draft and each time Kissinger threw it back at him, saying this was crap. And he finally learned, I think on the fourth try, that Kissinger hadn't read the first three versions at all. This was just part of Kissinger's—

MCPHERSON: Modus operandi.

Q: Exactly.

Anything more on the impact of the Kissinger Commission? I mean, you got support for things you wanted to do?

MCPHERSON: Right. The Commission report was helpful in getting substantial, though not total, bipartisan support for all of the work in Central America

Q: So, it was kind of bipartisan, cut across the normal boundaries.

MCPHERSON: Yes. Kirkland, as we know, was closer to a Jeane Kirkpatrick than he was to, for example, Senator Dodd who disagreed with a lot we were doing in Central America.

Q: He was not a Walter Reuther. At the same time there were demonstrations going on in the streets. Central America was the cause of a lot of, almost kind of Vietnam-like demonstrations against policy. Did that affect the AID program at all?

MCPHERSON: Some. I went to a couple places where there were demonstrations and where people got up and shouted at me as the speaker. Nothing like that had ever happened to me, but I do think people have the right to strongly state their views even if it is not comfortable being attacked.

Q: It was good training for you.

MCPHERSON: I suppose. The demonstrations never came close to what happened over Vietnam. It must be pointed out that some of the people who supported the government in El Salvador did some terrible things, like the people who killed the nuns and the priests. These killing were terrible, as were the killing of the labor leaders by other side. El Salvador was a civil war, and civil wars are usually terrible.

Q: But you did what you could.

MCPHERSON: One last story is about the establishment of Earth College in Costa Rico. This was the idea of my mission director Dan Chaij working with the then Vice President of the country and others. I always say Chaij was the creative driver. A large amount of local currency had accumulated in the Central Bank of the country for the sale to importers of ESF dollars. Costa Rica and AID did not want to use the money locally because of inflation concerns. Chaij came up with the idea that we should build this land-grant college and endow it with the money from the Central Bank money. This was least \$100 million in local currency. My role in all this was to approve it when Chaij brought it to Washington.

Q: Anything more, before we leave it, on Central America that should be said at this point?

MCPHERSON: No, I think you're right to ask about the Kissinger Commission. We put in huge amount of resources and had strong AID leadership on the ground. I hope that the Administration can draw on our experience if we go back in to help in a big way.

Q: There is so much to learn from these oral histories. John Sambrailo was very complimentary to you. He was in Ecuador at the time you came in, and his program was very New Directions oriented. You visited and were very supportive.

MCPHERSON: That's right. I went to Ecuador on one of my first foreign trips. John was a capable and creative person.

Q: Yes. And—

MCPHERSON: And spent a few days there because I wanted to intensely get into a county program so as to better understand AID.

Q: Well, and he said that you encouraged him to—you didn't throw out the past, which was going very well, but you urged him to add to the program. So, he was grateful to you for that.

Okay. One of the other questions which you've touched upon this from time to time. Thinking of Kissinger and other secretaries of state, I know you were pressed to do things that politically were important but perhaps wouldn't have been ideal for AID, and sometimes these political things had repercussions that were damaging to AID. Could you talk a little bit, about how you thought about those kinds of trade-offs, because inevitably in a political situation you get caught. You have talked about the role of ESF, which was for political purposes, but you used it for economic purposes, so I know that was one way you dealt with it. But are there any other ways in which you, either through your personal work with Jim Baker or Shultz or through your work on the Hill, coped with this?

MCPHERSON: Well, we've talked about family planning being—

Q: Absolutely.

MCPHERSON: I was pushed on family planning from both the right and the left.

Q: Exactly.

MCPHERSON

Have I told you about Bill Casey calling me up?

Q: About what? I don't think so.

MCPHERSON: Bill Casey called me up not long after came to AID. I knew Bill Casey from the campaign.

Q: What role was he in?

MCPHERSON: He was Director of the CIA. Called up and asked me to come to Langley to have lunch.

Q: So, putting your armor on.

MCPHERSON: So, I went out to see Casey for lunch. It was only the two of us, and he asked to use some AID positions around the world for CIA cover. I clearly did not think he would be able use AID for cover without AID's agreement. I was fairly confident that AID was not then being used for cover. I said I thought it would be a problem because CIA cover would put AID people at risk and we need the trust of the people with whom we were working with in developing countries. I said I would call him. I did call him the next morning and explain again why we could not do it.

I didn't talk to Secretary of State Haig. I didn't talk to anybody in the White House. I did not want to get anyone else involved. Bill seem to take it fairly well and I was never approached again by the CIA on the subject.

Q: Yes.

MCPHERSON: I never got a call from anyone at the WH. So there we are. I feel confident that AID has continued this position in the years after.

Q: That's wonderful. That's remarkable and very much like you. It seems to me again and again your personal links that date back to all your work in campaigns and elsewhere, where you met all these people, paid off enormously for AID staff because of what you were able to accomplish.

MCPHERSON: Yes, I think it did help. There's no question.

Generally I felt it was important for me think about what Shultz would need from me and figure it out before he asked. Shultz understood what AID was trying to do. In fact, I always thought that, if Shultz had a question about what I was doing, I probably needed to go back and think about it again.

Of course. With various assistant secretaries at State there would be some differences. They had their jobs to do. I remember the matter with Kenya and Chet Crocker. We had quite a lot of ESF going to Kenya and AID wanted to get some policy changes with that money. We wanted to have Kenya loosen up some regulations. I went to Kenya and spent a long time with President Moi. I spent the evening before in a long dinner with our Ambassador, his staff and AID staff trying to figure out how to work it out with President Moi.

Q: Yes.

MCPHERSON: I spent a long time talking with Moi about policy matters. In fairness, he did have his arguments. Moreover, serious food shortages, maybe famine in some part of Kenya, were a possibility. So I said to the President "let's just forget the ESF for this year (I think it was \$18 million) and we will get the food you need to deal with that threat". He said ok. I was not negotiating about the food because we would have done the necessary food anyway. It was the right thing to do. But we did get the ESF to use more effectively

elsewhere. I wasn't sure I had the full authority to make the decision on the spot, but State/AID had some \$18 million ESF available for more effective use. I think that was the right decision.

Q: And did he then acquiesce, did Chet Crocker agree?

MCPHERSON: Chet never told me that he disagreed with what I had done. I was able to make the decision and it stuck. Anyway, I suspect that the Ambassador sent back a quick cable to Chet after the dinner the night before the meeting with the President in which the Ambassador told him about the options that I was considering. With the ease of communication we have today, I suspect I would have called Chet before the meeting. On the other hand, I worried about Chet and he knew it. Crocker is a good man.

Q: Yes. Well, this is also the time, as you pointed out, that Princeton Lyman was Chet Crocker's deputy and—

MCPHERSON: Yes. Princeton was wonderful.

Q: So, you had a lot of sensible people and Chet Crocker was probably the—I think you mentioned that he was the outstanding assistant secretary at that time in the State Department.

MCPHERSON: I did not work as closely with all the rest of these folks, but Chet and Princeton really stood out to us in AID.

Q: And that was the area where those development questions were the hardest in any case.

MCPHERSON: He was the assistant secretary who should have best understood them and he did.

Q: Yes.

Okay, let me move on to something else, which these are kinds of odds and ends, but this first one is not unlike one of the ones you just mentioned; baby formula, Nestles and so on. I was re-reading Bob Berg's oral history and he tells the story of how one day he got a call from your office, very early in your tenure, to come up and see you, and you and Jim Grant were sitting in the office, and you were talking about a WHO resolution which was going to be critical of Nestles and the formula people. And you asked him, Bob Berg, to work with the State Department to get them to abstain on that position. And he went to work, assured that anything you and Jim Grant together wanted couldn't be—

MCPHERSON: Couldn't be all bad.

Q: Exactly! And so, he convinced the State Department fairly quickly, apparently, to abstain, and then the next thing he knows John Bolton is announcing to the staff this

wonderful breakthrough where the United States has opposed this resolution, which drove Bob Berg, of course, up the wall. Were you involved other than this position that you and Jim Grant apparently supported initially? What happened, do you recall?

MCPHERSON: Yes, Ed Meese and the WH made the decision. I remember exactly. Bolton had nothing to do with it.

Q: Ed Meese was in the White House at that point as—was he chief of staff or something like that?

MCPHERSON: This is early days. No, he wasn't chief of staff. Baker was chief of staff, but Ed had a very major policy role in the WH.

Q: Yes.

MCPHERSON: And the WH position was that WHO was trying to get into an international regulatory role and the U.S. opposed WHO doing so.

Q: Did you get involved in it at all at that point?

MCPHERSON: I didn't know the White House was involved until I was told the decision. Probably should have expected it. AID had no direct role with WHO, though we certainly interested in the issue

Q: Yes.

MCPHERSON: We had a couple of very senior career men who wanted to have a press conference condemning the decision. One of the men was in charge of AID's health program. They came to see me to tell me what they were going to have the press conference. They were good people and I told them that they needed to do what they felt they must but, if they were going to have the press conference, they also needed to resign as a matter of principle.

Q: Exactly.

MCPHERSON: They had the press conference condemning the decision and they also announced their resignation. I respected those men.

Q: I think that's right; it was very early in your tenure.

MCPHERSON: Nestle's paid for it ever since. This still is big story in development circles.

Q: Oh, absolutely. Now, Participant training. I just want to get your comments on the record because every single person who has worked in AID in those earlier generations says that they think that perhaps the most important contribution AID has made over the

years is in the number of people that we have exposed the world to and for whom this opportunity arose through the participant training program, which, of course, as you know has fallen off very sharply. But your views on participant training?

MCPHERSON: I thought long term participant training was critical and that we needed to do a lot more. You recall that human resources was one of the Pillars. When I got to AID, we had about 7,000 long term trainees in the U.S. We quite quickly drove that number to about 16,000 with a high point of about 18,000.

Q: During your tenure?

MCPHERSON: Yes. We pushed it hard. What we did was to say that for projects over a certain size had to either include participant training or explain why not. This had an immediate and dramatic impact on the numbers.

Q: Right.

MCPHERSON: After I left, this requirement was watered down and then dropped. I have argued to my successors that they should put it back in place but it has not happened. Now we may be down to about 1000 or so AID funded long term participant trainees. I am not sure of the numbers. AID in recent times has focused more on shorter-term outcomes e.g., five year impact on poor people. Of course, long term participant training does not fit into that approach. At APLU, the organization that I now run, we continue to argue to AID that they need to increase their numbers. Costs of U.S. education has gone a lot but we have argued approaches to long term training that will help deal with that problem. Not doing more is a real problem for developing countries and a mistake for the U.S.

Q: Right. Okay. Well, I think I've never met someone from AID who didn't agree with that, and the fact that you increased it so much during your period is wonderful.

MCPHERSON: The increase was dramatic. Do people remember?

Q: Oh, yes.

MCPHERSON: Good.

Q: It should have, and we even had emphasized it at one of our alumni association annual general we drew in part upon Tag Demment, one of your APLU people, because the university link is also an important piece of this.

MCPHERSON: Oh yes, Tag was there.

Of course, you've got to make sure that project approval doesn't get so cumbersome or is too slow and involved. But for participant training, women in development and some

other topic, we found the project approval process was critical to making prompt and broad progress.

Q: One of the other things that you were responsible for was the creation, or at least the renaming, of the Bureau of Science and Technology.

MCPHERSON: Yes.

Q: And I know you came into the organization with some interest in this whole area. How do you think that bureau worked and what's your sense of the impact of—during your time on science and technology?

MCPHERSON: I think it was important and Nile Brady, the first Assistant Administrator for Science and Technology, had the status and capability to lead it. After having now run a major research university I feel even more strongly that it was the right decision. AID needs to be involved in creating what we now call “international public goods” and some research outcomes are some of the work that AID should get done. Work in agriculture, health, etc. ‘.

Q: But didn't you see that then, too?

MCPHERSON: If I understood then what I do now, I would have pushed for more peer reviewed research such as is done by NIH, NSF and others. That approach tends to produce the best outcomes.

Q: But didn't you—I mean, there was a lot of criticism that you were using scare funds for research, and so the conflict between central bureaus interested in that and a regional bureau or the missions—

MCPHERSON: The balance of the central bureau resources versus the regional bureau resources is always a question. The issue is an old as AID. I felt that the bureau made important contributions.

We put a lot of money into finding a malaria vaccine but were unsuccessful. I think New York University and the University of Hawaii did most of this work. There were some problems around the Hawaii grant. But the work that both did to explore areas that needed to be explored helped gain better understanding what other approaches should be worked on. It is not widely understood that negative outcomes in science research—e.g., eliminating options—is often critical in later finding the right answer. I understand in recent times there may be real progress in finding a vaccine. A malaria vaccine is one of the Holy Grails in health sciences.

It was this bureau that championed the existing science of ORT to me before Jim Grant and I talked, and this is to their great credit,

Q: And the CRISPs?

MCPHERSON: Yes the CRISPs work was important and in the Bureau. Also, we held our contributions to the CGIAR system (international Ag research) to \$40 million a year in unrestricted money during the years I was there. I was proud of that and it was not always easy. That was a huge contribution in '80s dollars year after year.

The bureau gave focus and greater importance to science and technology.

Q: But there are lot of things you wanted to do?

MCPHERSON: Yes.

Another story: Eagleburger asked me one day and said AID should set aside a portion of the AID program to give to Israel to have a foreign aid program particularly for work in Africa. Larry was talking \$50 to \$100 million.

Q: Speaking of political recommendations. And what did you do with that?

MCPHERSON: I said to Larry that Israel probably ought to finance their own foreign aid program because that approach would make it more authentic to African countries, and besides AID did not have the money. We went back and forth. I told him that I would think about it and later went back to him with the proposal that AID set aside \$5 million a year for competitively determined research work done by Israeli institutions. The research agenda was determined by AID in consultation with Israeli institutions.

Q: Only Israeli—

MCPHERSON: Only Israeli institutions...

Q: I guess this—was this out of the ESF allocation to—I mean, because basically you just wrote a check to Israel.

MCPHERSON: Yes and AID ran the competition.

Q: But this \$5 million came from the ESF pot, not the Israeli—

MCPHERSON: Not the Israeli pot. And it produced some excellent outcomes. For development, it was a well spent \$5 million for development work. I am not sure of all that happen after I left, but a U.S./Israel agriculture research relationship prospered and continues on to this day in a separate fund/program.

Q: Right. But even to introduce these competitive/peer review notions into AID, I mean, it's quite different than trying to do it at National Institutes of Health which are basically research institutions.

MCPHERSON: It was different but was very possible. I wish we had done more of this.

Q: And operational. So, that was a big change.

MCPHERSON: Science and research was one of my four pillars. Now we use the term “international public goods.”

Q: Yes, exactly. By the way, I was also reading John Hummon’s oral history.

MCPHERSON: Yes.

Q: And he says that he thinks he is the one who came up with the word “pillars”, that you had four conventions or four something like that, and I thought this sounds like one of those situations where a success story has a—

MCPHERSON: I am not sure. It is usually hard to know just who contributes exactly what from good discussion among good people. If John believes the word was his, then I am happy to give him full credit.

Q: As far as I know, everybody in the world believes that Peter McPherson is responsible for the four pillars.

Another—a specialized program but I want to mention it because I know that Peter Kimm was very grateful to you for the support that he received from you for the housing guarantee program. But during your tenure, Kimm et al did a lot of interesting urban work. Do you have any thoughts about—?

MCPHERSON: Peter Kimm was wonderful. He’s one of many people who needs to have some special credit for his work. As you know, recognizing people like Kimm is one of the reasons that I supported doing the AID history

Q: Housing Investment Guarantees (HIGs) was self-financing.

MCPHERSON: HIGs were investments in housing in developing countries that were guaranteed by the U.S. government. Peter used these monies to build low-income private ownership of homes. Generally, roads, sewer and water were put into a plot of land. Then the basic shells of homes were built on plots with the rest of the work done by the home purchaser. This approach kept the cost and the debt to the new owners down. Peter often used these programs to impact local government policies and programs related to housing. HIGs mobilized the power of people working to improve their lives. It was really something. Peter had the ideas and energy. He also had the toughness to insist that we were not going to build full middle class houses like some government officials wanted. Like any big program, we did not always get what we wanted for low income people, but usually did.

Q: Well, he knows that, and he knows that you protected him bureaucratically, too.

MCPHERSON: It was my pleasure.

Q: So, he's deeply appreciative.

Why did you create the counselor position?

MCPHERSON: Because after a couple of years, White House Personnel insisted that I have a non-career Deputy Administrator. WH Personnel worked with me on almost everything. Moreover, I am not sure any other federal agency had been able to keep a career person for as long as I had. As you know, I knew what the WH reasonably expected of agencies and departments. In time I had to agree to the change. By the way, I still talk to Joe from time to time. You know that that he is now legally blind. Still his cheerful and thoughtful self.

Q: Of course.

MCPHERSON: But I wanted a very senior career person in my office and I was about to lose my career deputy. So, one night I came up with the idea of a "counselor" for the agency in the Administrator's office. It certainly worked for me and I think the agency. The position is still in place after all these years which probably means it has served its purpose. I suspect almost no one now at AID knows the history. The position is now part of the institutional fabric.

Q: And were you able to carve this out of existing legislation?

MCPHERSON: Most important, it was my appointment not a presidential appointment

Q: Not a Senate-confirmed position, but it was a senior position, the most senior position among the career staff, and you could carve such a position out without much difficulty?

MCPHERSON: Yes. I just did it. I probably told the WH Personnel that I was doing it because of my relationship with them, but after all I had just agreed to a non-career deputy.

Q: And your first Counselor was Frank Kimball?

MCPHERSON: Yes. Kimball was a good man. He has now passed away. These appointments ended up to be appointments for a couple of years.

Q: Well, this job was obviously created after my time, but from what I've seen of the people that have been in that position (they are active in the alumni association, too), it's been a great resource...

MCPHERSON: I think so. Each person has some standard tasks to undertake but each also tended to carve out a distinctive role depending on interest and background

Q: —and administrators have benefitted greatly from having that.

MCPHERSON: That is my impression.

Q: Okay. Would you like to say a few words about the International Development Cooperation Agency, IDCA?

MCPHERSON: You recall that IDCA had been created to coordinate/relate to AID and other development work in the U.S. government. It became a real mess in the Carter years. The IDCA Director and the AID Administrator were good people but the structure was built for conflict. The IDCA Director felt that he was supposed to have some control of AID and, of course, the AID Administrator felt that AID was his responsibility. The rest of the U.S. government did not care much what the IDCA Director thought, and so the only job that the IDCA director had was to worry about AID. I knew about the struggles and, so after the President selected me to be Administrator, I went to Ed Meese. I explained to Ed the problem and suggested that the President nominate me to be both AID Administrator and IDCA Director. Ed agreed and it was done. This took care of the conflict problem. In other ways, I was happy to have the IDCA hat. It gave me a talking point to argue that I should have some coordination responsibility. It was one of my arguments that I should be Chair of the OPIC board. That board could have been chaired by either me or Bill Brock, Sec of Labor. I knew Bill and talked to him and he agreed that I take on the job. I like Bill Brock.

Q: Eliminating that conflict was crucial because of course your predecessor, Doug Bennet, lived with this—

MCPHERSON: The agony of this—

By the way, when I became President at Michigan State, the President of Indiana University was Tom Ehrlich. He was the former head of IDCA who had struggled with Doug Bennet at AID. Both good men and now both gone.

Tom and I overlapped by a couple of years in our university roles and I later had him help me when I brought a private law school to Michigan State campus in a fairly unusual arrangement

Q: But of course, the original design that Hubert Humphrey and others had for IDCA was dissipated by the fact that nearly every other agency decided it didn't wish to be—

MCPHERSON: That great man Hubert Humphrey was right about the need to coordinate but in practice IDCA did not work. Not sure we have ever found a good solution to the problem Humphrey was trying to solve. Others know more than I do about how it has worked to have a person working on this at National Security Council in the WH.

Q: Did you actually have a few coordinating meetings where you were able to get something accomplished with Treasury and Agriculture and OMB?

MCPHERSON: No. I think everyone would have resisted if I'd called an IDCA meeting.

Q: Alan Woods. He came in after your departure with a much more sharply critical view of the efficiency or efficacy of AID. And then there was the Woods Report. He didn't live long enough to act very much on it, but do you know what was driving Alan Woods' view of AID at that time?

MCPHERSON: I knew Alan well. Alan thought there should be more private sector involvement. We already had put in place the policy focus. Perhaps he wanted more policy or projects. I think what his report was fine. As you say, he died such a young man. He never had a chance to do much with his report.

Q: How had you known him?

MCPHERSON: He had been the Deputy Director of the White House Personnel office immediately before I took that position. So, I knew Alan well.

Q: Did he have any background in AID or development work?

MCPHERSON: Not really but he had worked on a number of economic issues. He had founded a very successful consulting firm. He was a very creative and articulate man.

Q: How was it that you moved to Treasury, how did that come about?

MCPHERSON: One day Baker called and asked if I'd come over and see him. He asked if I would become his Deputy. This was totally unexpected. I had worked for Baker before and of course the Deputy job was an exciting role at Treasury. I was nominated by the President and then followed a few months during which Helms tried to stop my confirmation.

Q: Overtly? I mean—

MCPHERSON: yes.

Q:—after the nomination had gone up?

MCPHERSON: Absolutely. He was unhappy about our family planning programs and his staff thought I was too liberal.

Q: Still?

MCPHERSON: Helms staff were very active on the family planning issues. Maybe you remember all that.

Q: Luckily, I was not involved.

MCPHERSON: Helms worked at this. One day Helms called Baker and said McPherson files his state taxes in Florida where he does not live and there are no state income taxes. Baker called up and said where do you file your income taxes? I brought him my Maryland income tax returns.

Q: Yes. Fake news we used to call it.

MCPHERSON: I think Helms may have believed it because he wouldn't have called Baker otherwise. It was so easy to prove that I was filing my taxes in Maryland. Baker called up Helms and told him I have before me McPherson's Maryland income tax return.

Q: And did the senator say anything about it at that point?

MCPHERSON: I don't know. Baker didn't tell me.

Q: That reminded me about a New York Times article from April 1985 I saw where conservative groups called for the resignation of M. Peter McPherson, and Paul—

MCPHERSON: That was The Post, right?

Q: This is The Times.

MCPHERSON: I remember the story. I thought it was The Washington Post.

Q: No. Well, The Post may have had something, too, but that was—

MCPHERSON: Oh, yes. They didn't like my family planning. Paul Weyrich was prominent in certain conservative circles. He thought that was too liberal on a number of foreign aid issue.

Q: Mozambique, of all things, that they were worried about your providing aid to Mozambique.

MCPHERSON: Yes, Mozambique was Marxist country. President Reagan had said that "A hungry child knows no politics", but Paul did not apparently agree.

Q: Well, it's all part and parcel of the same Helms reaction. Well, you've told me that these kinds of things never really bothered you and you knew you had strong support from Shultz and Baker, right? So that this kind of thing was just a blip on the—

MCPHERSON: Well, I took this opposition seriously. And was very pleased I always had Ed Meese's support. Also, Ed Feulner at the Heritage Foundation had been helpful and I never knew him to be publically critical of positions that I had taken.

Q: He was the head of the Reagan transition team for the new administration coming. He then went on to the Heritage Foundation. . But you had his support too?

MCPHERSON: I always felt that I did.

Q: So, it's a remarkable career, Peter. I mean, I'm leaving aside all that you did subsequently, which we're not even going to touch, but here these eight years, seven years at AID—

MCPHERSON: Actually about six-and-a-half.

Q: Six-and-a-half, almost seven years.

MCPHERSON: Almost seven.

Q: I mean, to have had the backing of Reagan and all these people from the more conservative side of government and then to be warmly received and looked upon by all these deep state liberals and others found in the development business is a remarkable feature of your leadership, and one that is really important. And I think it critically important to the history of AID. So, we're coming to the end of this now. There are a million things that you did that we haven't covered, obviously,

Just one last question. In the Janet Ballantyne book 50 Years in USAID: Stories from the Front Lines, you were quoted as saying that the thing that is your fondest memory is the idealism of AID employees. Do you want to say any more about that?

MCPHERSON: You mention my support from many conservatives and liberals. My commitment to making lives of poor people in poor countries was important to those people. I had the honor to lead an agency that was both deeply idealist and practical. You and I still feel this as we talk to those in the alumni association and the people still at AID. AID people have dedicated their lives to this great work. This is special about AID.

One last word about AID staff. As I think about these interviews, I talked a lot about things that I did. I hope that is clear that this work was always done with deep involvement by many, many others. I hope that this AID history will identify many of the outstanding people of the long history of this great organization. AID staff have committed their lives to our work and that is extraordinary.

Q: I hope it's still true today. It certainly was true from the period that we're talking about now.

Peter McPherson, thank you so very, very much for doing this, and thank you for all that you've done for AID.

MCPHERSON: All of our old mutual buddies from your time and when we were both there remember you fondly, as you know.

Q: Well, thank you, sir.

End of Interview