The Association for Diplomatic Studies and Training
Foreign Affairs Oral History Project

W. ALLEN WALLIS

Interviewed by: Patricia Gates Lynch
Initial interview date: May 14, 1996
Copyright 2002 ADST

TABLE OF CONTENTS

Cabinet Committee on Price Stability for Economic Growth
Arthur Burns

Presidential (Nixon) Commissions

President Eisenhower
Anecdotes
Haig
Flemming

President Nixon
All volunteer force issue

Center for Naval Analysis 1969
Military pay schedules
Presidential Commission (draft)
Al Gruenther
Draft abolished - 1973
Gates Commission
Recruitment Command

Under Secretary of State for Economic Affairs 1982
George Shultz
Annual Economic Summits - G7
President Reagan's anecdotes
Russian gas pipeline sanctions
International economics meetings
Toronto summit
Foreign personalities
William Brock
Japan semiconductor sales
Net Asset Position
UNCTAD meeting
Soviet Union changes
Law of the Sea Treaty
Reagan's health

American Intelligence Institute

INTERVIEW

[Note: This interview was not edited by Mr. Wallis, who died in October 1998.]

Q: We're going to start with what will be near the end of the interview because this is a

current affair and I think now is a good time to discuss it while it's fresh in our minds.

Secretary Wallis, you have just returned from a conference in Prague in the Czech Republic. It's called the New Atlantic Initiatives Congress of Prague. What was the purpose of this Congress?

WALLIS: Well, it was put together beginning a couple of years ago, I guess, by a number of people who were worried that relations between Europe and North America were not going as well as they ought to and maybe showed some signs of deterioration. It was an effort to forestall any deterioration and actually to strengthen relations if possible.

Q: Does the New Atlantic Initiative have a relationship to NATO (North Atlantic Treaty Organization)?

WALLIS: No, this does not have a relation to anything. This Congress was established completed independently. They got some private grants from foundations and a variety of other sources. I'm not sure who all the donors were, but I do know the Bohemia Foundation was one of the main ones.

Q: Who were the participants in the Congress?

WALLIS: Well, the sponsors who organized it were Margaret Thatcher, Helmet Schmidt, Henry Kissinger, George Shultz, and a former deputy prime minister of Poland whose name I keep forgetting. He's an economist, and I ought to remember his name.

Q: And they were all there?

WALLIS: No. The only one that was there was Thatcher. I guess none of the others were there. Shultz was not there. Kissinger was not and Schmidt was not, so I guess Thatcher was the only one. I did have the impression that there were two of them there, but any rate I only remember her right now. Oh, the Polish deputy prime minister was there. The one whose name I can't think of.

Q: And [Vaclav] Havel, I believe the president of the Czech Republic?

WALLIS: He was there, but he wasn't one of the people who organized or sponsored the conference. No, the only who people currently in office were Havel, the president of the Czech Republic, and [Vaclav] Klaus, the prime minister of the Czech Republic. They both made talks at the meeting. Both of which were very good talks.

Q: But basically this was for people who have helped to shape history, but were not in office right now?

WALLIS: Many of them had held office, but some of them had not. Some were just prominent intellectual figures or political scientists, lawyers or business men. Just people with a real interest in good international relations.

Q: What were some of the problems you discussed?

WALLIS: Well, they were divided into four panels and sometimes they broke up into four sections. One was on national security issues and one was on political relations. One was on economic relations and one was on cultural affairs. Those are the four main subjects and they are the four that were the focus of the declaration that was produced in the end.

Q: As an economist, I would imagine that you were especially interested in that section of the Congress.

WALLIS: The way it was organized one could attend two different panels, and I chose the one on cultural affairs and the economics one, so your right about that. I would have been interested in the national security one too, but I decided that I would be more interested in seeing what they were going to say on the cultural front.

Q: What were they saying about the cultural front?

WALLIS: Well, they're concerned about the general deterioration of the quality of art, music, the spread of pornography, vulgarity, and particularly about the attitude that there are no standards - nothing is any better than anything else. Whereas they were strongly inclined to defend the values of Western civilization and felt that they should be defended more, and that's in the interest of the whole world, it's not provincial interest.

Q: And certainly not just the United States.

WALLIS: Oh no, the people there that were defending it were generally not from the United States I guess. Some of them were, but, for example, there was one woman from Argentina who was very effective on talking about the so-called deconstruction in literature and various things of that sort. She was pointing out that the charge that the colleges don't read the classics isn't correct at all. They still read them. It's what they say about them, how they discredit them and say they have no merit, no truth, that they were just self interest, whoever was saying it and so on.

Q: Now was there a conclusion that part of this, all of it, some of it, was the fault of the professors today?

WALLIS: No, they really didn't go into what accounts for it, what's the fault. They expect to have some follow up from the conference. They hope to get something going that would presumably lead to some efforts to diagnose how it originated and which way it's going. Of the Americans, one of the most effective on that area was Midge Decter whom you probably know or know of. She's not only very good in her analysis, but she's very articulate and expresses it well.

Q: Tell about her a little bit, so we know.

WALLIS: Well, she married to Norman Podhoretz, but they're independent people working on different things as writers. I don't know a lot about what she has written in the past. She recently has been writing on this questions of cultural pollution and deterioration.

Q: Attitudes of young people?

WALLIS: Yes, but not just young people, but all culture. Culture in art, music and literature does seem to have deteriorated and there are no standards. What anybody does is as good as what anybody else does.

Q: Was there participation from the audience along with the panel?

WALLIS: Well, everybody on the panel could participate and many did. They in effect divided the whole conference into four sub-groups. In the plenary sessions there were too many people for much discussion, but there was little [discussion] even in the plenary sessions.

Q: So really, the whole Congress was an opening for future discussion.

WALLIS: Yes, they definitely plan to attempt some follow up. I don't know what form that will take. I think they will try to get a standing organization of some sort that will follow through on these issues. The form it will take, I suppose, will be things like getting lectures given, getting books and articles written in newspapers and things like that. Much of the deterioration in the cultures come about because it hasn't been resisted. The people that get up and say that any book is as good as any other, with no particular merit to Western civilization, they're never contested really. They just say it and it gets quoted around and very few people argue back against it. I think they would hope to get more articulation of an opposite point of view.

Q: It's interesting that they felt, from what you say, that students are still reading the great books of Western civilization. Isn't there a great deal of teaching in other civilizations, now perhaps detracting from Western civilization?

WALLIS: Yes, there wasn't as many objections to that so much, as bringing things from other cultures that are clearly inferior and have no real merit. But no, quite a point was made of a number of examples of things of high quality from other cultures that ought to get more attention in American education. The emphasis was not primarily on education though. It was on the quality of the actual music being performed, recorded and listened to, or of the art being exhibited, and the kind of dances that were being put on, the movies and the general pollution that has penetrated cultural affairs.

Q: Let's move over to the economics panel. What were the main subjects being discussed there?

WALLIS: Well, I don't remember anything clearly outstanding there. There were a number of able people, but I don't recall that any strong points were made. Of course partly, I'm so familiar with all, that they probably didn't say anything that I hadn't heard a dozen times before. Generally emphasizing the importance of economic freedom, as well as political freedom, inter-relations of cultural freedom, political freedom, economic freedom, and so on.

Q: Margaret Thatcher, I know in some of her writings about this Congress, has mentioned that one of the problems today, of course, are the weapons of mass destruction which are abroad. Was that part of the discussions?

WALLIS: Yes, the security panel went into that. I didn't attend it, but there were some discussions in the plenary sessions of that and Senator Kyle was there and made a speech strongly plugging for defense against ballistic missiles and so on. There wasn't any endorsement or agreement necessarily, but he made quite a strong statement. I guess there was a feeling that there was a lot of danger on the security side with the proliferation of weapons. Thatcher mentioned it and other people have mentioned it.

The North Koreans actually have a catalogue of missiles and all kinds of weapons and another country can order them out of this catalogue, and a lot of them have been sold around the world. In particular, to what are often referred to as rogue states. Ones that support terrorists and so forth, and there were some predictions made about how soon it would be possible for people to attack the United States with weapons of that sort.

Q: What were some of the predictions?

WALLIS: Well, they say it would be possible in the very near future, with some of the weapons that the North Koreans have, to reach parts of Alaska and Hawaii. The Chinese have said they could bomb Los Angeles. They said they'd shoot missiles into Los Angeles and they probably could. Indications are that security over the next five or ten years is going to be threatened far more than it is now.

Q: Was there a consensus on the defense system, rather than establishing a defense system. You say there was a speech about it, but what did most people...

WALLIS: No, they didn't form a consensus [static]. They passed resolutions and recommendations. They issued a Declaration of Principles [static].

Q: What is your opinion, Mr. Secretary, about strategic defense?

WALLIS: Well, I think it's a technical question. I mean, I think it's extremely important. Any possibility of defending against nuclear missiles is extremely important, because there will be a threat within two, three, five, ten years. I don’t know when, but there will be. We saw a little of that in the Gulf War with the scuds coming in [static]. They weren’t nuclear weapons, compared to what we had anticipated, and the defense against them [was acceptable], but it was a bit of a forerunner of what might happen. I don't know the

technical side at all. Lot of the arguments that you get is from people who are against it saying it's a total impossibility and nothing could be done. [static] The people I know that should know something about the technical side say that it could be done if you look [static].

Q: So it should be started soon.

WALLIS: It should be started sooner. It should be pushed [static].

Q: What are your thoughts in retrospect? You have just returned from Prague and this conference. Do you think it was something worthwhile?

WALLIS: Well, that's awfully hard to judge now that we're discussing it. Everything there depends on what happens next, if anything. Whether they do manage to generate interest and serious concern about these topics enough to get them on a national agenda. I think they are planning on making an effort, but they didn't say exactly [static].

Q: Was there any interest - besides of course the fact that it was held inside the Czech Republic - was there interest from people in Central Europe?

WALLIS: Well, I don't know how much news coverage it got. It was on the German television I know, but I don't know if the Czech television handled it or not. CNN (Cable News Network) had a little bit just showed them signing the final statement.

Q: I note that Margaret Thatcher in her speech talked about the importance of the United States involvement, continuing involvement, and strong involvement with Western Europe. Was that just her opinion or did you find that running as a theme throughout the Congress?

WALLIS: A number of people mentioned or referred to that, but nobody challenged or contended her views or disagreed with them on that. General feeling has been pretty well demonstrated that the Europeans just can't get functioning without some kind of leadership and there isn't anybody available to be the leader but the United States, and the United States on all kinds of criteria is clearly the world's leading country. We always had the feeling it was egotistical to say so and go around talking that way, but the fact is in science, in cultural affairs and in particularly the technical [static] the United States is the leader and also the United States has a record of not being after anything for itself.

One of the things that several people did mention is that we do not want territory. We don't want to infringe on other people's freedom. We're not after anything for ourselves in this course [static]. We are in a better position to be leaders than the countries that are clearly after something. I think that meetings like this tend to bring out what might be called chauvinism and so on, but then you start looking at the facts and realities of the world.

Q: Well, I'm very much please that you could share this with us. We're going to go on

and talk about many other things concerning your life and your contributions, but thank you very much for telling us about the New Atlantic Initiatives Congress of Prague.

WALLIS: Sorry I couldn't tell the story any better. [static]

Q: We are continuing now with our interview with Allen Wallis, who has had outstanding responsibilities in his lifetime. He was special assistant to President Eisenhower from 1959 to 1961. He was the chancellor of the University of Rochester and also Undersecretary for Economic Affairs in the United States Department of State.

Secretary Wallis, let's go back in this illustrious career of yours because there's so many things to talk about. I'd like to ask you first about how it was that you moved so many times when you were going up, because I have seen that you were born in Philadelphia in 1912 and you lived in California, Portland, Oregon, and Minneapolis, Minnesota before you were 10, even 11 years old.

WALLIS: Well, that's basically because my father was a college professor. At the time I was born, he was a graduate student at the University of Pennsylvania taking his Ph.D. He had been a Rhodes scholar at Oxford, which is where he got interested in anthropology. He'd actually taken a law degree as an undergraduate, but at Oxford he got interested in anthropology and took that up at Pennsylvania.

Then, first thing out he got an assignment at Berkeley at the university substituting for a professor that was away for a year. He wanted to go to the coast because my mother had tuberculosis and in those days a climate was considered to be an important factor in dealing with tuberculosis, so he did, and then he stayed out there. He didn't get a really good academic job for a while. After that he taught in what's now I guess Fresno State College, but it was really just a normal school in those days - a teacher's college - and then went to Reed College in Portland, and [afterwards] went to the University of Minnesota. So, I've always considered Minneapolis my hometown because I lived there ten years, which is more than anywhere else I lived. I was there before high school and until one year after college.

Q: So, of course, you were really following in your father's footsteps when in later year you became a professor.

WALLIS: Yes.

Q: I'd like to start a thought with something I've read about you. Of course you are very well known as a statistician, among other things, and I like the story about when you were a very young boy and you became a statistician, even at that age just from something you figured out. Tell us the story about the chocolate.

WALLIS: Well, I remember in California there was a kind of cocoa they called ground chocolate, Ghirardelli's. It's sold around here now, but it use to be sold only on the west coast because freight regulations used to discriminate against making things like that on

the coast and shipping them east. [Anyway,] there was Ghirardelli's ground chocolate and there were two versions - one sweet and one unsweetened one - and the sweetened one cost less than the unsweetened. It always seemed to me that, if you added sugar, that would add to the cost rather than reduce it. But, of course, the reason is that when you put the sugar in you keep the weight fixed at a pound. That means you displace some chocolate and chocolate is more expensive than sugar, so, the sweetened is cheaper than the unsweetened.

Q: How did you do research on than when you were only six years old?

WALLIS: I don't know. I just remember puzzling about it for a long time. I don't remember if somebody explained it to me or not, but I finally figured it out.

Q: And then there's a newspaper story, because you as so many young American boys were selling newspapers.

WALLIS: Yes, I had a newspaper route and delivered newspapers. Actually, I was too young for that, but they couldn't find people in that area and they had to get special permission for me to do that. They offered a turkey at Thanksgiving for whoever got the biggest percentage increase in subscriptions. Maybe they had to reach just a certain level, I don't know if it was be the biggest. At any rate, my route was in the neighborhood of Reed College in Portland. This contest was in the summer when the students were all away, so we had very few subscriptions, but when the students and faculty came back the number of subscriptions ballooned, so I got rated as having one of the biggest percentage increases in the Portland area and got a free turkey for Thanksgiving.

Q: They assumed you had knocked on many doors.

WALLIS: I guess so. I remember they had sent a circulation person out to help build the subscriptions. He would go around with me and knock on doors and ask the people to subscribe.

Q: So that was another one of your experiences.

WALLIS: I learned how foolish it was that they thought I had made such big increase, when it would have come about in the natural course of events because of the seasonal variation.

Q: What's a yanni?

WALLIS: When I lived in Minneapolis, Richard Scaman and I used to make those and they were basically made out of a spool and a rubber band. You had a little stick on one end of the hole through the spool and on the other end a match. You could wind the thing up and it would run along. It had to have a soap washer on it too. Otherwise it would unwind too fast and we used to make those things and race them. I don't remember much about what we did with them, except we made a lot of them. Any time I see Richard

Scaman he usually mentions them.

Q: Did that experience of selling them help you later on?

WALLIS: We never sold them. We just played with them ourselves. We'd tried to rank them in terms of speed and you find out some things about ranking methods, but there are complications there. It's been a subject of scientific study since the 18th century, but if you start dealing with ranks you find right away some things about them. Some of the work I did in statistics did involve ranking data.

Q: I find it interesting that although you were very much interested in statistics and of course economics, you majored in psychology. Why did you do that?

WALLIS: Well, I think that was a consequence of an unusually good instructor. When I was a sophomore, I guess, I took the introductory psychology course. The psychology course at University of Minnesota where I was, was a big class. Hundreds, I don't know how many hundreds, maybe up towards a thousand for all I know. They decided to do a little experiment by seeing whether people in a small class would do better or worse than ones in a big class. So they drew a sample of 60, which they called a small class. When I was at Rochester we would have called that a huge class.

I was drawn for that class and they had a woman teach it named Edna Heidbreder. She later went to Wellesley, I think or somewhere like that - one of the women's colleges. She was a very effective teacher. She was interested in the subject and she would sort of perch on a laboratory table at the front of the class and talk. I noticed later that several students, who like me had high grade averages that were in that class, majored in psychology and then dropped it and weren't really interested in the long run. I think it was her influence that got them interested in the subject. At any rate, that was how I got interested, but eventually shifted to economics.

Q: Where did your project on the influence of color on apparent size come in?

WALLIS: Well, when I was an undergraduate at Minnesota. I think it was when I was junior, I guess. Maybe a sophomore. In the Psychology Department, the professor of psychology was having an experiment done to try to find out whether some colors make things look bigger than other colors do. I think I was a subject in the experiment. Anyway, I thought the methodology was hopelessly stupid and didn't show anything. So I got wondering - I don't know whether somebody challenged me with how you'd do it then I don't know. At any rate, I thought of a way to do it which enabled me to determine which colors did look bigger and how much bigger they looked and measure the difference. So I did that experiment. I'm sure I did that as a junior and then somehow wrote it up later and it was published in a psychology journal.

Several years later when I went to the University of Chicago, there was a psychology student, who later became a very famous psychologist, he was working in the cafeteria and he used to needle me about it. We'd talked about this about how I ought to write it up

and publish it, so eventually I did. So that was my first published scientific article. [Previously,] I'd published a lot of things in the high school newspaper and the Minnesota Daily, the college newspaper.

Q: And you were an editor at one time, too.

WALLIS: I was on the Editorial Board writing editorials.

Q: Of course, you've written throughout your life - journals, articles.

WALLIS: I think I have some things around, some clippings from the high school newspaper that I had written in high school. [I published a collection of essays and speeches in 1976 entitled An Underground Society.]

Q: So you started early?

WALLIS: Yes. I didn't mention the subject I got interested in. My mother hadn't gone to college, but she use to work with my father. He wrote books on both sociology and anthropology, and she'd work with him. They'd work over the chapter or something by actually reading it aloud and discussing the pros and cons of different wordings and editing issues and so on. I wasn't necessarily conscientiously listening, but I'd be there in the living room reading something, reading a magazine or newspaper while they were having these discussions, and I became aware of the kind of consideration that went into choosing your words and sentence structure and judging how your audience would take it instead of how you were taking it as you put it down on the paper. And she did write a high school sociology text, but it wasn't published. She died. She had tuberculosis as I said and it recurred and she died from that, but the book was published later. It was a reasonably successful high school text.

Q: She educated herself.

WALLIS: Yes. Being around my father and his intellectual friends. People we had in the house were invariably academic. Not many in anthropology because there weren't many people in anthropology. So yes, that's how she got in to it. I don't know how much reading she'd done on her own before she began picking it up in the family.

Q: And then you had a stepmother who was also a very interesting woman.

WALLIS: Yes, she had a Ph.D. in anthropology. She was at both Columbia and Harvard, but I am pretty sure she took the Ph.D. at Harvard. Just recently I found a biographical note on her, but I've already forgotten which one it was. She and my father were married in 1931 or so. She was doing a lot of writing. She had written detective stories or mystery novels. She hadn't when they were married, but later she did. I think right after the war she published one that one of the publishers had a contest for new writer, and she won that and that set her off. She wrote six or eight mystery novels usually centering around some academic experience of her own. She had done some archeology in the Pyrenees,

and one of these had to do with an archeological circumstances as the background. A lot of mystery stories are real interested in the background they manage to bring in some way or another. One had to do with - it was called Too Many Bones. When she was a graduate student at Harvard, they had a skeleton of a chimpanzee that they wanted to get out of the campus and so they boiled it and got it out. So, she had this story of somebody who commits a murder and disposes the body that way and claims it's a chimpanzee skeleton or something other, but it turns out there's one more bone in a human being than in a chimpanzee. So the too many bones was a clue in the story.

Q: So that was another facet for your education to watch what she was doing, read what she was doing.

WALLIS: Well, that was after I had left home that she began writing those.

Q: Where did you go next after graduating from college? Did you go on with the study?

WALLIS: Yes. [I graduated with a bachelor's degree in psychology from the University of Minnesota in 1932. Then] I spent a year at Minnesota doing graduate work in economics. I hadn't really studied any economics as an undergraduate. I think maybe one course, maybe two, at the University of Minnesota. So I stayed there and did graduate work for a year, and then I went to the University of Chicago in the Economics Department on a fellowship. I was there two years. I wanted to study statistics and statistics was very weak at Chicago at that time. I heard that it was very strong at Columbia. In fact, that was the best place in the country then. The second year I was there I'd heard that and Milton Friedman had been at Columbia and had come back to Chicago.

Q: One of our most distinguished economists?

WALLIS: Well, he and I became very close friends and he advised me to go to Columbia after my second year at Chicago. So I did, and then after that I was at Columbia one year and the summer I'd went there, I got a job in the government. I presumed just a temporary summer job in Washington - summer of '35 and at a New Deal agency. That was before I went to Columbia. That was after Chicago, and then I went to Columbia that year, but when I went to Columbia they asked me to take a leave a come back after the year at Columbia, so I came back after that year and was here in Washington a whole year - the summer of '35 and the academic year of '36-'37 [as an economist and statistician at the National Resources Committee.] Then, I went to Yale as an instructor of Economics. I'd maybe been there three months when I was offered a job at Stanford. So I went there. That would have been '38.

Q: Then you were coming into the World War II years?

WALLIS: Yes, and then I left Stanford on leave during the war and worked for the Office of Scientific Research and Development on a project that was based at Columbia. I was on the Stanford faculty eight years, but I was on leave of absence five of them so I was really there three years. Then, I went to University of Chicago in the fall of '46.

Q: Now let's stop for a moment to talk about your work with weapons. Were you working on rocket propellants at that time?

WALLIS: Among other things, we were doing statistical work for the Office of Scientific Research and Development's Statistical Research Group and that would get us involved with lots of different kinds of weapons research. Rocket propellants, we did get heavily involved in. Took up a lot of time on that, but we got involved with various guided missiles and what were called guided bombs. They're dropped from an airplane, but could be steered while they were falling.

Q: Of course, that was high technology in those days wasn't it?

WALLIS: Oh yes, and of course these rockets wouldn't go anywhere by current standards. They were basically fired from an airplane at another airplane. The ones we were working on were air to air rockets, but they were also used on ships and on the ground. Of course rockets were used way back in the war of 1812 - "rockets red glare."

Q: Were these rockets you were working however, were they effective in war battles in World War II?

WALLIS: Oh yes, they were very effective. An airplane firing rockets at another airplane was very effective. They were five inches in diameter and as I recall, they were on the order of three feet long. One of the problems in quality control was what we got involved in. Quality in the production. If the quality is deficient, the rocket as soon as it is fired will explode and shoot down the airplane that just fired it, so they're anxious to avoid that. On the other hand, they couldn't [afford] to test them all before hand, so that got them into statistical problems with sampling, and judging how well you could judge by a sample. How big of a sample do you need to judge and so on.

Q: So you were always using your statistical background and your psychology background?

WALLIS: Well, there wasn't much psychology there. Statistical though. The first thing we got involved in at the beginning of the war. A fighter plane could either carry 50 caliber machine guns or 20 millimeter ones. Well, the 20 millimeter guns fire a much bigger shell, and if it hits a target it's almost sure to destroy it. On the other hand, it doesn't carry as many, or fire nearly as fast. A 50 caliber machine gun may just puncture a hole in the plane, but it fires very rapidly compared to the 20 millimeter and also they have eight guns instead of four so they need to carry a bigger supply of ammunition. So, the whole question is to balance the advantages of the one against the advantages of the other, and it was pretty clear for fixed gun fighter planes that the 50 caliber was better. The British were advocating the 20 millimeters. We concluded that the 50 caliber was more effective. Well, I think the British concluded that too later. Well, the British had also had a 30 caliber gun earlier and that is too small. It fires even faster, of course, but it is not likely to do enough damage.

Q: But they did agree to go along to have one unified size?

WALLIS: Well, on our planes we used our armament and they used theirs on theirs. I don't believe they shifted to 50 caliber on their planes. I think they may have stuck to the larger 20 millimeters, but I don't really remember about that.

Q: Now after the war, you say that you went back to Stanford University in California.

WALLIS: Just for six months. I went back in the first of April for the spring quarter of '46 and for the summer quarter, and then in the fall went to the University of Chicago to be a professor. That is when you brought up the question about the Ph.D. I went there as a full professor, so I couldn't take my Ph.D. there.

I submitted a thesis to them, which they accepted. Then they said they would like to have a new [Ph.D. requirement, on an] experimental basis, for people that have already published articles in the professional literature. [Their proposal was to] collect some of those articles and to submit them as a special thesis. They said since I already had some articles published, would I be willing to do that - collect them as a thesis instead of the one I had submitted and that they had accepted. Would I replace it with [an article collection] to establish a new precedence. Well, that was agreeable to me. Of course, there wasn't any reason not to do it. So, I did that and subsequently they have given Ph.D.'s to people... I think Herb Stein got his that way, by submitting some articles he'd already published.

Q: But at that time they didn't want a member of the faculty to receive a Ph.D. at the University of Chicago?

WALLIS: I think they still have the rule that anybody who has tenure at Chicago can't take a degree there. That's a sensible rule.

Q: However, you have several honorary doctorates have you not?

WALLIS: Yes, I think I have five now.

Q: Which should suffice to make you certainly respected as [an academic?]

WALLIS: Well, academic people don't take honorary degrees very seriously. Earned degrees they do. They may take them seriously in a sense of recognizing it as an honor, but they do not regard it as much of an achievement.

Q: Now was it at the University of Chicago that you were Dean of the School of Business?

WALLIS: Yes. I [joined the faculty in 1946 and] became dean in '56, and I was there six years.

Q: Did you leave because of the offer from the University of Rochester or were you ready to leave and go on?

WALLIS: No, I didn't have any idea of leaving. I was very reluctant. I like Chicago so much and I was reluctant to leave there. I had been toying with offers before that. I was offered a professorship at Harvard, which I toyed with and thought about for several months, but turned down. No, the Rochester opportunity seemed like an excellent one and turned out to be so, that's when I left.

Q: To go to be the chancellor?

WALLIS: Originally it was called president. [In 1970], I got the title changed to chancellor, so the number two man who was the provost could be called the president. That had the advantage that you could send him places and they wouldn't say if you think it's so important why didn't the president come. Visiting the state legislature, foundations or things like that. So it made him more effective to have the title, president.

Q: Now tell us just exactly where the University of Rochester is located.

WALLIS: Well, it's in Rochester, New York, of course, and it's on the Genesee River. There's a large bend in the river and they moved there in the '20`s from downtown. They bought a former golf course and converted it to the campus. Did a lot of re-grading. I've seen photos of it. They took down hills and put in hills, and changed it around to suit what they wanted and had a very excellent plan drawn up by one of the leading landscape architecture firms. I forgotten now which one it was, but later when I was there and we were doing a fair amount more building, we sort of reconsidered the whole basic plan and it turned out the one they already had didn't need any improvement. We used it and elaborated on it.

Q: And you stayed at Rochester as president for a good many years.

WALLIS: Yes, I was at the University from '62 to '82. In '75, I stopped being chief executive officer. I still had the title chancellor and an office and did various things for them, but I didn't have the main responsibility any more. The man who had been my number two man took it on. He just kept the title president and changed his responsibilities.

Q: Who was that?

WALLIS: Robert Sproull.

Q: Secretary Wallis, you've been connected with many of the American presidents. Was the first one President Eisenhower?

WALLIS: Yes.

Q: What did you do at the White House at that time?

WALLIS: Well, they had a cabinet committee called the Cabinet Committee on Price Stability for Economic Growth. It was one of those things, that kind of typical move they would make in every administration in those days when they got into inflation and so on. It was a cabinet level committee and Nixon was the chairman and there were six cabinet members. He was vice-president and I was called executive vice-chairman. Basically I ran it and I had a staff of two or three people. My main associate was a man named Walter Fackler who had been working for the U. S. Chamber of Commerce, who was a very good economist and writer. He worked with me later when I went back to Chicago. He went with me and spent the rest of his career at the University of Chicago. And then Martin Bailey, who later worked with me the whole time I was at the State Department. He was called Economic Advisor to the Undersecretary. He also worked with me there at the White House and I think there were one or two others.

Catherine Mallardi was my secretary. Earlier she had been Arthur Burns secretary, and when he came back into the government at the Council for Economic Advisors she went back as his secretary and stayed with him all through his time at the Federal Reserve and so on. She was extraordinary able. All the economists in town knew her. In fact, when I was first here I remember I was at a dinner party, some of the economist invited me over - one of them invited me out to his house in the evening, and some of the economists I knew around, and they got talking. I may have mentioned that I'd have to get a secretary and at any rate they began to talk about secretaries and someone they mentioned as really the best economic secretary around. I finally said somebody had suggested Catherine Mallardi to me and they answered "oh well, nobody's in her league." So where they'd been saying this other one was the best one in town, when Catherine's name came up they said we don't compare her to anybody.

Q: Completely separate?

WALLIS: Yes, it was kind of interesting.

Q: Did you first work with Arthur Burns when you were at the White House under President Eisenhower?

WALLIS: No. I first worked with him when I spent a year at the Bureau of Economic Research in 1939 to 1940. Back at Stanford and then back at the bureau, I was there in two different spells and that's when I really got to know Arthur.

Q: Of course another outstanding economist and later, much later after being Chairman of the Federal Reserve, Ambassador to Germany.

WALLIS: Yes. I first became acquainted with him in about '35 through Milton Friedman, who had been a student of his at Rutgers. I was in New York at Columbia and I think that there was some economics meeting here and I met Arthur at that time. Didn't

see a lot of him, but beginning in '39 I saw a lot of him. We became very close and spent a lot of time together. All during the war I was in New York and he was in New York, and we'd often go over to his house in the evening. The trouble with that was you'd get talking, and talk until 2 or 3 a.m., always. I don't know if everybody that talked to Arthur talked to 2 or 3 a.m., but I think a lot of them did. The year I spent at the National Bureau, Arthur had a habit of dropping in at the office along about 5:00 - 5:30 in the afternoon, and start a conversation that would go on for couple of hours or so. My wife, Ann, got a little annoyed at my getting home so late for dinner naturally, so I said really the best thing about being [at the National Bureau] in New York is [the opportunity to talk] to Arthur that way. Well, she understood that. She had been in scholarly activities herself. So, I continued to do that. I don't know what Helen Burns had to say about it.

Q: Oh, I think she was use to her husband talking.

WALLIS: She must have been and coming in for dinner at 9 o'clock or something when she had expected him at 6 o'clock.

Q: Now you worked with President Nixon when he left the vice-presidency to become president didn't you?

WALLIS: No, not really. I served on quite a number of presidential commissions and at least two of them I think he appointed me. They established a Commission on Federal Statistics and I was made chairman of that and pretty much had the choice of who else would be on it. Not a free hand, but I worked [static]. I didn't have anybody on it I didn't want. And then let's see, there was a commission on presidential scholars [static].

Q: Would you give us your impression of both President Eisenhower and President Nixon in that you were closer to them than the average American citizen. What are some of your observations?

WALLIS: Well, with Eisenhower I remember when I first met him how surprised I was. I'd come down there to talk to Nixon about this cabinet job, and he then asked me if I could stay over and meet him at the White House in the morning. So, of course, I did and he just said to meet him in the Fish Room, which is now called the Roosevelt Room, because of some fish pictures that were in there that were highly valuable. I think they were Japanese. So, of course I did that and I was waiting there until he came.

When he came in he took me sort of towards the door and when he went out of the Roosevelt Room (Fish Room) into the corridor where the door to the Oval Office is, and when he was about to open the door he said, "Would you like to meet the President. Have you ever met him?" Naturally, that was a foolish question would you like to meet him. But I said, "No, I had never met him." By that time, he had the door open and we were in there. And the President was there bigger than life and looking healthy as all get out. He was wearing a tweed jacket or something or other. But the papers at that time were making him out to be on the verge of death. All the pictures made him look terrible and they wrote about him that he didn't know what was going on. He depended on his staff

and here he came out very vigorous, and looking ruddy and healthy. Other people apparently had experience with the way the press was covering him at that time.

We talked a while, and he asked if I would like to take that job and I said not if I have to join the Republican Party. He said, "Well, no, you wouldn't have to and it might even be better if you didn't belong to any party." He didn't think to say it, but someone else on his staff later said you don't belong to the Democratic Party do you? Arthur Burns was the one who introduced me [static] if I'd been a democrat, he wouldn't have. I don't know if he thought I was a republican or not. [static] So, Eisenhower didn't care if I didn't join the Republican Party and I never did until that second Reagan administration [static] after I'd been in town in the State Department for two years. [static] I figured it would be a good idea to join the Republican Party.

Q: Instead of being independent?

WALLIS: Well, previous to that when I was in the university I didn't want to have my views obligated by belonging to any party. If you're an intellectual and honest, you can't really support either of the parties on everything, and if you want to really achieve in public affairs you've got to be associated with one of them which is why I never got into public affairs. As for joining the party, all I did was register and vote. I didn't [static]. I knew some of the republican politicians up in Washington [static].

Q: Now we're talking about President Eisenhower and you did work with President Nixon?

WALLIS: Coming back to Eisenhower, one of the things that surprised me was how much more firm and dominating he was than you got the impression from the papers, in which again you'd think he was putty in the hands of he staff and that he didn't know what was going on so they had to tell him what to do. I noticed in Cabinet meetings, one of the first ones I went to as a matter of fact, I saw this issue came up - whoever the civil defense administrator was - I guess it was Hoig. He was recommending that they sell off some of the copper stockpile, which was probably not a sensible thing to do. So, he made a pitch at the Cabinet meeting on why we should do it and this and that. Bob Anderson who was Secretary of the Treasury (1957-1961) was there and the President said, "What's the price of copper now" and Hoig gave a number. I don't remember what it was, but let's say he said 45 cents. The President said, "Well, is it, I thought it was 42 cents." Hoig said, "No, it's 45 cents," and so then he went on. Anderson sort of reached around slowly to his briefcase and pulled out a Wall Street Journal and went through it as if he didn't know what page the commodity prices were on and eventually he got to that page. He folded the thing up and circled it, and then he shot it across the cabinet table to the President. Well, the price was in front of the President and he was right. He'd probably been briefed before the meeting, but any rate he would keep that kind of data detail all the time and he said, "I thought it was 42 cents" or whatever the number was. So then it was very clear that nothing Hoig said was going to have any influence at all. So he began changing his position and backing off of it. That obviously irritated the President to no end and he began to turn red. One of his features was that when he got

mad he turned red and everybody could see and they'd get scared and start changing their position and then he'd really be furious.

Q: He didn't want them to do that, he wanted [static].

WALLIS: He wanted what they really thought. And Hoig said, "We don't have to decide that this today." The President snapped out, "Well, that's good, cause we're not going to." He resented Hoig implying it was up to him to say whether we would settle it that day or not.

Q: A mind of his own?

WALLIS: Yes. It was clearly the President's decision whether we'll settle it that day or not. Anyway, he was annoyed and showed it. I remember another time when Flemming was giving a brief. This was at the time of the great cranberry fiasco. I don't know if you remember that, but somebody declared that cranberries were poisoned by herbicide or I don't know what. This came out and I think the HEW took some action about it shortly before Thanksgiving. So when Thanksgiving came nobody bought cranberries that year and the cranberry dealers were just devastated. They were wiped out financially and not only in Oregon where the problem had been, but also New Jersey. Or maybe it was the other way around, I don't remember which were the ones were suppose to be contaminated.

So Flemming was making a pitch explaining how all this came about and the President, I thought, was needling him quite a bit. He sort of ask him who are these experts are saying this, and Flemming said, "Well, they're the greatest experts in the country" or something like that, some big generality. The President said, "That's good they're not the same experts that are telling me not to drink scotch." At which Benson, Secretary of Agriculture said, "You shouldn't drink scotch anyway, you should drink bourbon. That's made out of an American grain." Anyway, it seemed to that he definitely needling Flemming who had a notebook, and he was reading it and he didn't know if he understood it or not.

The head of the FDA (Food and Drug Administration) was there and like me sitting along the wall on the side. The Cabinet members sit at the table and the people with them sit behind. I was sitting next to the head of FDA and Flemming told about some celery grower in Florida that was selling celery that had been treated with I think with arsenic. Flemming was arguing that we should so something about it, we should pass a law, we should pass a regulation. The President said, "I would have thought there would already be a law about that." Flemming turned to the head of FDA, and he said, "there is already", and the President said "I suggest you go arrest that man." And the head of the FDA pulled out a notebook and wrote down a little note. Maybe he wasn't visibly laughing at them, but I really thought he was making them look ridiculous. At any rate they looked ridiculous to me.

I really saw more of Eisenhower after I was out of the White House and he was too. He

came up to the University of Rochester for my formal inauguration and was up there for a day or two and we spent a lot of time riding around in cars here, there and the other place and doing things together. A good friend of his was in Rochester and he stayed at their house. He was an air force general that was on his staff during the war. And then at the Bohemian Club where I was a member, I saw him out there.

One time I went up there. He'd said to come up to his camp to visit. When I did, his valet Monie, who went along with him even in the army, said he wants to see you but he's asleep so why don't you sit down and wait. So I did. When he came out we talked awhile and he said why don't you stay here for dinner. So I did. There were only about six of us at the most and maybe it was less. That was pretty interesting. One of them was a general who had been on MacArthur's staff in charge of supply and they talked a little bit about MacArthur.

Eisenhower told about an occasion in the Philippines when he said two younger officers had seen the president of the Philippines and made a proposal about something or other, which infuriated the president of the Philippines, who complained about it to MacArthur. MacArthur said,"That's terrible, they never should have done that, it's awful." Eisenhower had told them to go and present this to the president of the Philippines. He said a general never does things that pull the rug out from under his subordinates when he's giving them orders. He seemed to think that it was outrageous behavior on the part of MacArthur.

On the other hand in Eisenhower's book, he tells about how when Roosevelt got in trouble in North Africa, Eisenhower advised him. Well, blame that on me. "Say that I was doing it 'cause we can't have the President of the United States caught up in this kind of hassle. This is going to make [trouble between] the French and the Free French and all that." I don't think Roosevelt necessarily did that, but it was sort of the opposite of what he (Eisenhower) was saying at that dinner when he was so annoyed with MacArthur for doing that. But anyhow, I saw more of him that way. Otherwise, I saw him in meetings, or Cabinet meetings.

Nixon I got to know very well, and I thought extremely highly of him. He was very, very able. In all my dealings with him, and in his private conversations about things, he was always entirely honest and honorable and had high integrity. He never showed of these signs of these things you see him accused of - of anti-Semitism. In fact, I've heard him make snide remarks about people that were anti-Semitic, and that he thought their views really signs of anti-Semitism rather than real analysis. At any rate, I certainly got a very good impression of him that way.

One thing that also shows how different he was in reality than the character impressions you got, was when I was telling him once about - we had a lot of idle time and we were riding on a boat on the Potomac for some reason - I'd gone out to San Francisco to make a speech and had trouble about plane reservations. In those days from here (Washington) you had to go to Chicago in the evening, overnight, and take a plane the next day to get to San Francisco. So I'd done that and was having some trouble getting on the flight from

Chicago to San Francisco in time to make my speech and finally I called the White House Travel Office when it was really down to the last 15-20 minutes. The plane was going to leave and there was no other plane and they weren't coming up with a seat. So I called the White House Travel Office and they said just stand there at the counter and they'll call you in a few minutes and have a seat. So I stood there. Pretty soon, sure enough, they produced a seat. I was in the lounge. Tony Bennett and I were in it. I didn't know who he was. The guy at the counter at American Airlines said, "Well, why didn't you say you with the White House and had to be out there?" I was saying to Nixon, "Well, you know, I just don't feel like going up there and saying important so you got to put me on the plane or something." He said, "I know exactly how you feel. When I have to get something on account of being the vice president, I make my secretaries do it."

Q: You did some work around that time in the plans for a volunteer army versus the draft.

WALLIS: Yes, well, the economists I knew were against the draft after the war, not during the war. But after it was reinstituted they opposed it. A number of people were opposed to it. There were congressmen opposed to it and so on and they'd talk about it. I guess Eisenhower had not opposed the draft, but Nixon in his campaign for president had said we should get rid of the draft.

So when Nixon was elected in '68, I happened to be in New York talking to Arthur Burns on the telephone. We talked over an hour and Nixon had designated Burns as Domestic Policy Counselor, so I told him I thought he ought to get rid of the draft. He hadn't ever given it any thought at all and we had up at Rochester. So we talked about that for a good hour on the phone and he finally said, "Well, if you can show me how it can be abolished for a less than a cost of a billion dollars the first year, I'll guarantee to present it to the president-elect. I have a meeting scheduled with him and I'll guarantee to present it to him. If you have it to me, and it has to be on one page, and it has to cost less than a billion dollars extra the first year."

So I immediately called up Bill Meckling, who was Dean of the Business School at Rochester and who was very interested in this subject. We had a number of people up there that had done a lot of military work and we were running the Center for Naval Analysis. We'd been asked by the Secretary of the Navy to do that. So we had access to a lot of military data and so on. So, Meckling got Martin Bailey, who was on the faculty up there, and Walter Hoig, who was on the faculty, and a couple of other people. Hoig particularly was interested in doing something about getting rid of the draft. He'd gone to California to introduce his fiancee to his parents, but Meckling got him to come back.

They worked right up to Christmas Eve on this thing, getting up a document on it. They got a lot of data from the Center of Naval Analysis and the Center could get it from the Defense Department, and they could find out what the real facts on how many people were needed and what they were doing. So this document must have been probably 25 pages, but they wrote a one-page summary which they said was the document and the rest was an appendix. We sent that down. We got a graduate student and paid his airplane fare to take it personally down to New York and deliver it to Arthur. When the administration

came in, we saw that copies went to the Secretary of State, Secretary of Defense, and I don't know who all.

Q: This was early '69?

WALLIS: By then it was '69. The original conversation had been in the fall of '68. Several of the new cabinet appointees called me about staff they were looking for, either me about people or asking for my suggestions or whatever. Every one of them I'd wind of by saying can I take 5 minutes of your time to bring up something? They'd always of course say yes.

Q: That's how you spread the word?

WALLIS: Well, it helped, but we spread it in a lot of other ways. We were pushing it every way we could and so I remember talking to Mel Laird, who was going to be Secretary of Defense, and then we sent copies of this thing to all these people and their main assistants, and so forth. So I got all of them to send it to Laird. No matter who we sent it to they'd look at it and figure it was Laird's business, so he got deluged with it while wondering what's going on.

So, we were able through the Center for Naval Analysis to watch what the defense department was doing with the recommendation, and they were just putting it in the hands of the same people that had always said we can't get a long without a draft and have to keep the draft going. Also, they were working up a new pay schedule for the military which would have used up all the money available on the high-ranking people. It wouldn't have paid the necessary higher fees to get people to volunteer. You would have to match what they could make in real life. So we were able to watch that.

I remember we met with Arthur and Bill Meckling - somehow George Shultz was involved in this at some point. But at any rate, Martin Anderson worked for Arthur there and Arthur got a hold of Martin Anderson, who was strongly opposed and wanted to get rid of the draft. We said this report was on its way and would be at OMB (Office of Management and Budget) in a couple of days and we knew what was in it and all. So Arthur got Anderson and said you get a hold of them and tell them what to think when it gets there. So, that prevented them from tying up all the money which they were about to do. So, then Arthur said you know the only way we were going to get anywhere with this is to get a really high level commission of people of personal prestige and who are not committed one way or the other on the issues involved.

Q: A presidential commission?

WALLIS: A presidential commission made up of top quality people, and have them study and see what comes of it. Experience showed - Nixon mentioned this once - that anybody who studies it always comes out less in favor of a draft than he was before he starting studying and he might still be in favor of a draft, but if so he's less in favor. If he was against the draft, he's even more against it once he studies the facts and circumstances.

So evidence was that it always moved people in the direction [of eliminating the draft.]

We were fairly confident that a competent commission would move that way, and so they appointed the Gates Commission with Tom Gates, who was Secretary of Defense and had been Secretary of the Navy and generally a person of high reputation and high integrity, and pro-military. He was very reluctant to do it because he said if this comes out - the military he thought was against it and wanted to keep the draft - and if this comes out against it, I don't like to get in bad with my friends. I don't like betraying my friends in the military and all. He was convinced to do it by saying, well, look, the President's already decided that it's to be done, that we're to shift to a volunteer force. The whole question of this commission is how. That's what the commission is to study, how to do it. So, we got the commission set up that way and Al Gruenther. He was an absolutely tremendous [static] at first.

Q: A brilliant man?

WALLIS: Oh, yes. I heard Arthur and other people say that if you every knew anyone really qualified to be President of the United States it was Al Gruenther. I say a tremendous man, of course he was a half-pint and his brother was big.

Q: He was tremendous friend of President Eisenhower's also?

WALLIS: Oh yes. He was a great bridge player for one thing. In fact he arranged a practical joke on Eisenhower while I was in the White House. He (Eisenhower) made a trip to India which was a tremendous success. Literally millions of people turned out. I saw pictures of this with people for a mile in all directions as far as you could see covered with people.

Q: And that's when his daughter-in-law, Barbara, went with him I believe instead of Mrs. Eisenhower who was ill.

WALLIS: Oh did she. I don't remember about that. Anyway it was a tremendous thing, and so when he came back there were people out greeting him and all. Gruenther arranged for his bridge pals to be up on the second floor of the White House playing bridge. So when the President came up and got out of the elevator, they didn't pay any attention at all. They went right on playing bridge. Gruenther looked up and said, "Say have you been away?"

Q: A blow?

WALLIS: Yes. Anyhow General Gruenther was on the commission and was a key person. Any question that would come up, he could get to the military right away and get the information. On one occasion, something came up about treating the medical corps in the old volunteer force and the staff - Meckling had been taken on as head of the staff - they had certain assertions and some people were questioning it. Gruenther wanted to check it, so he called the head of the medical corps. It turned out that he'd gone out to

Denver to the military hospital, where Eisenhower was later a patient, for some kind of business. Well, Gruenther got him on the phone and he talked to him for at least a half an hour about all this. Got his facts and they fit the ideas the staff had told him, but anyway that was the way he would do it. He'd really get to the bottom, and he knew people who could get to the bottom of things and was very good at asking questions. He absolutely tremendous. I got to know him better apart from the commission because he was a trustee of Eisenhower College, as I was, and he'd come up to Rochester and sometimes stay overnight at our house and then go on over to the college. I saw him that way. Anyway, that's what lead to appointing the Gates Commission. The Gates Commission in the end came out unanimously in favor of all volunteer force.

Afterwards, when we went in to report to Nixon on this, he asked how did [the commission members] stand in the beginning. We didn't know because we hadn't taken any votes early on and in fact we were told that wasn't the issue. We were told the issue was how to make it work, not whether to do it. Instantly, the commissions ignored that and immediately began to go into the question of whether to do it. In spite of this instruction that's settled, you should just discuss how to so it. So we had to kind of guess backwards, but Meckling and I trying to judge where people had stood, and estimated that it had been very close to being evenly divided. There had been 15 [people on the commission]. As far was we could tell, it was very close to an 8-7 division before they started. But it wound up with 15-0 in favor of an all volunteer force. The wording was very carefully done, something about the nation's needs could be well served by an all volunteer force or some phrase like that.

Q: So this all volunteer force which we have today was instituted by President Nixon?

WALLIS: Yes, [the military draft was abolished in 1973].

Q: And has been a big success?

WALLIS: Oh yes. Well, you'd know from what you saw when you were out at Madagascar and other places where you presume you saw some actual military privates and enlisted men.

Q: Well, the morale is very much higher that it would have been with draftees.

WALLIS: Well, the quality of the people was head and shoulders above draftees. This makes all the difference in the world on how they perform and their morale too. They are all there because they want to be there and they're genuinely patriotic really. They wouldn't be there if they didn't want to do that.

Q: And also you made sure the pay was right for the lowest rank.

WALLIS: Oh, well, sure. Yes. Since they're volunteers, they aren't going to volunteer if they starve or if they can't support their families. At the time when we were studying under the Gates Commission, around any military base there were lots and lots of

military people on relief. You had sergeants and master sergeants and their families were all on welfare. It's a wonder anybody served. Well, they were supposedly forced to. That's another thing, they didn't get much service out of them either.

One of the other things [the commission] found was that, as you expect, they were wasting manpower outrageously. In our appendix to our report, we had said that in Vietnam they could get along with an all volunteer force. That the force there could be cut way back and still be just as effective as it was. They had called in the troops you would call in for combat on the plains of France or somewhere. Then they brought in all the automotive equipment and vehicles that you'd use if you had plains and so forth. Then you had to bring all the mechanics and people to take care of that and you had to ship all the gasoline. It was fantastic. The bombs were being shipped over without regard to the fact that [the Saigon command] had reduced the area where they were dropping bombs. [They were brig shipped] because the bomb factories were all tooled up. Bombs were on the sea coming and what were they going to do with them. They had to just drop them all anyway, somewhere. We said something in the report and we also said of course, you can't take the word of us civilians for stuff like that. You're going to go out there and check it. Well, I saw Dave Packard in July. That would be '69 and he'd been out there. He was deputy secretary and I said, "Well, was it as bad as we said?" He said, "It was so much worse, that you wouldn't believe it if I told you."

Q: So you were very helpful to the Deputy Secretary of Defense, who was of course a civilian.

WALLIS: Well, yes but [Packard was] well versed on military things and a tremendously able person. There's no question, I think that the Gates Commission had a big impact on getting rid of the draft. And there's no questions that Meckling at the University of Rochester had a major impact there. On the other hand, we can't just say that we got the draft abolished single handedly. In the first place, Nixon wanted to be rid of it. That made it relevant. There were quite a number of congressmen that had written a book on it and posing as a paperback book. There were a lot of people around like Martin Anderson as far back as when Nixon ran in '60, I think at that time, he said he was against the draft. I know quite a number of people, Bill Peterson, who are doing what they could to shift to an all volunteer force.

Q: But you started the ball rolling.

WALLIS: We happened to be in the right place at the right time because I knew Arthur so well and Arthur was going to be the domestic counselor, and the University of Rochester just happened to have these people like Meckling, Hoig and Bailey who knew these things, and it had the connections with the Center for Naval Analysis where they could really get accurate data.

Q: Well, that's a wonderful story you have about how the volunteer force came to be.

WALLIS: I assume that it would have occurred eventually. It was probably inevitable. In

a little laboratory down there I've got hanging on the wall a poster of "Uncle Sam Wants You." You know that one. It was given to me by people in charge of the recruitment command who gave it to me with a little brass plate under it with am inscription about "his early recognition that a volunteer force could well serve the country" or something like that. The civilians in the Defense Department tried to sabotage it. The top civilians, but the military were smart. They could see that we're not going to be able to keep that draft. The public won't put up with it any longer. We need to be moving and so they were much more willing to support it and go along.

But people kept sabotaging it even after Nixon was moving that way and one of the people of our commission was Steve Herbitz - no reason he should have gotten on the commission. As a Harvard undergraduate, he got involved in some Republican politics. He just muddled his way on it or asked to be on it and they said sure it would be a good idea to have a college age kid on it. He was just graduated and he didn't understand any of it. He learned a lot and afterward he had a job as a special assistant to the secretary, Mel Laird, and one of the other secretary's. I forget which now. He would watch what was going on.

For example, the Recruitment Command - one year not a single officer got sent to the schools they get sent to if they're going to be promoted upward, so that's a sign not to go into the recruiting service if you want get anywhere in the military. Herbitz would tell me about this and I'd get a hold of Al Gruenther and tell him. He'd go over to have lunch in the General's Cafeteria or somewhere. He'd say, "I understand that no one in Recruitment Command got sent to Staff College." They'd say "Oh, no, no. That isn't true at all. We're doing everything we can to support it." And Gruenther would say, "I'm glad to hear that because I got the opposite impression." So then the next time he'd go back they'd say you know it turns out you were right about that, etc. Then they'd do something about it. That happened several times. Herbitz would tell us what was happening and we would tell Gruenther, and Gruenther, without revealing where he got the information and do it in a very low-key way - he didn't bark orders at all, but he was very effective keeping it.

***

Q: Today is the 29th of May 1996. I'm here Allan Wallis, former Under Secretary of State for Economic Affairs and we're starting part 2 of our interview. Secretary Wallis, how was it that you left the University of Rochester in 1982 to go to the United States Department of State to be Undersecretary of State for Economic Affairs. That, of course, is one of the highest ranking positions in the Department.

WALLIS: Well, sometime about February 1982, possibly early March, but I think in February, I got a call from the White House personnel office. The man who was to head called and said that some people were suggesting me for that position, and if I would consider it, they'd like me to come down and talk about it. He mentioned that they had three or four people under consideration. I agreed that I would talk about it, so I came down to Washington and (sorry I can't think of his name) talked with him for a while. I

think I went over to the Department and talked to somebody there, although the Secretary was away.

[Alexander] Haig was then the secretary, I talked to another undersecretary I think, and I forgot how this all went, but eventually they indicated that they wanted to proceed with me and present my name to the President for the job. So then I called various people I knew to ask about the administration and the government to talk about the job, whether it was a good thing to do. I knew a fair number of people in the administration. People I remember now calling were Barber Conable, while he wasn't in the administration, he was in congress, and Bill Simon, who was then out of it but he had been Treasury Secretary under Nixon and Ford (April 74- January 77), and Burl Sprinkle was then in the Treasury.

Q: Of course, the president was Ronald Reagan.

WALLIS: Yes, but I didn't know him very well. I knew him. I'd talked with him for an hour once out in California and then met him two or three other times, but I didn't get in touch with him naturally about it. Ed Meese was one I knew and he sent a message hoping I would do it, but somehow we didn't make connections to talk. The main person I talked with was George Shultz, who was an old friend of mine. When I was dean of the Business School in Chicago, I'd hired him to be in charge of Industrial Relations and Labor Economics and related subjects, and that was 1962 or '63, no that's wrong, it was in the '50s, probably 1957.

Q: When you hired George Shultz?

WALLIS: Yes, something like that, the middle '50s. We were building the faculty. The school was almost defunct and the same year we got George Shultz, we got George Stigler, who later won a Nobel prize which was a feather in our cap. Anyway, I talked to George at some length, because he had served in four different cabinet posts and was very familiar with the Washington situation and knew what sorts of things I was interested in and that I wasn't really particularly struck with Washington as a place I wanted to be. Ultimately, I turned it down. In a large part because I didn't think Haig was interested in the job at all and I doubt if he was interested in me either. We'd talked a couple of times.

Q: And that was Alexander Haig was Secretary of State.

WALLIS: Yes. So I turned it down, and even when they were talking to me, I recommended that instead of me that they should approach Bill Meckling who I thought would be a better person for the job. But their answer to that was, "Well, when we hit on one person we want, we don't spend any time on looking for somebody we might like better. We go after that one and don't fuss around." So that seemed to be the end of that and that was about March and some item did get into the press about it. We tried to keep it quiet, but one of the news weeklies had an item about it. But when Shultz was appointed secretary…

Q: Now of course give us just a quick look at the history of that. That was after Ronald Reagan had been injured, shot.

WALLIS: Oh yes. I'm now talking about the Spring of 1982. He was shot in [March] 1981.

Q: Alexander Haig left not too long after that?

WALLIS: Yes. When I was first talking to them in February or March, he was secretary, but by late June he had resigned and Shultz was appointed. Shultz was appointed just within a day or two of when Haig resigned. He had two days of confirmation hearings, and he called me the evening between the two days. I was out at our cottage in Michigan, and he called in the early evening and asked if I would take the job if he was confirmed, which he thought he would be he said.

Q: This was 1982?

WALLIS: Yes. This would have been June 1982. So I said I'll think it over and talk to the family. They're all here at the cottage and I'll let you know in the morning. It was about 90 percent to 10 percent that I'll do it even though I had turned it down. That was basically because it was Shultz and I had worked with him and had a lot of confidence in him, and we worked very well together. I thought it would be totally different situation than moving down there [and working for] somebody I didn't know and that I didn't think knew much about economics or had much interest in it either. Shultz was a very good economist and not just a labor economist which was his original specialty. So, I talked to the family about it. [I promised to call him] by 8:00 in the morning because he was going back to the Hill for his confirmation hearings. So I called him and said yes I would do it.

When he was confirmed, I came down to Washington almost immediately. I remember when he called me and asked me to take the job, he said you know some of the things you told me about the State Department in March I didn't believe could be true, but I found out they are, but if you come we'll see what we can do to straighten them out. Well, we never did of course. If he'd tried to do that, that's all he'd have gotten done in the whole six years as secretary, but I came down and…

Q: What did your family think of the move?

WALLIS: I think they were in favor of it. In general, I'd have to say my wife was usually agreeable. If I really wanted to do something, then she was willing to do it too. And of course she was good friends with the Shultz's also, especially with Obie, Mrs. Shultz. [Nevertheless, she] didn't like breaking up the summer that way. This is July by this time.

Q: And you had how many children?

WALLIS: Two, but they were grown and not living at home anymore either one of them. So I came down. To begin with I'd stay at the Cosmos Club and then go back to Michigan on the weekends. After we moved back to Rochester, I did that until I was confirmed. I think it was about September before I was confirmed. That went fairly promptly compared to how they sometimes go.

Q: The Senate approved of your nomination?

WALLIS: Yes. They didn't make any objection at all.

Q: How many Under Secretaries are there in the State Department?

WALLIS: Well, at the time I came, there were three. One for Political Affairs, one for Economic Affairs and one for Security and Military Affairs. Subsequently, they made the Assistant Secretary for Management an undersecretary, so there are four. There are three substantive ones and one administrative one. They all report to the Deputy Secretary and Secretary nominally. The thing doesn't work at all the way the organization chart looks. It's set up the way many corporations are, where there is an office of the chairman and the office of the chairman has three or four main people reporting to it and among them they cover the whole corporation. Well, that's the way the State Department is set up. There's the Secretary and the Deputy Secretary, and they have three under secretaries. The under secretaries cover the whole department, all regions of the world and so on. But they don't really work like that.

In the government, the politically appointed officials basically haven't worked together, they don't know how well they can trust each other, what competence other people have. That was one of the big advantages that Shultz and I had, we could trust each other. We could read each others minds without spending a lot of time comparing notes and I rarely had to check with him on how he felt about something cause I'd know beforehand. Sometimes there be a catch in that he felt the same way I did, but there would be some political reason why what he and I thought was the best thing to do wasn't the thing really to do in that situation. So we compare notes that way, but because of our long relation we had an easy give and take.

Q: What were your chief responsibilities as Under Secretary for Economic Affairs?

WALLIS: Well, they were varied. Incidentally, one of the main ones was not really due to be under the Under Secretary of economic affairs, but the President appointed me his personal representative for the annual economic summits. The economic summits of the seven leading industrial democracies, the G-7. Each one of them has a personal representative, usually called sherpas since they're suppose to guide the leaders to the summit.

Q: As in Nepal for example? It would be the sherpas guiding through the mountain tops.

WALLIS: Yes. I've heard that some of the Nepal sherpas resent [the implication that they

do the work, but get none of the glory of reaching the summit.] They say they really go to the top, and, of course, we went to the top too. We attended the actual meetings when the seven got together. But that job was a separate job and nominally I was not reporting to the Secretary, I reported to the President directly. There were one or two things that would come up where there was some slight conflict there. When we went off to summit meetings, the Presidents personal staff would meet in the morning the way they did when they were in Washington. The Chief of Staff, press representative, and two or three others people about five of them would meet, but they included me in those meetings.

Well, once in a while [in these presidential briefings], they talked about things that were sensitive about the State Department. I remember once they really talked about a personnel problem. Most of them wanted to get somebody out of the Department, one of the assistant secretary's for some reason, I don't know why. I just think they thought he was a political hot potato in some way. In any rate, the staff wanted to and they gave all these arguments to the President who simply sat there and I learned later this was more or less his usual tactic and said nothing. After while Howard Baker, Chief of Staff, said "Well, Sir, I see were not making any impression on you so we'll change the subject."

In my opinion, he would have been out of his mind to displace that particular person, but all these other people wanted him to. My opinion wasn't called for and not at all volunteered of course. I went to those meetings, but unless something came up about the summits I never, unless they asked me point blank, gave my opinion on something, I never intervened since I was really a bystander.

Q: And I've heard you say that you thought the President used very good judgement much of the time. His silence was not that he didn't *know what he was doing.*

WALLIS: Yes and he didn't get into arguments. Why should he - he could decide it for himself - so he doesn't need to give his reasons to the other people. He was a surprisingly strong person and when - Shultz brings this out in his book too - when the President thought a matter of principle was involved there wasn't any use of arguing with him. He wasn't going to move if he thought it would be unprincipled or against his principles. It was just a total waste of time. You were talking to a stone wall.

Q: Tell the story about the day the President gave you his notes.

WALLIS: Well, that may have happened more than once, but the time you're probably thinking of was at the Venice Summit (June 8-10, 1987). We stayed at the Cipriani, which is on Giudecca Island separate from where the summit was meeting, and at the Doges Palace. When it came time to go over there for dinner, the President and I seemed to be the only two people in the launch other than the sailors that were running it. I learned later that the President's doctor and two or three other people were below decks or somewhere, but he and I were just in the cabin and we chatted.

The President was surprisingly easy person to chat with informally. In spite of being the President of the United States, you could really talk at ease and relax naturally and so did

he which is one reason you felt you could. I mentioned that on the way back, "I'm suppose to ask you what happened so I can tell George Shultz and Howard Baker and Jim Baker who need to know what happened at the summit." And so the President said, "Oh, well, in that case, I'll make some notes."

So he made some notes which he gave me and they were beautifully taken notes. It wasn't as if he didn't participate in the discussions. He was one of the key people in the discussion. Of course, anywhere he went he was the key person no matter who else in the world was there. But he had these really beautifully taken notes and gave them to me. I don't know what actually became of the notes. I do know I didn't keep a copy. The White House was very, very aggressive about not letting anybody keep a scrap of paper with the President's handwriting on it. So they took them and had them transcribed and gave them to anyone who needed to have them.

Q: But you as a former college professor and university president could tell when notes were truly outstanding.

WALLIS: Yes, they were orderly and neat handwriting. I was really surprised. See, during the actual summit meetings I would be sitting there making notes which were transmitted to our staff. They were on a mechanical thing where I wrote on it and it showed up in our staff room somewhere else in the building. I've seen copies of those, although I don't have the originals, but they're very, very sloppy. It's hard to read the handwriting. You're trying to keep up with what people are saying and trying to get it down as nearly verbatim as possible. If you knew shorthand it would be help or even an experienced news reporter would be probably good at it.

Q: Did the President's problem with his hearing interfere with his absorption of the substance at a meeting from your observation?

WALLIS: I never saw any signs of it at all. I was really not aware of the fact - I'd heard this story all right, and people had told me and he'd occasionally mentioned that you're talking into my bad ear or something like that. In the Oval office when he had a visitor if you notice the pictures of the two sitting in front of the fireplace and the sofas coming out, all the presidents, except Reagan, would be..., as you faced the picture, they'd all be on the right, but he was always on the left. That was because that put his good left ear toward the visitor. I've got a picture of me sitting there, just the two of us, one on one, while there are other people in the room, but I was there reporting to him about the summit and I was sitting talking into his left ear and that was because of the bad right ear.

Q: While we're discussing President Reagan, and then we'll go back to your responsibilities, have you any other observations that you would like to give us about him?

WALLIS: Well, he was very witty. Of course he was full of stories and he remembered things. I learned from him actually later that some of these things he said when he was shot that attracted so much attention like "I forgot to duck" or I think he said "I'd rather

be in Philadelphia" or something like that. Well, I didn't realize those are old lines out of well known movies because I'm not that much of a movie fan, but he said they were. "I'd rather be in Philadelphia" was from a W.C. Fields' movie I've forgotten, and "I forgot to duck honey" that's kind of what that's from.

But on the other hand, the first time I went to a cabinet meeting after I came, Shultz couldn't go and I had to go to substitute for him, and it was a fairly important meeting. Now when I worked in the Eisenhower administration, if you weren't on time at a cabinet meeting you weren't there at all. Like a symphony concert, you can't come in once it starts. For some reason, I had to be in New York and come down [from this meeting] and it was clear that I couldn't get there better than five or ten minutes late, so I told Shultz and he said, "That's all right I'll explain that to the President and he won't mind." So, sure enough when I got there I asked the woman that was guarding the door or keeping track of who was coming in and going out if there were any seats along the wall just next to the door that I can get into inconspicuously and she said, "I think the third seat down is empty." So I went in and the President saw me and he gave a big gesture, waved to come on down - it was the first time I'd really seen him except when we had our picture taken together. A very cordial, genuine beckoning to come over and sit in Shultz's chair next to him, which is not where I would have expected to sit and this was done in such a way that it didn't make me self-conscience. You might think that with all that attention attracted to you in the middle of the Cabinet meeting, you'd be embarrassed, but he did it in such a clearly friendly gesture. Well, I went over and sat there.

At the end of the meeting he was left to decide between two alternative courses of action. This had to do with the listing of the so-called pipeline sanctions, if you remember all that incident, and as he started to get up he turned towards me and said, "This is going to be a tough decision" and I said, "Well, if I had to decide it I'd toss a coin." He turned squarely turned and said, "Say, thanks, you just saved my evening for me."

Q: It was that close of a decision that it could go either way?

WALLIS: No, he was just making a joke, but the other president's that I've had anything to do with, they wouldn't have thought of a thing like that, they weren't witty and in general, they would have resented any humor coming into such a serious issue. This was a very serious problem if you remember, and so they wouldn't thought of it, and if they had they wouldn't have said it because they'd be afraid of reading it in the Washington Post the next morning - "The President Makes His Decisions by Tossing Coins" or something or other.

Q: I better ask you to explain a little more about the pipeline decision.

WALLIS: Before I came into the government there was a big flap about the Russians building a pipeline to transport natural gas to western Europe. There was a lot of opposition to that particularly in the United States on the grounds that the Russians would then have a hold over western Europe. They could cut off that gas abruptly some time and jeopardize the security of the west if we depend on their supplies.

So, some people in the US were very, very adamantly opposed to that and [yes, the Western Europeans] were going ahead with the pipeline anyway. So then the US government was going to impose sanctions on any company that had cooperated with the people building the pipeline. We not only wouldn't allow any American made technology, and we had the best technology in pipelines, to be exported there, but if a company did any business with them we wouldn't allow it to do any other business with Europe. Well, this is what they call extra-territoriality and it's pretty extreme. It had all of our allies up the wall. Thatcher was livid about it and I'd say with justice. The French were livid about it, too. They were all upset about our intervening and trying to dictate to them what they could do by that method.

So, one of the first things I was assigned to when I got there was meet with the ambassadors from the relevant countries, basically the G-7 summit countries, and discuss what we would do about lifting the pipeline sanctions or enforcing them or what would we do about it. I think as soon as Reagan and Shultz came in, they were in favor of lifting them because they were unworkable, unsound and disrupting the alliance. It had a serious disruptive effect on the alliance. Be that as it may, that was before I got there so I was assigned to hold these meetings.

I remember one flap was that we were planning to make an announcement that we had come to an agreement on it, which we had at this meeting with the ambassadors. We'd spent, I don't know how many, days arguing about whether to use a comma or semi-colon at a certain point within the statement. It sounds pretty silly, but it really does affect the meeting. If you're a purist it does. Anyhow, it was finally agreed, we thought, and the President [was going to announce the agreement on his] Saturday morning radio speech. That's been continued by the Bush and subsequent Clinton administrations. So, the idea was to announce this in that speech, but before we did that we wanted to double check to make sure everybody was on board. I called the French sherpa, Jacques Attali, and he said no he didn't know anything about it at all. It was the first they had heard of it, etc. etc. Apparently, the French Foreign Ministry had the announcement and hadn't told the President's office about it, I guess, or whoever was in the President's office hadn't told [Foreign Minister Raimond], but at any rate he said they certainly couldn't agree to it with only three minutes to think about it. So, we had to get the President to substitute [another topic for the Saturday radio address]. They always had a spare speech in reserve on some routine subject. So, we had to get them to substitute that time until we got this affair straightened out.

Apparently the French government really didn't know. We didn't know at first what to make of this, whether they were being straight forward with us, or what, but we finally concluded that [President Francois Mitterrand] did not know what the Quai d'Orsay was doing. Anyway, they didn't communicate very effectively. That, in a way, was kind of a minor thing, but it was a glitch. If we would have announced it. If the President would have made the speech and said that all these countries have agreed to such and such, then the French would have been absolutely livid.

Q: And in the end?

WALLIS: The sanctions were lifted. I forget how soon, but they were lifted.

Q: Now lets get back to your responsibilities in addition to the separate one of being a sherpa for the White House and for the President.

WALLIS: Well, in the first place neither Shultz nor I knew that the United States has standing meetings on economics matters - comprehensive economic consultations with quite a number of countries on a regular basis. As a result of that, I had to make numerous trips. Before the end of my tour, my secretary counted up that I had made 115 trips abroad in six and a half years. Sometimes when people ask me, like you are, what did I do in the State Department, I say I rode on airplanes, because I did spend so much time on them.

For example, we met with the Japanese twice a year and usually these would be two day meetings. They were comprehensive, over the whole range of economic issues. Once would be in Tokyo and once would be in the U.S. We met with the Canadians four times a year. Once would be in Canada wherever they chose, and once would be in the U.S. I think we always chose Washington. One would be in the Far East in conjunction with an ASEAN (Association of Southeast Asian Nations) meeting. Both Canadians and we attended. We were not members of the ASEAN, but we were attending. One would be in Brussels because there was a NATO (North American Treaty Organization) meeting in Brussels in December that both Canada and we would be at, so on the side we'd have a meeting then. So, we had these four meetings with the Canadians. We met once a year with the Indians, Pakistanis, and when I first went there we had meetings like that set up with the Argentineans.

We held a meeting down there in Argentina. I think it was December '83. It was early after I went into the Department. [The Argentinians] were just so totally hopeless. The people they had knew absolutely nothing about economics. They couldn't comprehend anything. It was a complete waste of time talking with them, so we never met with them again. We dropped it and I don't think it's ever been resumed. Now things are so totally different in Argentina. They have excellent, sound economic policies I think it would be worthwhile. Maybe they are having comprehensive negotiations, I don't know, but it was really sort of incredible.

I forgot to mention that we would meet with the ASEAN countries at least once a year. I guess that was once a year regularly and then with the OECD (Organization for Economic Cooperation and Development) of which I was a representative. This was part of the economic side of the Marshall Plan. A continuing thing of the Marshall Plan.

And then they had something called Executive Committee in Special Sessions. I don't know why they kept calling it that, but it met four times a year and I'd represent the U.S. at that. So, that would mean two trips to Paris. Of course, people think it's great to go to Paris, but not the way I went. Get on a 6 o'clock plane here and get in over there about 6

or 7 in the morning. I managed to handle it better than some of the younger people working for me, partly because, if you are an undersecretary, you have a lot of special care. I'd get on the plane at 6 or 6:30 and when it was about to leave I'd take a tiny bit of a sleeping pill. I'd break them in half and then take half of that. As a result, I could sleep through on the plane. We'd get in over there and Paris had a wonderful expediter for travelers, a man named Johnnie Berg. He'd be right at the door of the plane when they opened it up. They'd have me at the door first and then they'd open it up, I'd get out and he'd take my passport and baggage checks or anything like that, whip me through the Customs and Immigration and out to a car that would be waiting. Someone else would fuss about the baggage later and I'd go to the Ambassador's house and go to bed about 7 or 8 in the morning and sleep till noon, and then I'd be up and at it by noon. The other people would have spent an hour or two at the airport and on the way into the airport and getting settled into their hotel. So those things were a big help in terms of being able to operate efficiently and keep your energy and not get exhausted.

I also went to Tokyo frequently. Somehow every year I had to make a flight from Tokyo to Brussels in the winter, usually in December. Japan Airlines had berths on their 747's and that was an enormous help. They were much better for sleeping than Pullman cars. They don't rattle across switches or past freight trains or stop and start. They just go along at a steady drone and their high enough so their smooth. I was surprised and furthermore the berths are long enough. They're made up of five seats or something like that and [the berths were] upstairs.

Q: How are the economic relations between our State Department at that time when you were there compared to the relationship now in the 1996?

WALLIS: It changed a lot while I was there. When I first started going to the OECD meetings, there was virtually nobody sympathetic with the points of view we expressed which were basically free-market oriented and against government controls and government intervention here, there, and the other place. And that was generally regarded as a bunch of oddballs from the U.S., and of course, Reagan was regarded as sort of a cowboy. Their attitude changed drastically about that, as things proceeded, and their attitude toward Reagan, after the U.S. economy began to pick up, became more respectful. Well, anyway the attitudes toward U.S. economic policies changed drastically and was far from being regarded as being oddballs and they'd sort of sit there and not say anything because they considered what we were saying as kind of foolish and doctrinaire and dogmatic or whatever. Ideological was the phrase they used when they haven't got any answer for an argument. Course you had that in this country too.

But that changed drastically at the Toronto Summit. The Canadian sherpa, Sylvia Ostrey (the local sherpa is the chairman of the sherpas at the meeting) drafted a statement. It represented the end of the second round of summits. It was the fourteenth summit. Seven makes a round. She drafted a statement on the changes that had occurred during that period and brought out the degree to which the whole approach to economics is reversed without rubbing it in. Nevertheless, if you look at that communiqué, it's in there very well.

One of the interesting things about being the sherpa was that some of the other sherpas, the people we worked with, were very interesting people. Sylvia Ostrey is one. She's been head of what's called Statistics Canada, which is like being the head of all the major statistical bureaus in this country BLS (Bureau of Labor Statistics), Census and so on. They're all under Statistics Canada up there. Hans Tietmeyer is now head of the [German] Bundesbank, and of course Jacques [Atalli] became the head of European Development Bank. That was a fiasco and he didn't last very long at it. Renato Ruggiero is head of the World Trade Organization, the WTO. A number of the people who were the sherpas were interesting people. The sherpa meetings were generally held in fancy places, in palaces and castles, resorts and things like that. We didn't do that. U.S. government doesn't spend money like that. They finally prevailed on me to hold one of the meetings in the U.S. in San Diego. They all wanted to go to San Diego. This was I think in February, so we held it at the Coronado and it rained all the time we were there. It cleared up the [day after our meeting adjourned]. I had to stay for some reason because the day after that I had a meeting, so I had one day there went around to LaJolla and so on. It was just a beautiful day, but it rained the whole time they were there.

Q: When you watch today's tenser relations with Japan for example do you thing there is a deterioration of the relationship or was this a natural outcome of what you were beginning?

WALLIS: No, it's about the same, if anything, it may have eased up some. Most of that tension has no basis. The alleged Japanese offenses are generally not genuine at all. They're false. A good illustration of the kind of thing that happens... but in these jobs in the government, it's amazing the degree to which you can't trust what people tell you. You'll get lies or misrepresentations, or failures to report from responsible people.

One example, I could mention two, but the second one relates to Japan. The first one, I hadn't been sworn in for more than a month, when the Undersecretary for International Affairs at the Agriculture [Department] called me about 9:15-9:30 in the morning, [to say that] at 10 o'clock [Agriculture would announce that] we're taking a certain action. I don't remember what it was exactly, but it was a protectionist action. What did I think of it and I said, "I don't like it any better than I suppose you do." I was new in the administration. I assumed that everyone in the administration was a free trader like Reagan. Had similar views to his, which turned out to be a long way from the truth, hardly anybody did or supported and pushed his views. So at any rate, it appeared that it was all set and he said it's all set to announce it at 10 o'clock.

Well, I had an executive assistant, Marshall Cass, who was an experienced State Department hand and an extremely able, good economist. I told him this and he said, "If I were you, oh I'd ask to this undersecretary what does Bill Brock think about that." [Brock] was the special trade representative and a free trader, and if he was going along with [Agriculture's proposal] there wasn't much use discussing it further and it probably wasn't as bad as it looked. So I asked [the undersecretary] what does [Brock] think of it, and I was told that he was all for it. He's strongly in favor of it. I told Marshall Cass that

and he said, “If I were you, I’d speak to Brock myself.” So I did and Brock said, “My god no.” Certainly I’ll get on the phone and kill that and it didn’t happen. It was a quarter to ten that I talked to Brock and by 10 o’clock it was off.

The other example was basically where I was mislead by responsible people, whom I would have thought that you could have trust had to do with the famous semiconductor case of our sales of semiconductors to the Japanese. I don’t recall exactly how this got started but a meeting was called. It was over in the capitol somewhere. I was asked to go to it, but I wasn’t given much information about what the meeting was about, except that they were going to discuss semiconductors. Well, I got over there and there was a large group of people, a number of members of congress, senators and representatives, and I think probably some lobbyists and one or two cabinet members and it turned out they wanted to talk about semiconductors and it also appeared later, wasn’t at all clear at the time...

It appeared that the whole meeting was a set up, focused on me which it wasn’t at all obvious when I went there and I certainly hadn’t been alerted to anything like that. They said that the Japanese had made some agreements about semiconductor sales from the US to Japan that they weren’t adhering to and they described that the agreement was that we would get such and such a share of their market. I forgotten the details of it, but any rate they’d made a definite agreement and were not adhering to it and they wanted to take some action against the Japanese to enforce it and how did I feel about that. I said if they’ve made a firm commitment, a definite commitment that they’re not adhering to then I think we obviously have to try and enforce it. So, that was the basis really and the meeting then ended fairly quickly. After that there was a lot of pressure in the Commerce Department and from the special trade representative particularly on the Japanese. Well, I forgot the actual figure, but it was like they had guaranteed us 20% of our market or something like that. Well, find out later that wasn’t exactly what happened at all. They never guaranteed us any percentage of their market.

What happened was that in the negotiations their people asked us to guarantee a percentage of market and our people said absolutely not. “We don’t engage in that type of industrial policy and we couldn’t enforce it; anyway legally and it unsound. No, we wouldn’t do that.” So, the Japanese said how about just saying it’s a goal. Set a goal that you’ll get 20% of the market, I mean our people said that, asked the Japanese to agree to a goal of 20%. The Japanese said no, we’ve gotten caught on that before. Previously, we’ve had things where you got us to agree that’s it a goal and next then the next thing we know we read that you claim we agreed as a firm commitment when we didn’t and then we get represented as people who violate our agreements. No, we won’t even agree to say it’s a goal because you’ve tricked us before. It wasn’t worded that way, but that was the message.

So finally, they settled it this way. There was an agreement made about what would be done and then a statement was attached to it in which the Japanese said we know that you Americans think that these arrangements will result in you getting 20% of the market. That’s the closest they came to ever guaranteeing. Subsequently, all kinds of wild charges

are made about the Japanese. They're not living up to their agreement. They violate their commitments, etc., etc. More generally, the fuss about the so-called balance of trade, the trade deficit with Japan, is no economic harm to the United States whatsoever. It's made out in the paper as if everyone believes it is. There's a lot of fictions like that that have a big affect on public policy. All this talk that the United States is the world's greatest debtor nation, when we're not even a debtor nation at all.

Q: You're talking now about 1996?

WALLIS: Well, we've been saying that since sometime in the '80s, that we're the worlds largest debtor nation and they're saying it now. What they're doing is looking at figures on how many assets in the United States are owned by foreigners and how many abroad are owned by Americans. It's referred to as Net Asset Position. Do we own more there than they own here, or did they own more here than we own there. Well, of course that doesn't have anything to do with much of anything except history.

Q: Secretary Wallis you were in the Department of State at the time of the Iran Contra hearings. Is that correct?

WALLIS: Yes that's right. I certainly never heard anything about that.

Q: Was that anything to do with you at all?

WALLIS: No. Well, I don't even remember hearing it discussed in the Department. I didn't know anything about that beyond what I read in the papers.

Q: Now working with George Shultz, who of course has the reputation of being an outstanding Secretary of State, what was it like working with him and what was his relationship to the foreign service officers. How did they get along?

WALLIS: I had the impression then and I still have the impression that he got along with them very well. He'd been Secretary of Labor and he'd been head of the Office of Management and Budget, and he'd been Secretary of Treasury, and besides that he was an expert of personnel and industrial relations and he knew how to work with them. I remember his remarking to me when he first went there, there are a lot of extremely competent people in the foreign service and in the State Department and if you work with them they'll help you, but if you don't they'll wind up causing you a lot of trouble. I don't know if he meant they'll deliberately do that, but watching what's happened in subsequent administrations, I think failure to get the advice of the foreign service officers has been a source of trouble. There just is something to know about foreign relations and diplomacy that not everybody on the street knows and it isn't common place and doesn't necessarily meet the eye and they know it. A lot of them do and George tapped on to that knowledge and got a lot of good out of it.

Soon after I went there, there was a meeting of UNCTAD (United Nations Conference on Trade and Development) scheduled and that meets about every four years . When I got

there they had already drawn up a statement within the Department what our aims should be at that meeting and what our positions should be on various issues, what issues we should raise. Well, I thought it was terrible. It was not in tune with Reaganomics at all or with market economics or any of my notions of free market economics at all. It was very much the old fashion social control, and so I think that caused a lot of trouble throughout the world. So I got this thing and I said in effect let's do the opposite. The position we should take should be just the opposite of what this memo says. So the people who had drawn it up were upset about that and they took it up with the Undersecretary for Political Affairs who agreed with them. So soon, a memo went to Shultz about it and he just wrote across it in the corner, "This is absurd." Well, so then the man, who had drawn up that plan in the first place, when he was told what the policy should be and what policy we wanted to pursue instead he was far and away the most effective person at pursuing that in the meeting and drawing up the statements, figuring how to negotiate them and so forth. That's what the best foreign service officers would like to think all of them do that when given the policy, they are experts in telling you how to achieve it. I just bring that up to indicate that some of them really are that way.

Q: Now you were at the Department in the years when enormous changes were taking place in the Soviet Union. And you watched, of course, George Shultz was recognizing these changes and what observations did you have as you worked with him on the Soviet Union?

WALLIS: Don't forget, those really began just at the end of the Reagan administration. Eighty-seven was the first - when did Gorbachev come in, it was 87, wasn't it or was he in earlier - it was beginning then, but it hadn't gone anything like it as far as did later. On the other hand, we did have more contact with the Russians than we ever did before. I remember being around in their bureaucracy and their government buildings with huge Stalinist towers they have in Moscow and talking to lots of people who were talking about opening markets, instituting free enterprise, and so forth and so on. I spent several days in Moscow, went around, made visits to quite a few of those people, but I don't have any detailed recollection of them or even who the people were now and they probably aren't in positions of influence any more.

Q: Did you think as many changes would take place and that the Soviet Union would collapse as soon as it did from your work going back and forth?

WALLIS: I don't think anybody was thinking in terms of collapse, but we thought they might make some real changes in their policies towards reducing restrictions and moving towards freer markets and so on, and they were doing some of that. Some of the people we talked with were quite interesting. Some of them had obviously done a lot of reading in western economics, and in some ways that was kind of interesting because what you read in an economic theory textbook about how the economy should work ideally, they took to be descriptive of how it *does* work. They had the feeling that things are smoother here and more free competition, and in fact they [drew these conclusions from their] reading.

Q: When you look back on your years at the Department of State, what special experience or couple of experiences that come to mind as being very satisfying to you or some of exciting ones perhaps?

WALLIS: I'm not sure about exciting, but some of things that were satisfying were getting our people at the UNCTAD to take the positions that seemed to be constructive.

Q: UNCTAD again means?

WALLIS: United Nations Conference on Trade and Development. It's literally a conference that was called in the middle '60s and never adjourned. It still exists and has a bureaucracy and a large budget. A good example of the horrors of the United Nations which is an incredible cesspool. You can't exaggerate how terrible it is. One interesting thing too, I had a hand in this - getting us out of UNESCO (United Nations Economic, Scientific and Cultural Organization). One of the first times I went to Paris, our ambassador to this organization there asked to see me at the end of the day. It didn't seem to be any particular reason for that. Wasn't any of my business particularly, but I agreed to see her at the end of the meeting and she came over to the hotel and proceeded to tell me how horrible this organization was and they were spending 80% of their money in Paris and it was suppose to be around developing education and scientific affairs all around the world. There was all kinds of evidence of out and out graft and corruption in it and so forth and so on. She was very calm. Jean Gerrard, do you know her?

Q: No, I don't know her.

WALLIS: Well, she was all calm and organized and not emotional, but very factual. It was clear her deputy who was with her didn't agree with her at all. He liked the way things were going I guess, but that didn't phase her. Well, so I began looking into that and if anything, she had understated it when you really got into it. It was worse that she had said and then there was a move for us to get out of that organization. I think it would have happened even it I wouldn't have done anything about it. It did happen.

Again, I had kind of a minor role in this, but there was the Law of the Sea Treaty. First time I went to London, I went around to 10 Downing Street to visit with Allan Walters who was a friend of my and at time was making Thatcher's economic policy. I visited with him a while and when we were about to leave, I mentioned something about [hoping the United Kingdom would] take the right position on the law of the sea, something of that sort, and he said, "Oh my gosh I've got to see the Prime Minister about that. The diplomatic office knows if she hears about it she'll be against it, so they're keeping her from hearing what's in that Law of the Sea Treaty. I've got to get in there and see her about it and tell her, and once she hears about it I'm certain that the U.K. will be on the same side you are." Well, that's what happened. Now we had a special envoy going around trying to line up these countries on that issue at that time, and he was due in there that very afternoon. I was told later that when he got there she greeted him at the door practically saying that we're already decided to do what you came to persuade us to do.

Q: When you left the Department of State with George Shultz at the end of the era, was it sad? Was it difficult to leave?

WALLIS: No, I didn't have that feeling. In the first place you knew it would end with the Reagan administration regardless of how the election came out. I think 6 ½ years was long enough to do a thing like that. I was glad to have been there, but I'd say I wouldn't have been unhappy to leave a little sooner.

Q: Did you notice anything about President Reagan at the time you were leaving that might have been an indication of his future diagnosis of Alzheimer's?

WALLIS: No, I certainly never did. Naturally I've tried to think back about that but no. There was worry on the part of a man named Koon who was basically a valet. He was more than that, he was a close personal associate. They were somewhat worried about him falling asleep in meetings. Now I never saw him do that, although I know Mike Deevers said on the TV that he did that, but I never saw that happen.

Well, the Secret Service were out of their minds because they were excluded from the room [meeting room from time to time]. They just want to be there to keep an eye on the President all the time in case he has a heart attack or something or other, stroke or I don't know what. They want to have their eyes on him. Well, [one day] they just weren't allowed in the room where a meeting was, so they gave me a little thing about 6" long and an 1" in width and depth that had a button on it, and they said, "If anything happens, push the button." So they could come in. Nothing happened, but I forgot to give the thing back to them and then somehow that afternoon I saw Rick Burton, he was going to be somewhere he could take it, so I gave it to him and he took it to give back.

Again, at the summit in Venice, this time it was that kind of a gadget, but this time it wasn't the Secret Service. They were sort of worried about a heart-attack or stroke. This time his personal assistant said if he begins to drowse off call me or something. At one point I thought he was beginning to drowse off and I did call this fellow, and he was able to walk into the room and by that time the President wasn't drowsing off at all so it was sort of a false alarm.

Q: And of course you would be a very good observer of Alzheimer's disease, because your wife had it.

WALLIS: At that time she hadn't been diagnosed as having it. By hindsight, I see that there were signs beginning with her.

At [the end of the summit,] Venice they had the heads of government sit on a platform with their sherpas [in the back]. Each head of government had his secretary, his finance minister and his foreign minister with him and the sherpas were there with them too, so there were four up there. Now I'd been up almost all night two nights in a row. Usually one night was enough, but somehow at the Venice summit we wound up being up two nights. I was sitting up there on the platform, and I noticed that Shultz and Baker on each

side of the President were having a very hard time keeping him awake. They would sort of lean behind him to talk to one another and they would jostle him as they did that and then back and forth. They were doing everything they could. Later Howard Baker (he was sitting down in front down in the audience) said to me, "I was watching you and I've decided that you've learned to sleep with your eyes open."

Q: Would you say that although the President would sleep at times during these conferences that when he was awake he was very functional?

WALLIS: Well, yes. I never saw him go to sleep actually as I say, in spite of this talk that he drowsed off. He certainly knew what was going on.

Q: Right until the end of his term?

WALLIS: As far as I saw. Now I didn't see so much of him toward the end as I had earlier. I saw the most of him right at the beginning, at the Williamsburg Summit because we were running it and he was the chairman and he spent a lot of time preparing for that. I think we met for three days a week for two weeks, We had a two hour session with him sort of telling him what each of the other leaders would bring up and considering what he might want to bring up with them. Trying him out on what they might way to this, that and the other. I remember one point Tom Niles was assigned to take the place of Kohl and say what Kohl was likely to say in response. So Tom started by saying, "Well, Mr. President" and Reagan interrupted him and said, "He calls me Ron." Niles was stopped dead in his tracks speechless and looked at him and then he said, "Well, I can't."

Q: Have you kept in touch with George Shultz in the years after?

WALLIS: Not a lot. I saw him at least once a year. At least see him at the Bohemian Grove in July, and I was in California in October so I went around to see him. He was looking very well, and of course you know Obie died.

Q: Yes, I'm very sorry about that. Now you are at the American Enterprise Institute, so you are still working.

WALLIS: Well, I wouldn't say I'm working. I mainly go to meetings and listen to people.

Q: But you're involved.

WALLIS: Well, I keep active. The American Enterprise Institute has a lot of extremely interesting things going on. There are a lot of first rate people there. Stacks up to any academic institution in terms of quality of people. They do have a lot of activity meetings and seminars.

Q: What is its main purpose?

WALLIS: Public policy research. That's what it's called, the American Enterprise Institute for Public Policy Research, and they do research on a wide variety of public problems probably more heavily economic than anything else. They do a lot on social issues, legal issues, constitutional issues and so on. Walter Burns is an outstanding constitutional scholar who was at Cornell, and Bob Bork, who should have been on the Supreme Court is there. There are a lot of well known people, Jeane Kirkpatrick and Herb Stein and Irving Crystal and various others. And some who aren't quite so well known to all the public, but well known professionally. Quite a number of them there and they have a lot of visitors coming. So it's a stimulating place and very high standards and high quality and they don't really get political. They study politics to some extent. Norm Arnstein is there and Bill Snyder and Carlen Bowman and Ben Wattenberg, so they analyze what's going on and study it, but they don't take active positions like some of the other think tanks do. Some of them seem to me to come awfully close to the line on their tax exemptions, but I've never seen anything remotely like that at AEI.

Q: Secretary Wallis, you have given many years of your life to active service to your country and I want to thank you so much for sharing much of your experience with us. Thank you.

WALLIS: Well, it's interesting. It's interesting people say giving service. I've found it fascinating to do. I'd say it's been for my benefit, as much as anybody else's and I'm glad if other people consider it was for theirs, too.

Q: I've been talking with the former Under Secretary of State for Economic Affairs, Allan Wallis.

End of interview