

Regional Oral History Office
The Bancroft Library

University of California
Berkeley, California

University of California
Source of Community Leaders Series

Walter E. Hoadley

BUSINESS ECONOMIST, FEDERAL RESERVE SYSTEM DIRECTOR, AND UNIVERSITY OF
CALIFORNIA REGENT, 1938-2000

With an Introduction by
Arjay Miller

Interviews Conducted by
Germaine LaBerge
in 1998 and 1999

Since 1954 the Regional Oral History Office has been interviewing leading participants in or well-placed witnesses to major events in the development of northern California, the West, and the nation. Oral history is a method of collecting historical information through tape-recorded interviews between a narrator with firsthand knowledge of historically significant events and a well-informed interviewer, with the goal of preserving substantive additions to the historical record. The tape recording is transcribed, lightly edited for continuity and clarity, and reviewed by the interviewee. The corrected manuscript is indexed, bound with photographs and illustrative materials, and placed in The Bancroft Library at the University of California, Berkeley, and in other research collections for scholarly use. Because it is primary material, oral history is not intended to present the final, verified, or complete narrative of events. It is a spoken account, offered by the interviewee in response to questioning, and as such it is reflective, partisan, deeply involved, and irreplaceable.

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Business economist

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Family background and childhood in Mission District, San Francisco; UC Berkeley B.A. '38, M.A. '40, Ph.D. '46 in labor and economics; economic intelligence work at Federal Reserve Bank, Chicago, World War II; CFO, Armstrong Cork, 1949-1966; various roles with Federal Reserve System; Bank of America economist, 1966-1982; economic forecaster for Commonwealth Club of California; Caux Roundtable; UC alumni member of Board of Regents, 1989-1990; reflections on corporate responsibility, religion, Milton Friedman, economics profession.

Introduction by Arjay Miller, Dean Emeritus of Stanford Graduate School of Business; Former President, Ford Motor Company.

Interviewed 1998-1999 by Germaine LaBerge for the University of California Source of Community Leaders Series. The Regional Oral History Office, The Bancroft Library, University of California, Berkeley.

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University of California, Class of 1931 Endowment Fund

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PREFACE

On the occasion of the 50th anniversary of our graduation from the University of California at Berkeley, the Class of 1931 made the decision to present its alma mater with an endowment for an oral history series to be titled "The University of California, Source of Community Leaders." The Class of 1931 Oral History Endowment provides a permanent source of funding for an ongoing series of interviews by the Regional Oral History Office of The Bancroft Library.

The commitment of the endowment is to carry out interviews with persons related to the University who have made outstanding contributions to the community, by which is meant the state or the nation, or to a particular field of endeavor. The memoirists, selected by a committee set up by the class, are to come from Cal alumni, faculty, and administrators. The men and women chosen will comprise a historic honor list in the rolls of the University.

To have the ability to make a major educational endowment is a privilege enjoyed by only a few individuals. Where a group joins together in a spirit of gratitude and admiration for their alma mater, dedicating their gift to one cause, they can affect the history of that institution greatly.

The oral histories illustrate the strength and skills the University of California has given to its sons and daughters, and the diversity of ways that they have passed those gifts on to the wider community. We envision a lengthening list of University-inspired community leaders whose accounts, preserved in this University of California, Source of Community Leaders Series, will serve to guide students and scholars in the decades to come.

Lois L. Swabel
President, Class of 1931

William H. Holabird
President, retired, Class of 1931

Harold Kay, M.D.
Chairman, Class of 1931 Gift Committee

September 1993
Walnut Creek, California

UNIVERSITY OF CALIFORNIA, SOURCE OF COMMUNITY LEADERS SERIES

July 2000

Robert Gordon Sproul Oral History Project. Two volumes, 1986.

Includes interviews with thirty-four persons who knew him well:
Horace M. Albright, Stuart LeRoy Anderson, Katherine Connick
Bradley, Franklin M. "Dyke" Brown, Ernest H. Burness, Natalie Cohen,
Paul A. Dodd, May Dornin, Richard E. Erickson, Walter S. Frederick,
David Pierpont Gardner, Marion Sproul Goodin, Vernon L. Goodin,
Louis H. Heilbron, Robert S. Johnson, Clark Kerr, Adrian A. Kragen,
Mary Blumer Lawrence, Stanley E. McCaffrey, Dean McHenry, Donald H.
McLaughlin, Kendric Morrish, Marian Morrish, William Penn Mott, Jr.,
Herman Phleger, John B. deC.M. Saunders, Carl W. Sharsmith, John A.
Sproul, Robert Gordon Sproul, Jr., Wallace Sterling, Wakefield
Taylor, Robert M. Underhill, Eleanor L. Van Horn, Garff B. Wilson,
and Pete Yzaguirre.

Bennett, Mary Woods, class of '31, A Career in Higher Education: Mills
College 1935-1974, 1987.

Bridges, Robert, class of '30, Sixty Years of Legal Advice to
International Construction Firms; Thelen, Marrin, Johnson and
Bridges, 1933-1997, 1998.

Browne, Alan K., class of '31, "Mr. Municipal Bond": Bond Investment
Management, Bank of America, 1929-1971, 1990.

Coliver, Edith, class of '43, foreign aid specialist (in process).

Cubie, Grete W. (Frugé), class of '35, A Career in Public Libraries and
at UC Berkeley's School of Librarianship, 1937-1975, 2000.

Dettner, Anne DeGruchy Low-Ber, class of '26, A Woman's Place in Science
and Public Affairs: 1932-1973, 1996.

Devlin, Marion, class of '31, Women's News Editor: Vallejo Times-Herald,
1931-1978, 1991.

Foster, George M., class of '35, Ph.D. '41, An Anthropologist's Life in
the Twentieth Century: Theory and Practice at UC Berkeley, the
Smithsonian, in Mexico, and with the World Health Organization,
2000.

Foster, Mary LeCron, Ph.D. '65, linguist on symbolism in culture and
language (in process).

Hassard, H. Howard, class of '31, The California Medical Association,
Medical Insurance, and the Law, 1935-1992, 1993.

- Hedgpeth, Joel W., class of '33, Marine Biologist and Environmentalist: Pycnogonids, Progress, and Preserving Bays, Salmon, and Other Living Things, 1996.
- Heilbron, Louis H., class of '28, Most of a Century: Law and Public Service, 1930s to 1990s, 1995.
- Hoadley, Walter, B.A. '38, M.A. '40, Ph.D. '46, Business Economist, Federal Reserve System Director, and University of California Regent, 1938-2000, 2000.
- Kay, Harold, M.D., class of '31, A Berkeley Boy's Service to the Medical Community of Alameda County, 1935-1994, 1994.
- Kittredge, Janice, class of '47, environmentalist (in process).
- Koshland, Daniel E., Jr., class of '41, professor of microbiology (in process).
- Kragen, Adrian A., class of '31, A Law Professor's Career: Teaching, Private Practice, and Legislative Representative, 1934 to 1989, 1991.
- Lin, T. Y., M.S. '33, professor of structural engineering (in process).
- Peterson, Rudolph A., class of '25, A Career in International Banking with the Bank of America, 1936-1970, and the United Nations Development Program, 1971-1975, 1994.
- Reynolds, Flora Elizabeth, M.A. '35, "A Dukedom Large Enough": Forty Years in Northern California's Public and Academic Libraries, 1936-1976, 2000.
- Schwabacher, James H., Jr., class of '41, music teacher and patron of arts (in process).
- Stripp, Fred S., Jr., class of '32, University Debate Coach, Berkeley Civic Leader, and Pastor, 1990.
- Torre, Gary, class of '41, Labor and Tax Attorney, 1949-1982; Sierra Club Foundation Trustee, 1968-1981, 1994-1998, 1999.
- Trefethen, Eugene E., class of '30, Kaiser Industries, Trefethen Vineyards, the University of California, and Mills College, 1926-1994, 1997.

INTRODUCTION--by Arjay Miller

I was very pleased to learn that Walter E. Hoadley is being included in the University of California Bancroft Library program, for two reasons. First, more people will learn about the remarkable record this man has achieved as an economist, financial executive, and lay worker. Second, his selection lets me pay tribute to a man I first met over sixty years ago at the University of California at Berkeley, when we were both first-year graduate students and teaching assistants in economics. In my opinion, the one word that most clearly describes Walter is "commitment." He has committed his life to his family, his God, his alma mater, and to a host of community and governmental organizations.

Walter is widely known as an extremely busy person, always on the run wherever he is or whatever task he is doing. Yet, he always seems to have time to listen and give a thoughtful response on time. Moreover, he manages also to be a dedicated family man.

Family values and concerns are of great importance in his life. He and his Cal campus sweetheart, Virginia Alm, have been married for more than sixty years. She has been a wonderful wife and companion throughout the years of change and challenges. They have two children, eight grandchildren, and three great-grandchildren. Grateful for the love and encouragement shown him by his parents and grandparents, he has taken seriously a longstanding generation-to-generation goal of keeping the family informed and together. For a decade or more he has communicated weekly with each member, currently by e-mail. The family is also extended to include Swiss members, a foreign exchange student who lived with the Hoadleys in Pennsylvania more than a generation ago and his family.

Walter and the family enjoy celebrations, especially wedding anniversaries. These occasions bring together old friends from grammar school, high school, and college, as well as neighbors from earlier residential areas. All this happened on their twenty-fifth, thirtieth, fortieth, fiftieth, fifty-fifth, and sixtieth wedding anniversaries. Obviously, Walter and Virginia not only have made friends wherever they have lived, but also have kept in close touch over the years.

Coming from a very modest economic background, including the Great Depression and an unemployed father, made Walter sensitive to human needs and the importance of sharing. That their actual resources have far exceeded earlier expectations also has made them supportive of the University and many other organizations doing good works. They openly espouse the satisfaction which is realized when it is possible to adopt a "give back" attitude.

Walter and Virginia have lived in and adjusted to a wide variety of locations, housing, and climate, but they are deeply rooted Californians. They have two homes, but are legal citizens of San Francisco and residents of Lafayette. Other property includes the original Alm vineyard in the Napa Valley. So, through the years the Hoadleys have lived in a mixed urban and rural environment.

It would be difficult to overemphasize the role religion has played in the life of Walter. Here are his own words as set forth in his entry in Who's Who in America. "From long observation and living, I have concluded that faith in a Supreme Being is the most powerful force enabling an individual to deal with ongoing challenges of human existence."

Walter grew up in a family of staunch Methodists and often remarked about the influence of God and prayer on what he was doing. He performed most church lay functions, especially related to finance, in every locality, as well as at the national level. He served on seminary boards, has been a strong supporter of the annual National Prayer Breakfast in Washington, D.C., and initiated other similar breakfasts elsewhere, including San Francisco, which he chaired for more than twenty-five years. He has long been concerned about finding ways to diminish religious wars and bind antagonists through interfaith gatherings in the spirit of Christ.

As the first Hoadley to go to college, Walter early revealed a strong and continuing desire to pioneer and break new ground. He believed that was the purpose of education--to help achieve a better life not only for him and his family, but for others generally. He entered Cal in 1934 because so many people, e.g., family, teachers, and church officials encouraged him, and he could earn the \$26 per semester tuition. The highlight of his years on the Cal campus was the opportunity to meet Virginia.

His record at Cal is exemplary as a student--chosen valedictorian, Daily Cal editor, rabid sports fan, active promoter of programs to raise wages of off-campus jobholders, and active participant in class and campus committees; and as an alumnus--Graduate Teaching Fellow in economics, strong supporter of the California Alumni Association and its activities. He was involved in class reunions, elected Class of 1938 president, elected president of the California Alumni Association, and alumnus of the year. As a University of California regent he urged that the general public be better informed and more specifically on the contributions of Cal research to the personal benefit of all citizens. He served on the committee which selected the site of the tenth campus of the University of California, Merced, and stressed that relations between the University and alumni should be strengthened to build more support. He started the Alumni Mentorship Program to help underprivileged students graduate.

Hoadley's reputation as a scholar is well documented and confirmed by his selection as valedictorian of Cal's class of 1938. He was elected to Phi Beta Kappa where membership is reserved for the University's very best scholars. He earned three degrees at Cal: A.B. 1938, M.A. 1940, and Ph.D. 1946, and has several honorary degrees from American universities and others. When he retired from Bank of America in 1981, he was invited to join the Hoover Institution as a senior scholar in recognition of his knowledge and analytical ability in economic forecasting, global financial markets, and analysis of longer-range planning and management decision-making. His doctoral dissertation dealt with the petroleum industry and what proved to be forerunner issues in today's news.

Hoadley had long preferred not to read a script, believing that extemporaneous talk is easier listening and gives the speaker the opportunity to be flexible as surrounding conditions change. Upon retirement, he became a television economist. He has written several books and contributed to many more. His best known book is Looking Behind the Crystal Ball.

Walter is well known for his exceptional leadership skills. The record shows that Hoadley is in heavy demand to join various organizations. Once aboard, Walter is usually given a responsible initial assignment. He is soon elected an officer and board member followed by selection for membership on the executive committee. In short order his title becomes chairman or president.

In addition to his regular jobs, he has served at the top in scores of public and private businesses and not-for-profit organizations, illustrated by these widely varied examples:

Chairman, Federal Reserve Conference of Reserve Bank Chairmen
 Chairman, Federal Reserve Bank of Philadelphia
 California Governor's Council on Economic and Business Development
 Chairman, San Francisco Municipal Fiscal Advisory Committee
 President, American Finance Association
 Chairman, Conference of Business Economists
 Chairman, Caux Round Table (Switzerland)
 President, American Statistical Association

Hoadley's leadership, knowledge, and speaking style brought continuous requests for him to address a wide variety of groups in many countries, across the United States, California, and the San Francisco Bay Area. The Commonwealth Club of California, the nation's leading public forum, invited Walter to be first speaker of the year for twenty-five years to crowded ballroom audiences. His talks were nationally broadcast. He won many admirers by reducing his forecasts to annual changes in four Hoadley "Hot Line" numbers, i.e., (1) GNP (gross national product); (2) inflation (consumer prices); (3) unemployment

(official count), and Federal Reserve and market measures; and (4) U.S. interest rates. He also began each new year's talk critiquing the previous year's forecast.

Walter met all the requirements of an academic economist, and he enjoyed teaching, but his background and experience led him to become a business economist where his pragmatism played a far larger role. In fact, he worked hard to make economics more understandable to more people. It was this effort which contributed to his popularity and following.

As a seasoned global traveler, Hoadley witnessed the deterioration of the environment and expressed his concerns. His business connections often were looked on with suspicion, but his ability to find middle ground and workable compromises between extremist points of view won him acceptance by many environmental professionals. In due course, he joined the board of the Conservation Foundation and later the board of the World Wildlife Fund.

Walter gained an enormous amount of knowledge and experience in the 1950s and 1960s, which influenced his approach to economics and forecasting. He abandoned the longstanding belief that economics is a pure science and should not be contaminated by mixture with other disciplines. To the contrary, Hoadley sees economics as a key force along with others impinging on the economy. Hence, any appraisal of the outlook, which hopes to achieve a useful degree of accuracy, must take cognizance of political, social, technical, psychological developments and trends functioning along with economics.

Walter's curiosity and analytical skills beyond conventional knowledge have led him to discover and/or reinforce emerging ideas likely to bring about important future changes.

Hoadley's pragmatic human approach to economics has broken considerable new ground. He was the leader in pointing out the sharp difference between business cycles and structural-permanent or longstanding changes. He revived an old belief that from time to time, with intervals of a century or more, a massive prolonged correction occurs, which tests the status quo, relevance, and competitiveness of almost every sector to survive in the future. Walter believes that we are passing through such a period now. Hoadley was among the first to identify the growing influence of global trends and developments. He has been highly critical that available official measures of the economy are not keeping up with the dramatic changes taking place, as our country shifts from dominance of manufacturing to far less tangible, but increasingly important, services.

Hoadley demonstrated throughout his career that he was as good as his word. In fact, his intended wife said she would not marry him

unless he promised not to get into politics. He agreed and never was a candidate for elective office. However, he worked tirelessly on important issues for both sides of the aisle. His goal was to seek the best all-around answer and let the political chips fall where they may. As a consequence, Walter's advice has been sought widely. It was not really a surprise for Hoadley to decide to pursue business-related interests in retirement. Through the years, Walter revealed a latent entrepreneurial spirit as far back as high school when he went in to the business of selling and delivering early morning newspapers. He remembered his classroom theory, but regularly sought empirical evidence in the real world by which to judge the validity of the theory.

Walter injected a note of reality and usefulness in his work, relentlessly building firsthand a rich wealth of highly varied personal experiences as he moved from campus to Federal Reserve, manufacturing, banking, and investments. He worked with the large (Bank of America), the small (Soule Steel), coastal West (California), East (Pennsylvania), Midwest (Illinois). He always focuses on the future and gives high priority to being on the lookout for impinging changes and enjoys knowing the state of the art in whatever field he finds himself. He traveled extensively worldwide to get firsthand information.

Much more could be said about Walter, but he would be the first to complain that this introduction is getting much too long. I hope I have conveyed that he is an intelligent, hardworking individual who committed his life to the common good. He has enriched the lives of all those who have been fortunate enough to know him.

Arjay Miller
Dean Emeritus
Stanford Graduate School of Business
Former President, Ford Motor Company

October 1999

INTERVIEW HISTORY--Walter E. Hoadley

If anyone fits the description of a "community leader," it is Walter Evans Hoadley. He was, therefore, the perfect choice as a memoirist in the University of California's Class of 1931 oral history series. Entitled "University of California, Source of Community Leaders," the project aims to document Cal graduates who have made outstanding contributions to their society. Walter Hoadley has done so in various realms--economics, business, government, religion, global understanding, higher education--not to mention his family. The oral history which follows gives a glimpse of what shaped his philosophy and what motivated his actions as he participated in major twentieth century events.

Walter Hoadley is an Old Blue through and through. Valedictorian of the Class of 1938, he received his M.A. in 1940 and the Ph.D. in 1946, all in Economics. He served as president of the California Alumni Association in 1989-1991, and in that capacity was a member of the UC Board of Regents. Ever a proponent of an inclusive society, he nurtured the CAA's mentorship program which links minority students with alumni mentors. As a Regent, he served on the Tenth Campus Selection Committee which chose the UC Merced site.

World War II plunged Walter Hoadley into economic intelligence work under the auspices of the Federal Reserve in Chicago. At the University of Chicago's Civil Affairs Training School, he and his team formulated plans to re-establish the banking systems in postwar Japan and Germany. In his oral history, he characterized the teamwork as follows: "One of the lessons that I learned--and I think it's relevant to today's condition--is that if you can gather together small groups of leaders who catch a vision, catch a need, you can accomplish almost miracles because everybody gets a piece of the action that they have to do something about..."

In preparation for the interview, the interviewer read most of Mr. Hoadley's publications, including his master's thesis and Ph.D. dissertation; in addition, basic economics texts, Bank of America archival material, and University of California Regents' minutes. Researchers will find an exposition of Mr. Hoadley's "eclectic" economic theories, his pragmatism in business forecasting (which he still occasionally does for national radio and television broadcasts), his advice to business economists today, and examples of his open and compassionate approach to international cooperation and interdependence. His comments run the gamut from economics (for the scholar and for everyman) to university governance, human relations, corporate

management and risk-taking, religion, domestic governmental affairs, and foreign relations.

The Walter Hoadley oral history is composed of two sections: the first, reflecting his two years as alumni regent conducted for the David Gardner Era Oral History Project in 1998; the second, a full life memoir under the Class of 1931 endowment. There were eight tape-recorded sessions altogether: February 17 and March 30, 1998; March 18 and 23, April 9, 13, and 29, and May 17, 1999. All were held at the Bank of America in San Francisco in the "Retired Officers Suite." Ever the internationalist and gentleman, he asked my forgiveness, at our first session (February 17, 1998), while we delayed our start fifteen minutes in order to watch President William J. Clinton address the nation on the subject of the crisis in Iraq.

The recorded interviews were transcribed and edited lightly at the Regional Oral History Office (ROHO), and sent to Mr. Hoadley for approval in July 1999. Mr. Hoadley reviewed the transcript and returned it with minor changes in November 1999. We made the necessary corrections and indexed the volume at ROHO.

Two anecdotes demonstrate Walter Hoadley's attention to people and principles: First, between the two sets of interviews, I suffered a broken leg while backpacking. No sooner did Mr. Hoadley hear of this than a flower bouquet arrived at my bedside--this from a gentleman I had met only twice. And secondly, I learned that before accepting the offer to become chief economist at the Bank of America in 1966, Mr. Hoadley was also pursued by the Federal Reserve Board of Governors. But because years before, around 1939, he had promised his new wife, Virginia Alm Hoadley, that he would never enter politics, he turned it down, true to his word. He had earlier turned down other government and quasi-government offers.

Thanks to Arjay Miller, Dean Emeritus, Stanford Graduate School of Business and former president, Ford Motor Company, for writing the fine introduction to this volume, a fitting tribute to a keen economist and compassionate man; to Berit Sorli, Assistant to Walter E. Hoadley at the Bank of America, for assisting the interviewer with myriad arrangements; and to Kathleen Collins, Bank of America archivist, for consulting on Mr. Hoadley's role in the history of the bank. We are most grateful to the Class of 1931 and to Armstrong World Industries for financial support of this interview.

The Regional Oral History Office was established in 1954 to augment through tape-recorded memoirs the Library's materials on the history of California and the West. Copies of all interviews are available for research use in The Bancroft Library and in the UCLA Department of Special Collections. The office is under the direction of

Willa K. Baum, Division Head, and the administrative direction of Charles B. Faulhaber, James D. Hart Director of The Bancroft Library, University of California, Berkeley.

Germaine LaBerge
Senior Editor/Interviewer

December 1, 1999
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

Regional Oral History Office
Room 486 The Bancroft Library

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BIOGRAPHICAL INFORMATION

(Please write clearly. Use black ink.)

Your full name Walter E. Hoadley

Date of birth 8/16/16 Birthplace San Francisco, CA

Father's full name Walter E. Hoadley, Sr.

Occupation Railroad 1 Birthplace Los Angeles, CA

Mother's full name Marie Howland Preece Hoadley

Occupation Housewife/Clerk Birthplace Sinaloa, Mexico

Your spouse Virginia Alm Hoadley

Occupation Housewife/Secretary Birthplace St. Helena, CA

Your children Richard Alm Hoadley, Jean Elizabeth Peterson

Where did you grow up? San Francisco, California

Present community San Francisco - Lafayette

Education Mission High School, San Francisco

University of California, Berkeley

Occupation(s) Economist/ Financial Executive/ Lecturer/ Retired

Bank of America Management Committee/ Federal Reserve Officer

Areas of expertise Economic-Financial Global forecasting - Investments/
Business Management policy and Decision Making - Conflict Resolution -
Corporate Responsibility - Public and Private Relations

Other interests or activities Church and related issues/ University of
California: International House / The Commonwealth Club of California/
Helping fund raising-development drives

Organizations in which you are active Hoover Institution/ Economic
Professional Groups/ Fellowship Prayer Groups

INTERVIEW WITH WALTER HOADLEY

I FAMILY BACKGROUND, CHILDHOOD, AND EARLY EDUCATION

[Interview 1: March 18, 1999] ##¹

Mother's Family

LaBerge: Even though we got a little background information for the University of California interview,² we'd like to get a fuller picture, so if we could start at the beginning, and tell me when and where you were born and the names of your parents and siblings, things like that.

Hoadley: Well, I'm an only child, so it will be short and sweet. I was born in San Francisco on August 16, 1916, in the Sunset district, at a lying-in hospital or something of that nature. My mother's family came from England.

LaBerge: What's your mother's name?

Hoadley: Marie Howland Preece.

LaBerge: Could you spell that?

Hoadley: P-r-double e-c-e. She married my father, who was Walter Evans Hoadley. I had a "Junior" for a long time until he died. Then because it simplified matters, I dropped the "Junior." My mother's family's roots were in England. Her father was a Welsh miner. As history tells us, back in the latter part of the last century, it was pretty rough living in Europe, particularly in England and Scandinavia, so there was a great movement of people out of that area, especially to the United States.

¹## This symbol indicates that a tape or tape segment has begun or ended. A guide to the tapes follows the transcript.

² See interview included at p. 155.

My mother's father, my grandfather, someone I never saw, decided to take his family out of England and come to the United States. They came to the East Coast and he became a coal miner in Pennsylvania. He heard about the silver mines in Mexico, so he decided to go there. He took the family. My mother was born in Mexico. He was a silver miner in Sinaloa [de Leyva], Mexico. Unfortunately, he caught malaria and died. My mother's mother, my grandmother on that side, whom I vaguely remember, had five children and had to work her way out of Mexico and got into California.

I'm not sure of the details as to how that was arranged, but my mother was born in Sinaloa. She was treated like a little angel. My mother always said, "Be kind to the Mexicans. You wouldn't be here if they hadn't been kind to us."

So the trail starts somewhere in Wales and goes to Pennsylvania and down into Mexico. My mother, as I say, was born in Sinaloa. She had four or five brothers and sisters, a big family. She and her family came into San Francisco.

Father's Family

Hoadley: My father's family is where Hoadley comes in. Family history started out with a Bishop Hoadley somewhere in the sixteenth century or something. Again, it was a story of men, in that case not seeing much future where they lived.

LaBerge: Is this also in England?

Hoadley: This was in England. I'm not terribly familiar with the information my mother tried to give because her memory was pretty dim as well, but the roots were deeper and longer in the history of the family in England for my father's family. The Hoadleys had up to four brothers come to the States, New England. The brothers had different experiences. The four brothers meant four families. Each came west, until they found success and settled down. My family never made it, so they kept going all the way west until they hit ocean water and they couldn't go farther. My grandfather, from the Hoadley side, was allegedly the first white child born in Trinity County, California.

He was a very rigorous outdoorsman. Somewhere in northern California there's a little area called Hoadley Peaks. Apparently, this grandfather of mine made a living by building toll roads in northern California, collecting from people who had

to pay him or else. My grandfather married Belinda Copeland Wharff--Wharff, just the way it sounds. The reason I mention my grandmother is that she came from a group of people who also left the East Coast and moved west.

The name Wharff had nothing to do with ocean-going. In fact this grandfather--David Wharff--was a miner, again--heard about the gold rush in California, came to California over the trails, and went back east later to get his bride and came across the Isthmus of Panama and one other trip around the Horn. But David Wharff was never terribly successful, but I have at home a little nugget of gold about as big as my fingernail. That's all the gold he found.

Society of Golden Pioneers

Hoadley: But he was a carpenter, too, and as a carpenter he made a living building caskets for people who died of cholera and all the terrible things that miners ran into health-wise. In the course of all this, David Wharff has a long history of the pioneers. One embarrassing feature about this--my wife always cringes a little bit--when we came back to California ourselves in 1966, and I was telling some of the same information about the background of particularly the Wharff family, I was pretty forcefully invited to become a member of the Society of Golden Pioneers. I was pleased because of the roots of the family, I would be inducted in this great organization with my roots in California.

Filled out the form, paid the initiation fee and sat and waited. A year went by. Didn't hear a thing. The historical society people in San Francisco checked the authenticity of my great-grandfather. In the course of this, they said that the day he said he arrived in California was the day he left New Bedford, Massachusetts. Therefore, he was not a qualified '49er; he was a '50er. Consequently, the invitation for me to become a '49er was withdrawn. I was close to becoming a gold rush guy.

My wife felt that just couldn't be the case. She went through all the records that she could find. I can remember that over the mantel of my grandmother's house was a scroll that said something about the Society of Golden Pioneers. My grandmother was an honest woman. She wouldn't have had it there. What I didn't know until much later is that there were several historical organizations in this area, but they were localized in Sonoma County and San Francisco. What my great-grandfather had done was to qualify in Sonoma County. So he got a scroll, but he

didn't get a scroll for the first-class migration--before 1850--record. The background was similar in that the roots were in the East Coast or in England.

Virginia Alm Hoadley's Roots: Sweden and the Napa Valley

Hoadley: My wife's family, same way. Virginia Alm Hoadley--her family is Swedish. Her mother was the victim of starvation in Sweden toward the end of the last century. She was in effect told by her parents, "You have to leave." She came to the United States by herself at age seventeen or something like that, landing in Ellis Island. Somebody was befriending her. She was a housekeeper, housemaid.

Her husband, [Virginia's] father, had some minor job with the Diamond Match Company. The Swedes invented the match, the scratch matches. That company came to the United States, so he left Sweden, again because of economic problems and in the course of that experience worked his way through the upper Mississippi Valley, where there were some match factories. One was opened in northern California, so he came across the country. This was, of course, later.

LaBerge: Before your wife was born?

Hoadley: Yes, yes. In fact, her father and mother met in the Swedish church in Alameda. She was born in St. Helena because her father, Albert Alm, was farming, or at least trying to farm, in the Central Valley. When he came to the match company, he also had opportunities to be a farmer and had the idea of getting land and so on. In the course of that, his experience was farming, but then the earthquake came in 1906, and he came to San Francisco as a young man, trying to be helpful. He learned to salvage pipes, metals, things of that nature.

The San Francisco fire damaged, destroyed the city, in the course of which he apparently contracted some lung problems because of the gas lines, while he was trying to salvage pipe. After a lot of lung difficulties, the doctor sent him to the Napa Valley because he was in need of pure air and whatever, the warmth of the facilities there. He, as I say, married Virginia's mother.

LaBerge: What was her name?

Hoadley: Signe Alm Carlson.

LaBerge: Okay, Carlson was her maiden name?

Hoadley: Maiden name, that's right. I'm not totally clear how it all worked out, but I am reminded that I heard from Virginia's mother and father that they left the Bay Area because it was too damp, too cold, and went into the Napa Valley because he had some connections, as I say, as a farmer. Also had a horse, had a cow, and they got in a boxcar and went on the train to the Napa Valley and found some kind of a little house.

Anyway, Virginia was born halfway between St. Helena and Calistoga. We still own the property, which was a prune orchard for a long time and then became--replaced the prunes with grapes, so we have a small--we're talking about ten acres or something of that nature--area which is typical of the Napa Valley, small vineyards.

To recap the background, England would be in the center; most of my wife's background activity was in Sweden. My father's roots passed through New England in the Hoadley stream to California. So to wrap it all up, the family has always had a lot of pride because of the historic background. I grew up with that, that there's good blood here. We wouldn't be here if our forebears hadn't struggled. I'm reminded that life was pretty easy for the young 'uns coming along after the pioneers.

Religious Background

Hoadley: The Hoadley group was oriented toward religion, the Methodist background. The Alm side of the family came from this Swedish background of the Lutheran church but was not very strong. In Scandinavia, and in other parts of Europe, people have an official connection with the church, but it's not a fervent, strong base. The reason I mention this is my Hoadley grandparents were very anti-Catholic. They came from a background of the Protestant side of things.

In the course of this, it became evident that my mother's family came from the Church of England, which for most people was the Episcopal church. Well, my Methodist Hoadleys considered the Church of England to be the Catholic church. My mother was caught in the cross-fire, and it was a very tender subject. What church do you go to? The Hoadleys were saying, "We don't want to have any part of this Catholic background," and the Alm side

said, "We really don't care that much." But there was always a certain amount of tension.

I must say it was my grandmother who said, "This is nonsense."

LaBerge: This is your grandmother Hoadley?

Hoadley: Grandmother Hoadley, yes. She was a saint.

LaBerge: What was her first name?

Hoadley: Belinda.

LaBerge: Oh, she's Belinda Wharff Hoadley.

Hoadley: That's right.

LaBerge: Okay, okay. So growing up, did you grow up going to the Methodist church?

Hoadley: I never had a chance to go to the Episcopal church because my Methodist family didn't approve of my mother, but we're Methodists to this day. As a background, there was controversy there. This was very evident to me as I grew up.

As I say, I was born in the San Francisco Sunset District in 1916. When things were doing pretty well in the years of the twenties and especially middle twenties, my parents bought a home at the base of Mt. Davidson. I started school at Sunnyside School, as it was called at that time. In the course of development, we were there when they built the cross.

LaBerge: Do you remember that?

Hoadley: Yes, yes. But religion was always a part of either a controversy or a faith. My grandmother was a devout Christian. But my mother was very tender. The Hoadleys treated her as a second-class citizen. My mother was determined that when I was coming along, that I was going to succeed no matter what. If I got an A-, I got beat up. My mother was a real pusher; my father, less so. My grandmother was very supportive and sympathetic. But I never went to school that I didn't have a prayer of my grandmother.

Childhood in the Mission District, San Francisco, at
Grandparents' Home

Hoadley: We were living with Grandmother because of the Depression. The house that we had at the foot of Mt. Davidson had to be sold. We ate up the house in the Depression. Consolidated the family on 25th Street, the Mission District--3725 25th Street. That was a very strong Catholic community and probably still is today.

LaBerge: Yes.

Hoadley: Although it's more Hispanic today. In those days, it was a mixture of people. A lot of Europeans--Italians, Greeks, French, certainly a lot of people from Scandinavia and Germany. I grew up in an international environment. All these things obviously influenced me a great deal.

LaBerge: You lived with your grandmother and your grandfather, or had he died by then?

Hoadley: No, he was still alive until 1936. The family circled the wagons--1931, '32, '33. I graduated from Mission High School in 1933. That was the bottom of the Depression. Down at the corner from my grandparents home where I was living, I had my first experience with death of somebody I knew, who committed suicide because the stock market crashed. Three-story apartment house. Jumped off the roof because the stock market had gone down and he had been wiped out.

My grandmother had a little money that she got from her father on the Wharff side. She had taken advice or somebody gave her information or she guessed or something, but she had some of her money in stocks. The Depression and stock market are all things that I grew up knowing something about, which certainly had some influence on me later.

But the controversy--religion--was really alive. I'd be told by my Catholic buddies when we'd be playing baseball or something that I was going to hell because I was a Methodist, and vice versa. The church has always had an influence because of my grandmother's saying reconcile; my grandfather, less so; and my mother using me as a shield; and my father not caring too much.

LaBerge: What was your grandfather's name?

Hoadley: Elias Augustus Hoadley. He was said to be the first white child, born in--

LaBerge: In Trinity County?

Hoadley: Trinity County, that's right, yes.

LaBerge: A lot of people in your situation might have turned against religion, growing up with controversy about it, but you obviously didn't.

Hoadley: The main reason was my grandmother. She was a compassionate person. Demanding, but a person that I describe today, with emotion, an angel. Every time she saw me doing something that she didn't approve, she told me right now. If she saw something was going to hurt me, I always got protected. She was--

LaBerge: A real influence on you.

Hoadley: Yes. I'll never forget her. Just the emotion of that, as you can see--

LaBerge: Yes.

Influence of the Railroads

Hoadley: But there was a lot of controversy. It all came down to the fact that my father had a job with the railroads. In fact, my grandfather--the first white child of Trinity County--also got a job earlier on the railroads as well. So, a railroad background affected me in the twenties. My father was a baggage man on the trains. My grandfather Hoadley was on the first train that went out into the desert in southern California, so that I grew up in an atmosphere of travel. My grandfather used to say when things were going well, "I'm very fortunate because other people have to pay to ride a train, and I get it free." There was a lot of pride.

Built in to me was a railroad time idea. My father was always early, and I mean early--like two hours early. One of my cousins got the idea, again of the Hoadleys, on time. He died a few years ago. But anytime we invited him, he would always come two hours early and drive my wife up the wall.

LaBerge: [laughing]

Hoadley: That was beat into me. You find me always not two hours in advance, but--

LaBerge: On time to make the train.

Hoadley: He never missed a train--that influence was there, and still is. Virginia, is always two minutes late and I'm always ten minutes early. We laugh about it. These things have a strange way of impressing you.

LaBerge: They do, they do. And you obviously thought about what has influenced you because you're pulling this all together.

Extended Family and Traditions

LaBerge: Well, tell me about the larger family. Did you have a lot of cousins in the area?

Hoadley: My grandparents had thirteen grandchildren.

LaBerge: Wow. All here?

Hoadley: All within a hundred miles of where we are. My father was one of five children. Again, the background reflects the rich and the poor. There was a feeling on the part of certain members of the family that our branch--my dad, my mother--were not terribly impressive people. The people in other parts of the family were not of great wealth, but they had farms. They had steady work during the Depression as teachers. They had a better education. Neither my mother or father ever went to high school or graduated as such.

My mother and father met when my dad was a shipping clerk and my mother was a secretary for the old S & W Food Company here in San Francisco. I can remember my grandmother always said--in fact, the last thing she ever said to me was, "Walter Jr.,"--it made me cringe--in fact, I'll take a moment to say that my grandmother tried to intervene to protect the good name of the family and keep everything straight. In her dining room was a pay phone. You literally put the coins in. People would call me when I was in high school and say, "Is *Walt* there?" My grandmother said, "There's no one here by that name."

LaBerge: [laughing]

Hoadley: Discipline was part of this angel. She had her way of putting everybody in their proper place, as such. Incidentally, just an aside--in my mother's home in San Francisco, which was totally burned in the fire, there also was a coin pay phone. I have to

this day a collection--because it was molten in part--of nickels that were melted together into a cluster because they were in the coin box when the 1906 fire came. So that's part of the memorabilia of the family.

LaBerge: Was it common for people to have pay phones in their homes?

Hoadley: I would not say common. The fact was that my grandmother, again, wanted to have a way to contact the children, those members of the family who were heavily concentrated in Sonoma County--they were farmers. We never or very rarely got to ever see the farm. We didn't have an automobile, but Thanksgiving Day my grandmother expected the whole family to come, whether they came by horse or wagon or walked or whatever they did. The tradition of Thanksgiving and Christmas with family was something that--

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LaBerge: Okay, you're starting to tell me about your grandmother.

Hoadley: My grandmother had an interesting tradition. One of the traditions that she passed down, which is passing through our generation for sure and on to the next generation, is on Thanksgiving morning, there would be a breakfast. The breakfast was pie, three kinds of pie, and everybody was expected to be there. The pie slices--you could have three--it was mince pie, apple pie, and pumpkin pie. The wedges of three kinds of pie were on a plate, and after the blessing, we ate by cutting across the wedges so that you got the three kinds of pies.

We've done that--we can't do it extensively now, but we used to get the whole neighborhood when we lived on the East Coast, near Philadelphia, and we passed the tradition on there. Then our son's wife has passed on the tradition. This last Thanksgiving, a granddaughter, married granddaughter, had three kinds of pie. So that tradition is a source of a lot of fun.

But one thing has happened, which my grandmother, I'm sure, would never have approved--is the younger kids, our grandchildren, don't like mince pie, so the substitution is very interesting: chocolate pie, pecan pie--so there's not three anymore; it can be five or six--lemon cream. But we used to eat the mince pie, whether we liked it or not. Didn't have much choice. But it's illustrative of the traditional idea. There was a proper way to do things, and sort of passed down. We're guilty of pushing it on the younger members of our family. They're not quite sure what this is all about, but they go along, provided we're willing to compromise and give them chocolate pie and not force the mince pie.

Jobs During the Depression

Hoadley: Anyway, those are some of the influences on my life. We came into the Depression. My father was out of railroad work. He was on the extra board, which meant that he didn't have a steady job but if they needed somebody in an emergency on the trains--he used to sit by the telephone to see if there would be somebody who got sick, my dad would be called. They tried to get my father ready near the Ferry Building--then he'd take the ferry over to the Oakland pier, on the Oakland side of the Bay, where his train would be.

There was no way to get the train across the water. Everyone had to use a ferryboat. The end or the beginning of any train trip was a ferryboat ride. My father was involved in that. I commuted to Cal on the ferry, when they were building the bridge. I inherited that experience of crossing the Bay. I thought about it yesterday. I crossed the Bay four times in connection with obligations on one side of the Bay.

I graduated from Mission High School in December of 1933. Stayed out of school and worked to raise the twenty-six dollars I needed for a semester at Berkeley and went on campus in August 1934.

LaBerge: What kind of work did you do? In other jobs, too, growing up, what did you do?

Hoadley: Well, in high school I was delivering papers at five o'clock in the morning in the Mission District. Occasionally my dad would go along with me. Had some good times with family. Members of the family would once in a while get out and open their eyes and come along and deliver papers. I became acquainted with many "night workers" who did their jobs to prepare conditions for those who had daytime work.

LaBerge: What paper was this?

Hoadley: The paper was the Examiner, which was the morning paper, and the Call---

LaBerge: The Call-Bulletin?

Hoadley: That's right, yes. I sold newspapers when it got daylight, before I went to school. But when I was at Cal, I worked on the docks in San Francisco as a longshoreman but not an ocean-going longshoreman. The ferries took a lot of freight. I'm sure my dad opened the door some way, that I had a chance to work on the

docks. Those conditions were not too great. The point I remind myself from time to time is I worked for thirty cents an hour. It cost me a nickel to ride the streetcar. We were living with my grandparents on 25th Street. In the course of time, I realized that I was losing five cents if there was no work when I got there.

Ultimately, I began to realize my father was a union president, an unemployed union president. My mother was a very conservative Republican; my dad was a New Deal Democrat. So I grew up at the kitchen table with Dad's labor issues, and strike resistance on my mother's part. As the record shows, I have a Ph.D. in finance, but I also have a master's in labor. Both my mother got representation, and my father got representation in my graduate work.

Mission High School

Hoadley: High school at Mission High--was a remarkably fine school. I can't speak for it today, but I have my name in the school Wall of Fame.

Athletics

LaBerge: What were your favorite subjects, growing up?

Hoadley: I guess I would have to say athletics, but--

LaBerge: This is another part of you! We want to hear about it. What did you play?

Hoadley: Well, I was a tennis player, not a very good one, I must say. I tried football, but the football coach, Pop Elder, had champions from time to time. His system was to find big, strong boys and give them one year of football practice and then get them a job in the logging field up in the northern part of the state for two years when it was not legally necessary to be in school. When they came back to school they were very powerful and more mature. The problem that Mission High School had was that the players were not allowed in any part of the city to play football if they were twenty-one. We always had trouble at the end of the season because we had several of our best players over age.

But I grew up in an atmosphere where rough-and-tough football was the name of the game. I think it was the time when St. Mary's, St. Ignatius, Santa Clara--all the Catholic schools--had big teams. My grandparents were terribly upset that I was playing a little bit of football with all these Catholics. The problem kind of rolled along, which made me, I think, all the more conscious that I didn't want to waste my life fighting Catholics. But what happened was I banged a knee, and that finished football.

I tried basketball. In the gym at Mission in those days were what were called wall bars, for exercise, rounded pieces of wood on the wall, lined up. You used them for exercising. The bottom was about four or five inches off the ground. Unfortunately, I had big feet. I put a foot under the bar and twisted it, so that ended basketball. So my record in athletics was spotty, to say the least. But all I can say is I tried.

High School Instructors from Cal

LaBerge: You tried, and you liked it.

Hoadley: Yes, absolutely. I'm a [UC Berkeley] Bear Backer today. But the background was I was part of a high school that had winning teams. Of our class of over two hundred fifty in high school, only eighteen of us went on to higher education. But the interesting point in how lucky I've been is that other people had problems that have been beneficial to me. A lot of college teachers didn't have work in the thirties because the money ran out. Some teachers at Berkeley, in particular teaching fellows, didn't have work either, so they came in and took part-time jobs in the school system of San Francisco.

But at Mission High School as a senior--I really had my freshman year at Cal because these unemployed college teachers were obviously bright people, glad to do anything necessary. Singled out eighteen of us. Said, "You're going to college." We didn't know how we were going to get twenty-six bucks. As I say, I stayed out of school until I got my twenty-six dollars.

As far as the teachers are concerned, I could name a lot of them. Absolutely dedicated. They got us there at six in the morning to take sample examinations. Everything you can imagine --concern about our families, sharing the best--it makes me smile to think of it, but one of my teachers was Georgia Simon. She had had polio when she was a young person and was unable to

participate in a lot of things physically. She would come into class and just surprise you at what she would talk about. Actually, hers was a math course.

But one day she came in and said, "How many of you in the class know how to dance?" We boys didn't know what was coming. She said, "How about the girls?" All of them could dance. She said, "There's something wrong here." And so, lo and behold, the next week she said, "Friday night this class is going to be a dance class, and it's going to be at the home of one of my former students."

So every Friday night for several months, we went out there in fear and trembling because we were afraid, otherwise we were going to flunk the math. She couldn't dance. We didn't really, I guess, appreciate that--

LaBerge: At the time.

Hoadley: At the time. But she was determined that we would be able to be social--and the school had many dances in the gym. We learned with dancing you had to touch somebody. But anyway, these are incidents.

You've heard me tell the story about how I got to be an economist. There was another special teacher in this group that were really laid-off instructors from the university. Came into class one morning. I guess maybe the teachers were concerned. She asked this class in civics, "How many of your fathers are unemployed?" Twenty-seven hands went up out of thirty. She said, "I don't know what economics is all about, but this class is no longer going to be civics. We're going to find out why twenty-seven of your fathers are not working." Well, we never found the answer, but that was the course that turned my life.

LaBerge: What did she teach? What did you do for reading?

Hoadley: She got a number of books, and we had excerpts from the books primarily. And then she would find somebody who allegedly knew something about the field. Particularly, she kept in touch with her students that graduated. The dance instructor was somebody she had in class. That was, I think, illustrative of the fact that it was a combination of reading--she sometimes would read out loud because she didn't know what she was reading. But she felt that something would rub off.

As far as the information that we got, it was pieces, bits and pieces. She would read this--this particular teacher in the civics field had a lot of friends on the faculty her own age.

She was a young person. In response to the question you just asked, she would find somebody who could talk to us, and even if you couldn't talk about a solution, we'd talk about the problem.

So I had to tell why my father was unemployed. I'm not sure I knew. But that got me interested. Then the frustration was when I came to Cal, sophomores were the lowest level people who could take an economics course in those days, so I lost a whole year.

LaBerge: As a freshman?

Hoadley: As a freshman. I was doing well in all the courses--the English courses and so on--the Mission High teachers were getting us to school at six in the morning for special training. I'm not sure what the teachers union would do today, but I doubt that they would allow it. But every teacher and administrator was working together for the eighteen of us going to college. It would have been total discrimination in today's world, but it made me sensitive to do my best.

I was the valedictorian in my junior high school and the valedictorian in my high school, so I got a lot of special treatment. In the meantime, my mother said, "I expect you to be the best in your class."

LaBerge: Your mother must have been pretty proud.

Hoadley: Never satisfied. My grandmother was praying. In that particular background, there was a lot of family tension at times, but there was family togetherness, too. We used to sit around in the evening and listen to the radio. I had a crystal set. In fact, a few of us learned a little bit about radio from some of the teachers. But "Amos and Andy" programs and all the ones that were highly popular. We would take a half an hour or an hour at night and sit around the dining room table, talking and listening to the radio. That was a force that had some influence. But there wasn't anything else basically that we could do otherwise after dinner. It I guess scarred me in some ways that after dinner you're supposed to sit down with your family. We did.

Mission District Diversity

Hoadley: While all of this was going on, the Mission District was a mixture of cultures, a mixture of people from all different parts of the world. I learned about food--Italian food because I had

Italian buddies, and Scandinavian food, some Oriental food. But, again, the influence of my grandmother shows up in the way she treated people. In our neighborhood in the Mission District, there was a Chinese laundry, and the Chinese were quiet people, mostly by themselves. Not too many people could afford to have their laundry done by the Chinese. There were some tensions over that somehow.

My grandmother, again in the spirit of togetherness, got acquainted with the Chinese. This was part of her idea that you treat your fellow people kindly and well, whatever their skin color or accent. When I was growing up, I went through some cycles. The first cycle was diversity. Look around you. These people--one from Germany, one from here, and the laundry. Then my grandmother would take me aside and say, "Now, I don't want to ever hear you say there's anything wrong with that Chinese because they're good people. They're working hard." I was taught to love the Chinese.

A little bit later, there was a radio program called "The Chinatown Squad." There were horror stories of drugs, smuggling, murders or what have you in Chinatown. My grandmother said, "I don't want you to go near those Chinese. They're dangerous." So I was encouraged not to hate but to be careful.

Later on, when World War II broke out, the Chinese were official friends, so I learned again to become friendly. Then the Red Chinese showed up in China, and I was taught to hate the Chinese. I've told this story many times in Beijing because it's always good for a laugh. I love you-I hate you-I love you. It all started with the laundry on Army Street in San Francisco. When I am able to tell that story to Asians, it opens a door in lots of ways it couldn't otherwise.

I'm telling a horror story, and then I'm not telling a horror story. I always conclude with the view, as far as I'm concerned, the only way of the future is it's always going to be the love story, not the hate story. My grandmother is speaking through me about that fundamental view. Well, this is all trivia, but--

LaBerge: No, but it isn't. It's both the history of San Francisco and what influenced you. Tell me a little bit more about your mother and growing up in Mexico. Did she speak Spanish?

Hoadley: I never heard her speak Spanish.

LaBerge: No.

Hoadley: That was a problem. No, her mother had this brood of kids. Obviously, with a British background, not a great linguist. But she managed by sign language and the fact that the Mexican people had compassion to a widow. They came to her. Unfortunately, the Mexican Revolution, which was later, resulted in the burning of the church where the family records were. My mother was always in a peculiar position. She was the, quote, "pseudo-Catholic," a semi-outcast because our branch of the family was the low end economically.

In addition, there was the fact that my mother's background was Mexican. The pure whites in our neighborhood didn't want to pay much attention to my mother because she was a Mexican. Today, whatever you are is a matter of sensitivity, but in those days, prejudices were very strong. Much of my mother's life was spent cringing--the fact that she was not really an American except that she married my father, which made her an American citizen. But she struggled with that issue.

Finally, years later, before my father died, we arranged to get naturalization clearance so my mother was legitimately an American, even though there were no records to prove it. Coming from England, having been born in Mexico, and living in the States was a complicated matter in any event, but it had an influence. I kind of find myself in my mother's camp, worrying for her because of what she suffered. There wasn't much I could do, anything at all. That was, again, part of the cloud over the family.

These cross-currents gave me lots of opportunities to learn about personal relations and a few headaches.

Hobbies

Stamps

LaBerge: Did you have hobbies? You talked about having a little crystal set. Did you have other things like that that you did?

Hoadley: Yes. As a young boy, I became a collector of stamps. Later, coins. The stamp collection started because I had three cousins who somehow got involved with some international exchange. Somebody said, "Get a pen pal in another part of the world." I guess through the church, the missionaries. My grandmother couldn't afford chicken very often, but for the pastor, for a

missionary, there was no constraint. Somebody from Australia would write a letter back, and there was always a stamp on the envelope. So I started collecting. Other people would give me stamps off an envelope or package.

When I got my stamp book I was probably about twelve. Unfortunately, I didn't know much about how you mounted collection stamps. You had to have a very careful approach because if you dog-eared them, the value would go down. But the stamps I had were really not worth much. But I would get enough stamps that I could occasionally meet with a stamp specialist. But I finally got my stamp book. With it came probably several hundred little "stick-'em" pieces. You had to lick them. They're not self-stick. One Christmas after I got this book, I took the whole day off and mounted my stamps and got sicker than a dog. I still have that stamp book.

LaBerge: Oh, that's wonderful!

Hoadley: The funny part is that I took the stamp idea seriously with mint or unused stamps. That's where the value is. I moved ahead and collected stamp plate blocks, the corner with the number on it. I've got hundreds, thousands or something. Still got 'em. The problem is I didn't have time to do anything with them, so poor Virginia, my wife, feeling sorry, sort of quietly backed me. She started ordering stamps from the philatelic agency, so we have stamps coming out of our ears. She's the one that carried on the hobby.

I think either very soon--maybe she has already done it--she's going to cancel the subscription as far as the philatelic agency is concerned. But as far as hobbies are concerned, I enjoyed stamps--until it got out of hand. And then I realized belatedly that FDR, President Franklin D. Roosevelt, was a stamp collector. That was an interesting detail. What was interesting was that in the days when he was President, the stamps that we had were made by block engraving and by equipment which pressed down on the paper, the ink. There was ink--I'm not sure what ink. But it was used in a flat-bed printing press with limited capacity.

FDR, in the Depression, got the idea that we could sell a lot of stamps and help the revenue of the United States government. They invented or somebody invented or he encouraged the rotary press. Any stamp that you had that was pressed is a rare, valuable stamp. But with a rotary press, you can turn out stamps by the billions. That was a shock because I couldn't keep up with the volume of new stamps issued. Today it's virtually impossible. Every country's got stamps.

Coins

Hoadley: I would have to say also that my hobby did cover coins. Whereas I didn't have enough money to collect coins, I used to watch what was in circulation. I have a smattering of buffalo nickels and liberty heads and so on. Later I got serious about it and began to collect them directly from the mint. The problem is what do you do with stamps? It's tough enough, but what do you do with coins? They're heavy. When we came back to California in '66, my collection was such that I had a terrible time. You can't ship the coins. Nobody would insure them. This was before they put metal detectors in place at airports. Because I did a lot of flying I was bringing the coins to California for months. And they are still a problem to move.

I noted very recently that the U.S. Mint is going to have, and I expect soon, the beginnings of a new series of quarters with--fifty different quarters, one for each of the states. That's the last straw! Fifty different new coins! I won't be around by the time they get to California. But anyway, these coins are coming--now my problem is what do I do with them? Where in the family is there somebody who is interested in coins? And they have varied values. We treat all our grandchildren exactly alike. What do we do with all these stamps and coins? If you have an idea, let me know.

But the hobbies have long been with us. I think Virginia suffered more than I. But the reason my coin collection has been perpetuated is a quirky one. When our son was born in 1943--

LaBerge: What is his name?

Hoadley: Richard Alm Hoadley. He was born the year of the lead penny. Since the day he was born, March 11, 1943, I never spent a penny coin.

LaBerge: You saved every penny.

Hoadley: I saved every single penny. The fact that that particular year our son was born was the only year that--there might have been a few dribbles over the next year or so, but '43 is the lead penny year. The idea of the collection was economics, value and eventual scarcity. You find that a penny in that particular year is worth more than a penny. It might be worth a dime. And if you've got thousands of them, you keep adding up your great wealth. But the tonnage! And so we have a coin machine in our apartment up on Russian Hill and a coin machine in Lafayette. The coins that I go through--this pocket is my coin collection

pocket. I never spend a coin until I've looked at it. If it's a penny, it goes into permanent storage. You can imagine what all this involves.

Our grandchildren gradually got interested because we would save the coins for their birth year. The family is wrapped up in it. Our son won awards, blue ribbons, with coins. So the hobbies have been in the stamp and coin field. It has given us a lot of amusement, more than anything else. I have no idea what they're worth. All I know is they weigh--

LaBerge: They weigh a lot.

Hoadley: They weigh a lot, yes.

Boating

Hoadley: As far as other hobbies are concerned, my father--we did a lot of fishing, and I did some with our son, but I haven't been on a boat--we became members of the yacht club, the St. Francis Yacht Club, mainly because Emmett Solomon, who was the president of Crocker Bank when I came back to California, invited us to join. The background is as a young kid, I used to stand where the Golden Gate Bridge is now and dream of going to sea. I had saved my money. I was going to get a boat. I had a couple hundred dollars. Virginia is my boat.

LaBerge: [laughing]

Hoadley: I never got the boat. But we're members of the club for sentimental reasons and she has lasted a lot longer.

LaBerge: I guess that's a pretty good boat!

Hoadley: Every time I go by the Golden Gate, I think of standing there as a young person. And then a member of my mother's family was a chief engineer of the Dollar Steamship Line. He sold me on the idea that going to sea was where to be. Unfortunately, the good Lord has not provided perfect eyesight for me. As a result, when I tried to get my commission, I was rejected from naval officer training. That obviously discouraged me from doing anything with the navy. My war record was economic intelligence having to do with finance and shipping.

Books and Cars

LaBerge: Did you like to read as a child?

Hoadley: Yes, yes.

LaBerge: What sorts of things would you read?

Hoadley: Oh, Horatio Alger, standard stuff that was around, and a lot of Biblical tracts, which my grandparents would give me. I would get to the library as often as anybody in my own generation, reading popular things. I was interested in technical things, too, to a degree I tried to keep up with what was going on in automobiles. At Mission High School there was a requirement that you had to take a mechanical arts course. The assignment was that you had to take an old Model T Ford apart and put it back together again. All I can say is that I did it. If I look under the hood of a car today--literally, I took a car apart. There was actually a team of us. A couple of us worked closely together. But the only reason I'm here today is that the good Lord decided that I should be because when my buddy and I finished putting the car together, we drove it up to Dolores Hill and spun it around and pointed it back toward the high school, only to find that the brakes wouldn't work.

LaBerge: Whoa!

Hoadley: The car came to rest just short of Market Street. Made me very conscious of the fact that life is precious and potentially short. We were scared absolutely silly.

LaBerge: Oh, I bet.

Hoadley: But that was a short-lived hobby, taking things apart. Lots of little things like that pop out. I haven't thought about them in a long, long time. But all chalked up to a lot of experience.

LaBerge: That's for sure.

Hoadley: It made me cautious about automobiles.

LaBerge: Yes. And your family did not have a car.

Hoadley: No, not until much later. My father had a dream of an automobile that he wanted. The dream went with the Depression. The wealthy side of the Hoadley family had big cars: Cadillacs. We had the streetcar. Eventually, we did manage to get a car. Unfortunately, the war broke out at Pearl Harbor. We got rid of

it very fast. We left the area. Virginia was pregnant. The doctors would never let her travel. Strange advice, but most of our travel was by train or streetcar.

II UNIVERSITY OF CALIFORNIA, 1934-1946

Invitation from Kappa Alpha

LaBerge: When you went to Cal, you knew you were going to major in economics before you started?

Hoadley: I had a dream, but I didn't know enough about economics.

LaBerge: Or what you would do with it?

Hoadley: Yes, for sure. I'd have to say, though, I didn't know anything about anything else, either. So this was at least something that I understood enough that it seemed potentially interesting.

LaBerge: So you started in the fall of '34?

Hoadley: Thirty-four.

LaBerge: Did you live at home?

Hoadley: Yes. Actually, my education at Cal cost me very little cash, I had my father's railroad pass also good on the ferry because he was unemployed, but he still had his benefits. It cost me a nickel to get to the Ferry Building via streetcar, a free ride to Berkeley because the ferry connected with the old red trains of the Southern Pacific and the Key System. Incidentally, Virginia, after we graduated in '38, became the secretary to the chief manager of the Key System. Her transit company had train lines that were on the bridge. She still kids me that she was making more money than I was. I wasn't making much.

But the Cal education was two hundred and eight bucks tuition for four years.

LaBerge: In all four years did you live at home? Because I know you joined a fraternity.

Hoadley: Yes, I think I told you the fraternity story.

LaBerge: No, no.

Hoadley: Well, that's another influence which I give credit to the good Lord. I certainly didn't know what I was getting into. As I graduated as valedictorian of my class at Mission High School, I got a phone call, and the phone call was from a fraternity, the Kappa Alpha fraternity at Berkeley. The head, the student head, said, "We want to invite you to come over to the campus. We'd like to give you lunch." I knew through my mother behind me, "Don't ever get involved in something that later you're not going to be able to get out." I immediately said, "Thank you, no way, no way. The conversation is over." I'm curious what happened, but nothing happened.

A few days later, the phone rings again. "Still want that lunch. Still want to give you lunch." "I told you, I don't have any money. I can't join a fraternity. No way I can do this." "At least come on over and have lunch." Well, finally--it was a free lunch. I figured it cost me a dime, a nickel to the Ferry Building and a nickel on the way back. For ten cents, why not?

They met me on Shattuck Avenue, where the old red trains ran at University Avenue. I had a strange experience because they never said a word about anything except enjoy the food, until finally I said, "I've got to go back to San Francisco." He said, "There's one little matter we'd like to talk to you about. Very frankly, we need you." I said, "What do you mean?" they said, "Well, we are facing some academic difficulties--"

LaBerge: [laughing]

Hoadley: "In fact, we're going to be thrown off this campus if we don't improve our academic ranking. What we'd like to do is to offer you an arrangement whereby we would have the benefit of your academic record, and we in turn will give you your lunch."

LaBerge: Every day?

Hoadley: Well, they were very magnanimous at the start. Lunch, and you know, you've got a place to stay overnight. All right, fine, if you've got a date or something. It seemed interesting. The question that of course came up, was there something wrong in this? My grandmother. I said, "How can we do this?" "You've got to be physically in this building. You've got to be a member of our group, and if you're that, that's fine. We've checked it out. We're satisfied. We'll take your grades. We can have them

and use them officially, and you can do it, no problem." And I trust people.

So for four years I was a Kappa Alpha. At the end of my fourth year, Kappa Alpha was the top academic fraternity. They not only had me, they had--

LaBerge: They searched out all the valedictorians.

Hoadley: Yes. But they had some dues-paying people or otherwise, they would have been thrown off campus, but that's another little quirky thing.

LaBerge: Oh, isn't that funny. So did you ever live there? Or did you spend the night sometimes?

Hoadley: From time to time, yes, but I was careful that I didn't abuse it. Nobody wanted to talk about it. It was just a routine. As I turned out to be the valedictorian of our Class of '38, they got the records which presumably helped them. I've had no real contact with Kappa Alpha through the years, so I can't say that was anything I exploited. But I did get some lunches. And I had a side life which was totally closed in my mind otherwise, the social side. You're told at a meeting that if you don't know how to handle a fork, let's show you. It was an education. My mother had tried to give me the best training as to how I handled myself, but I got my brothers to tell me even more so. But anyway, it was another side of campus life.

Meeting Virginia Alm in Chemistry Lab

Hoadley: Just by coincidence, Virginia was living on Piedmont Avenue; the Kappa Alpha house was 2425 Piedmont, across the street. By the sheer happenstance of life, Virginia was living in a boarding house. She was working her way through Cal at the Women's Faculty Club, which, incidentally, is where we had dinner last night.

LaBerge: Oh, really? That's a lovely place.

Hoadley: Yes. She was a waitress and eventually the head waitress and earned her way through Berkeley. In those days, the pay was pretty minimal. Also, there was a charge for the food that she ate, except coffee and baked potatoes. They couldn't do anything with them as leftovers. So if you want to find somebody who has a long memory of baked potatoes--Virginia.

LaBerge: Oh, I bet.

Hoadley: If I would invite Virginia to have a hamburger, she was "yes," very, very much so. But anyway, we met in a freshman chem lab.

LaBerge: Was chemistry a required course?

Hoadley: Yes. Professor Joel Hildebrand's course. We met in a section, the lab section. One of my buddies from Mission High, one of the A Team, was assigned the same lab in the Hildebrand course. We walked into class the first day and surveyed the field.

LaBerge: [laughing]

Hoadley: My buddy said, "I'm going to date that one over there." "I'll take this one over here." We were about tied as to how long it took us because a few days later we did, each in our own way. But that's the way I met Virginia. She had come out of Calistoga High School, incidentally, where they had eighteen students in the whole class that graduated. The chemistry course she had was given by a guy who apparently never had the course. My background from Mission High School was I had a chemistry professor, junior status professor from Berkeley, so when I walked into the class, I didn't realize but I soon found out I had already had that course.

Virginia had the idea that maybe I could help her get through the course. It was a certain kind of meshing. That and happenstance. We always think affectionately, of course, of Hildebrand. In fact, before he died, the dinner with the Berkeley Fellows was something he used to attend. I talked to him about meeting Virginia, and we got a good smile, a good laugh about it. So you can understand that Cal means a lot to us.

LaBerge: Yes.

Working for the Daily Californian

Hoadley: But it took a lot of things. Of course, one of the things the fraternity demanded is you had to have an extracurricular activity. I became a Daily Cal reporter and finished my work, along with one other colleague, as editor of the Daily Cal.

LaBerge: Had you liked to write before that?

Hoadley: I didn't have any choice. I guess I did all right, but it wasn't something that I yearned for. I learned a lot in the Daily Cal. When you're night editor and putting the paper to bed, it's two in the morning, and you need a story, you need something--you learn a good deal about how you improvise. I learned a heck of a lot. I didn't take a course in journalism because I was taking economics courses, but I was writing a column.

LaBerge: What was the column?

Hoadley: The column was "Notes on the News," the left column on the front page of the old Daily Cal, in the course of which I looked at the teletype. That was modern, big stuff. Skimmed the news and would condense it into a column on the left side of the front page. It was good experience, a lot of good friends. Worked together on the night shift. You get to know people pretty well. So that was a big plus. But I had to do it. I wasn't smart enough to figure out that I should have done it. Just another opportunity. There were a lot.

Anyway, I guess what I'm saying is I got to Cal because I got a free lunch.

LaBerge: [laughing]

Hoadley: I hope somebody doesn't say it was illegal. But my grades, I guess, saved the fraternity.

LaBerge: I'm sure that they did.

Hoadley: But they were having some struggles. I think they were probably number one in the social column. Somebody discovered the fact that you have to be academic, too.

Another footnote on that, though, is the fraternity, because it was struggling, had to be careful about its finances. We had a cook. The cook was a Chinese. He was an enterprising kind of guy. You'd see out on the docks, particularly in Oakland, and look for the cargo ships that come in, carrying rice and bananas. My diet while I was at Berkeley was rice and bananas. If you ever watch me eat, you'll notice I push the rice aside. I tolerate bananas a little bit more, but I went through Cal on rice and bananas. They had other foods--

LaBerge: But that was the staple.

Hoadley: That was the staple, yes.

Work on the San Francisco Waterfront

LaBerge: Did you have paying jobs, too, while you were at Cal?

Hoadley: I had a job on the docks in San Francisco.

LaBerge: All through all four years?

Hoadley: No, until I became a teaching fellow--really a reader first, then a teaching fellow. My experience on the docks was, again, a revelation. My father took over to point out the ills of how labor is treated. You may recall back there in the history there were a couple of major strikes.

LaBerge: Yes.

Hoadley: The Bay Area was the bay, which was covered with ships, and people were getting banged over the head and so on. I got a first-hand experience with violence, potential problems over labor conflict. I was not really involved directly in the overseas shipments; it was the domestic cargo that I handled. I learned so much because I didn't realize what it was like to have a real lousy job. So I've had a certain kind of compassion for muscle laborers.

We, for example, would be working at thirty cents an hour or thirty-five cents an hour. One of the workers that I was working with discovered that we were punching in on one clock and punching out on another clock, and the company was getting a free ride for three minutes or two minutes or something. We boiled up. I almost got frightened by that, but to think that somebody would cheat me out of three minutes or what have you just couldn't occur. And it had been deliberate I was told.

And then I was called into the foreman's office one morning. I was told that I was guilty of "concealed damage." What I was shown was a box, carton, and there was something broken--inside--porcelain, probably--broken. The box looked fine, but something was broken. I was amazed and obviously frightened. I said, "Did I break that?" "Yes, you did." That was a time when the neon signs were for the first time becoming pretty popular for storefronts and bars and what have you.

What was happening to all these cartons? The rule was you weren't supposed to throw them. Of course, somebody was throwing them. I don't know whether I was responsible for the porcelain

or the neon signs, but we had a disaster. A flatbed, wheels, which you piled packages and things on that you could then pull over and unload a lot of freight, rather than have to do it piece by piece. Unfortunately, one of these flatbeds was filled with these cartons of neon signs. Somebody, one of the members of the team--I don't remember exactly--turned and looked the wrong way at the time that this flatbed was coming, and so it went in the bay.

Well, it was about the time I wanted to quit anyway, but it made me very sensitive to both the problem and also the way you could get damned for something--

Job as a Reader

LaBerge: That you maybe didn't do or didn't know you did.

Hoadley: That's right, yes. But that was where I was working and was where I was earning the money to keep me going. My mother saved every cent to help from time to time. I was fortunate to become a reader when I was a junior. I had any odd job I could get until I got to be a junior, and then I got sixty-five dollars a month as a teaching fellow--reader, and then teaching fellow. In that sequence, I worked my way through Berkeley. I'm sure that I got a lot of benefits from a lot of sources that made it all possible.

Public Speaking Minor

[Interview 2: March 23, 1999] ##

LaBerge: Before we go to graduate school, I know that you majored in economics in undergraduate school, but you also majored in public speaking?

Hoadley: I had a minor, or a second degree. That was the sort of an addition to my mainstream, economics. I learned very quickly that if you can't speak, you can't preach or do anything with economics very well. When I got on campus, I took the English courses, but I took the public speaking ones as well. I got to know the public speaking faculty at Cal. They ultimately coached me all the way through Cal, including my valedictory speech in Memorial Stadium. That doesn't come out in my mind as a big

deal, but it was something that gave me some experience and the opportunity to get stage fright and get over it. This was helpful.

Radio-TV Commentator on the Economy

LaBerge: It probably stood you in good stead your whole life.

Hoadley: Yes, I've given thousands of speeches, I guess. I gave the opening speech of the year for the Commonwealth Club for twenty-five years on the outlook. At the end of twenty-five, I figured enough is enough. But I did the same thing for Town Hall in Los Angeles. On a limited basis now, I get involved in television-radio. When I retired from the bank, I became the NBC economic wizard for this part of the country.

LaBerge: So you're the NBC economic commentator?

Hoadley: Commentator for the West. I did that for six or seven years, Channel 4. That was another dimension to my public speaking experience. Public speaking had a big audience, as you can see, but television reaches far more with six people and two cameras or something. I found that to be stimulating, but my major problem is that I can memorize and read script, but I'm much more satisfied myself, at least, being extemporaneous. So I used to drive the TV staff wild in television studios because I didn't even have a script. To me, it was best spontaneous or forget it. But it worked out. I managed to find a middle ground through outlines, and the people in television did the same thing.

LaBerge: Was this national NBC or the local?

Hoadley: It was mainly the region, the western part. Yes, the western part. And occasionally there would be a story that the network would pick up and make it nationwide. Last week, WGN in Chicago called me, as they do from time to time, to either say, "We've got time," "What's your outlook?", or "There isn't anything better" or whatever it is. Get into a chit-chat with one of the anchors there. And other stations in Los Angeles. But I used to do it daily; now it's once or twice a month. But that was part of the offshoot of a great deal of public speaking.

Radio is, I think, exciting up to a point; then it gets boring. Television is more fun, but the problem with television is that the newscasters want to put economics in that particular category--news directors. But they don't want you to try and

explain something. They're afraid it will be boring, so it's a challenge always to try to slip in the instructions while the news director was not watching--otherwise, people get poor information, numbers thrown at them, don't have any idea what it's about. Many times they're frightened or they're confused. So, I try to worm my way in. I think that I got away with it eventually, and public response gave encouragement.

But, finally it got to the point where doing television at odd hours gets to be a bit of a challenge. I went from regular television to on call, and that's where I am now. I may not hear anything from anybody for days or I may run six broadcasts in a given day, depending on what the subject is.

And then the people at the Hoover Institution--

Hoover Institute Fellow During Retirement

LaBerge: Are you still a fellow there?

Hoadley: I'm still a senior research fellow there. But I've given up my office because I wasn't down there at Palo Alto enough. I felt it wasn't fair to keep the office. But the Hoover people still refer news media and so on to me. That means that no one else is either willing to get involved if the subject is too controversial, or whatever it is, throw it to Hoadley. That didn't bother me, except when I could clearly see it was a potential dumping ground.

The Hoover adjunct to my life--shortly after I retired from the Bank of America--I wanted to be involved in some kind of an intellectual organization, as a base, I was fortunate enough to be invited to become a Hoover scholar immediately after my retirement. I drove round-trip between San Francisco and Palo Alto--eighty miles down and back--for a long time. And then finally decided enough is enough.

LaBerge: That's a hard commute.

Hoadley: It's not an easy one. It hasn't been getting easier. But Highway 280 was an improvement. That was opened up. Nevertheless, I still am a part of Hoover Institution, but I'm not down there very much. I'm invited to all the activities, but eighty miles or so is a deterrent. I know a fair number of the current Hoover scholars, but as time goes by you lose your close contacts. I would probably have difficulty identifying more than

a third of the people at Hoover now because there are so many new people.

There's a problem in working with a think tank, too, that I ran into. Because you're a pragmatist and you had some first hand business experience, the academics will use a lot of their ingenuity to pull out of you as much practical information as possible--which is fine, except you can't get anything done. If you leave your door open, they want to know "How did you do this"--and you feel like a fool if you don't cooperate. But if you do, you might as well be a consultant. I was very faithful in the early years of being down at Hoover. It tapered off. I'm still there and proud to still be on the official roster, but I'm not spending a great deal of time there now. I try to keep my relations as strong as possible through communications.

Of course, a lot of people have the view that Hoover is a very conservative organization. It has a reputation of that nature. But I was very surprised when I found out that the polls, one of those polls--you can't be sure it's too reliable--but the poll was: Are you a Republican or are you a Democrat? The Democrats won the poll, which surprised a lot of people.

The Hoadley Brand of Economics

Hoadley: But that is just a way of introducing another dimension, which you may have heard me say some other place. My father was a New Deal Democrat and a union president. My mother was right-wing Republican. My master's degree is in labor, and the Ph.D. is in finance. But when I became a television commentator, I had to join the union. I could hear my father say from his grave, "Finally, you got smart, son." My mother saying, "I knew you'd do it."

So I learned my economics at the breakfast table. "I'm going to strike," my dad would say. "I'm going to call them out." My mother would say, "No, you're not." I had to have two degrees from graduate school in order to keep peace in the family. That in some way shaped my bi-partisan attitude. I knew a lot of union people and a lot of Democrats, as well as a lot of Republicans on the other side of the aisle.

I was chairman of Jerry Brown's economic development committee when he was governor. That made a lot of my Republican friends feel I must have a hole in my head. I have nothing to do with the mayor of Oakland [Jerry Brown] at the moment. But I

tried to keep this balance between the business pro-Republican perspective and the perspective of labor union--rich versus poor.

That has been probably the most different perspective on my economics, that I tried to be on both sides, without being so bland that people would never feel that I ever had a solid independent point of view. I always had a point of view, and I called it as I saw it. That appealed to a lot of people and turned off some others.

I can remember one day in Chicago years ago being straightened out by a very staid old gentleman who was chairman of one of the big banks. I made a presentation to his board. He said, "Young man, you're a Communist." Because I used the word "economy," which was the introduction of a new vocabulary in economics. But the words did have a leftish ring to some with a liberal point of view. "Economy" is now widely used.

But I think the most significant element of gratitude that I have is that I got interested in economics at a time when the country was getting interested in economics. Now we've gone almost full cycle, where the country as a whole still pays some attention to it, but it's diminished, economics. But the brand of economics that I have tried to follow is a brand of what I call "bottom line plus"--bottom line referring, of course, to profitability; but the plus being (my contention, at least) that if you're going to be successful in business over the years ahead and indeed in recent years, you have to be more than profit-minded.

There's a whole generation of young people growing up, watching the stock market, who have the bottom line firmly in mind. They've got MBA degrees and they've done a lot of very hard academic work, but they don't have the plus. The plus is just my way of asserting that business leaders must be able to win over people in order to build more public support, political support, to carry out the things that they want to do in business. If you take the attitude, I'm not going to pay any special attention to the public, you'll find very quickly the public is going to change your outlook.

The Caux Roundtable

Hoadley: I've had sort of a running battle, discussion of the plus as well as the bottom line. That has gotten me involved in several

organizations--one of them in particular, the Caux Roundtable--Caux is a little village in Switzerland.

LaBerge: How did you get involved in that?

Hoadley: A gentleman who was the chairman of Pan Am Airways, Jim Montgomery, and I by happenstance got involved in some committee activity for the U.S. Chamber for the International Chamber of Commerce. Because he was a world-wide kind of guy, we had mutual interests, to a considerable degree. Montgomery knew Fritz [Frederik] Philips, who was the CEO of Philips Electric [Electronics] in the Netherlands. He also knew the chairman [Ryuzaburo Kaku] of Canon [Inc.], the Japanese camera organization. He also knew the French leader, [Olivier] Giscard d'Estaing.

They were together in the 1980s, and the subject was "We're Headed for Trade Wars." This is the period about fifteen, eighteen years ago--something like that. The trade war fear was a feeling that people in Europe hated the Americans. They both hated the Japanese, and they would be willing to get nasty. And so Philips and Giscard d'Estaing and the Canon organization leader--all top management of the group--decided that they ought to see if they could do something to slow this relentless march toward war, economic warfare, in the course of which they had a gathering of just a very few high ranking business executives at Caux.

The background of Caux, you probably know--Caux has a spa. There is an enormous hotel up on the side of the Alps that was built back at the turn of the century and was to be the place for the wealthy of Europe to go. World War I came along, and the whole thing collapsed financially. The Swiss government had some idea about it being useful, but at the end of World War I, that's where the peacemakers met, at Caux; with that kind of background, the Caux area has become a center of peace and reconciliation.

So when Philips and the others decided that they ought to get together, they picked Caux because Caux had a reputation of being the place you could go to talk with your enemies in an atmosphere so beautiful and peaceful, you can try to get out on the table what you're fighting about. Well, anyway, that's what got things started.

The Caux Roundtable, named as such, is probably only fifteen to eighteen years old, but these gentlemen that I mentioned pulled it together. Then they went back to their own countries to try to find people who maybe were a little more accommodating, a little less belligerent toward antagonists. Out of that has

come an organization now that is truly worldwide. There was a period of a couple of years when I chaired it. But the main point about Caux is that it's a place that is well known where people get together to try to resolve critical issues, off the record. That has developed into an organization which is setting up in probably fifteen or twenty countries now. Little groups of people who get together to talk face to face about what are we fighting about, or threatening to fight.

LaBerge: All having to do with economics?

Hoadley: That was the main thing, yes. It doesn't mean that it was exclusively that. Because of me, with my plus, it has embraced a lot of related issues of corporate responsibility. I think Caux is a place where this July I'll be once again at their international meeting. There have been meetings in most of the places in the world where there's controversy. They're staying out of the Balkans at the moment, but we went into Berlin when the angels feared to tread, Moscow, Vladivostok, Beijing, Mexico City, Brazil--but it's a small-scale operation that surprises a lot of people that there are those who are leaders in the world who really have some deep concerns about things that are happening. The objective is essentially to try to avoid or minimize crises.

So in July I expect to be in Caux.

LaBerge: For, like, a week, something like that?

Hoadley: A short week, yes. Five days or something like that.

LaBerge: Who else in the United States is involved? Anyone from our government?

Hoadley: There is very little interest in having government people.

LaBerge: Okay. I guess because you said Giscard d'Estaing that maybe there was--

Hoadley: Actually, there are two of them. One was the president of France; the other is a brother. The brother [Olivier] is the one who is less political. But in France particularly, politics is life. You can't get anything done unless you at least work with the politicians. It's less true in some other places. I have a little brochure on the Caux Roundtable, if you'd like to take a look.

LaBerge: Oh, I would love to.

Hoadley: But anyway, that's another manifestation of the approach that I tried to take: how can we get things done and make things better? Not to be corny about it and not to be soft-hearted, but to do something that angels fear to tread a bit. You find that there are other people across the globe who agree with you, so that right now there's a wave across the world of concern about corruption. The Caux Roundtable has been meeting, as I said, in different countries, usually where there's a problem of conflict which could get out of hand.

LaBerge: Would you meet more than once a year?

Hoadley: Originally, it was once a year. That was about all they could tolerate each other. Very outspoken. The Japanese were cocky, and the French were...French, I guess. But now the meeting schedule involves probably a dozen meetings in a year. I don't try to make all of them. But there was a turn last year for the United States to be the hospitable people, so there was a gathering in Washington and Philadelphia and New York and a half a dozen other places.

The problem is that most American businessmen are sympathetic in that they feel that yes, there are problems, there are values that are being jeopardized. There are people that are corrupt, there are crooked politicians, and so on. I hear all the time, "I'm glad you're involved in it. But I don't want to be any part of it." They're afraid that somebody is going to accuse them for having something to do with religion, or they're concerned that somehow they will be looked upon as weak and not the hard-nosed business leader. And they're afraid of being caught in some trap that would get them in trouble with more lawsuits.

It's a very slow process to win over CEOs in America to do things that down deep they agree with, but they're afraid. But the ice is chipping, breaking a little bit. I will predict that we'll see an idea that really rates some CEO attention, rating companies by the plus as well as the profits. I think there's a few hundred companies now that are putting in their annual reports the evaluation of the plus. I'm encouraged, with some very able people, that this will be a safer terrain for business people to deal with.

I was always encouraged by the people in the Bank of America but I never got the CEO to go, so even in my home base, I was unsuccessful. "Great, very important, glad you're doing it."

Corporate Responsibility

LaBerge: What you're really talking about is community responsibility, being a good corporate citizen?

Hoadley: Yes, absolutely, that's right, yes. And it's, in my judgment, something that needs to be emphasized more in order to continue having success in business. But we're at the point now where we've got to start developing and discussing more programs openly and nationally. But, we don't have a wave of business people espousing this. It's the quality side of business performance which needs more attention.

LaBerge: Do you mean something like Malden Mills in Massachusetts? I think that's the name of it.

Hoadley: There's an element of that, yes. But each one of the organizations that is sort of popping up has a little different twist to it. I think and hope that the Caux Roundtable leadership will try to pull together more and more of these little cells or groups that are popping up.

Take, for example, what's happening in Southeast Asia because of corruption and debt, and cronyism and so on. People are being absolutely ruined and hurt. You can take the scolding view: "You better clean up your act, you're in trouble"; or, "You better clean up your act because it's the only way you're going to be able to get ahead in business in the future." The latter is the Caux Roundtable approach.

Americans, of course, have to be careful because we have to comply with certain statutes. Of course, the people overseas smile and say, "You smart-aleck Americans. You appear to be pious, but down deep you're as crooked as--." They get into an argument on that issue all the time.

But particularly in my retirement years, I've sensed more freedom to speak out. I could speak as Hoadley, more than as representative of Hoover or the Bank of America, though I was never in trouble with anybody telling me don't do this or don't do that. There was a certain kind of awkwardness that comes to you when you realize that somebody is going to assume you're speaking for Bank of America, and you're not.

Of course, mergers and other things happen. A lot of people in this institution departed that I know. They're gone. Nobody's in their place. So I find myself in the very awkward position from time to time of being considered the spokesman for

the bank, but I'm not. On the other hand, somebody sometimes has to stand up and at least try to explain what's going on. I had the job at the Bank of America, at annual meetings and so on, dealing with the dissidents, the people who were on the picket line.

LaBerge: How did you get that job?

Hoadley: Probably by default. No, it has been that sort of way through the years. It's a subject that is not mainstream. Either people don't want to mess with it, or because they don't think it's important. And so I could be critical about it, but I'd rather be a part of correcting something that would otherwise be a vacuum, or leave an impression very different from the reality. But maybe it isn't the most useful part of your time schedule in the eyes of some people. I think that the pendulum is slowly swinging in favor of strengthening community relations, so, you better be sensitive.

The way I put it is, "As business people, you will need votes in the community as much as a politician. If you don't have the public behind you, you're not going to be able to have the freedom that you feel you necessarily must have to be profitable."

I don't know how we got off on this.

LaBerge: We would have gotten to it at another time, so it's great.

Hoadley: Okay.

LaBerge: Well, this all came from the public speaking.

Hoadley: That's what started it, yes. You got me involved in that.

More on Religious Influence

LaBerge: There's something else I wanted to pick up. I think it has something to do with this. We talked about you growing up and the religious background of your family.

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LaBerge: What did that mean in your life? Did you go to church every Sunday? Did you do certain things at home? And how has it continued in your life, because I know that it's a big influence.

Hoadley: Yes. I guess I have to say I've had some religious core most of my life. We talked about my mother and the problems of different faiths. As a matter of fact, this week I'm having lunch with Bishop Swing.

LaBerge: Oh, the Episcopal bishop.

Hoadley: In the California diocese. He's the head of the organization which is United Religions. He and a small number of people in the theology field have been disturbed that most of the share of the wars and conflicts in the United States and overseas are rooted in religious differences. Bishop Swing has actually traveled the world to meet with the leaders of the different faiths and sects to try to bring them together, to see what if anything we have in common. He heard of me or I heard of him. We have had an ongoing relationship as he builds this base worldwide.

As far as my own background is concerned, my mother, being the Episcopal person, had a faith. My father was less aggressive and active in that. My grandmother was devout; my grandfather was devout. Other members around the family were religiously oriented but not evangelical.

I was subjected to--I went to Sunday school. I even taught Sunday school.

LaBerge: At the Methodist church or the Episcopal church?

Hoadley: It has always been the Methodist church, my mother's went--

LaBerge: So wouldn't you go with your dad or your grandmother?

Hoadley: Yes. My mother went, too. When it was not an explosive family situation, yes. But I don't recall having been in the Episcopal church a half a dozen times in my life, when my mother was alive, but I was in the Methodist church more like every week. But I would have to say the conviction that I have in faith could be summarized that I believe very strongly that there is a God, but more particularly, I feel that there's a power there that you need to recognize because life is filled with good and bad things. Unless you have some faith, the bad things will overwhelm you.

That seems pretty simplistic, but just yesterday I got a call from Lancaster, Pennsylvania, where we used to go to church. The pastor that was there passed away. He was retired. But we still have a network of contacts, mainly in the Methodist church. We're members of the Lafayette United Methodist Church in

Lafayette now. I'm more or less the old advisor, rather than administrator. I've served my time with various tasks.

But it's a commitment which I like to believe is a genuine one because--I chair a group that has breakfast up on 52 [floor]. It has been going on for twenty-five years. This is a group of men, numbers anywhere from thirty to fifty, which gets together for breakfast once a month. Then a lot of the men will pair up with a few others and meet more frequently. What it is--it's not biblically-oriented; it's a journey of life. After twenty-five years, you hear people talking about what they face and what they've gone through, how they've emerged and so on. It's an experience that seems to help a lot of people, just to be able to talk about life in real terms with a faith background.

The National Prayer Breakfast which was held a few weeks ago in Washington, D.C. I've been a part of that for--since back when [Dwight D.] Eisenhower was president. That gathers three thousand people now from 174 countries. I'd like to put it in my own terms, that we're probably closer to global peace in the two hours that gathering is assembled in Washington than probably any other time of year, at least. You're sitting with people of different faiths, different ideas, different geography and cultures and so on.

I get a certain amount of satisfaction out of seeing that because I believe that we could use more, rather than less. But I try not to wear my religion as a blinking light. I believe and I truly feel that there is an Almighty and that we have some accountability. But mainly I think it's a feeling that it's a good process to be involved in. I don't know of any alternative which does the same thing for me.

So the answer--yes, I've been involved in faith, one way or another. My grandmother and my mother in particular were influences on me.

LaBerge: For a lot of people, that could turn them off, if they had had this strong influence as a child, so at some point you decided for yourself that you would embrace it.

Hoadley: You're absolutely right. Some people want no part of it. Conflicts between religions are a dime a dozen. That's a puzzlement. I really don't know what the answer is. But as far as religion is concerned, I don't know how you live without it. Maybe that's because I'm missing something. I try to keep my mind open. I try to listen. But I've never been terribly impressed by the attitude that there is nothing more to living than what's here.

Somehow I get a lot of feeling that life is worthwhile. The crises in life that come in our family and friends are unpredictable, but they're there, they're coming. I always say to anybody who will listen, "Don't take my word for it, but test your faith." It's only when you've decided you've done everything you can--and believe me, a lot of people have done that--and things are still not what you want them to be, the answer is either faith or despair.

Well, that's my sermon for this morning. [laughter]

LaBerge: One more question. Were you a trustee for the Pacific School of Religion?

Hoadley: I've been a trustee of a number of theological schools, yes, and a trustee of PSR.

Graduate School at UCB

LaBerge: Let's go back to Cal. When you graduated, did you get married right after that?

Hoadley: A year later. We got married on May 20, 1939. We graduated in '38. We couldn't afford to get married in '38. We were married in '39. This is the year with a '9, so in a very few days we're going to be celebrating our sixtieth.

LaBerge: At that point, were you in graduate school already?

Hoadley: Yes. When we graduated, Virginia graduated in English. She was a secretary to the chief of operations of the Key System. I may have mentioned that before.

LaBerge: Yes.

Hoadley: And so she was in a position to finance my graduate work. I was a teaching fellow.

LaBerge: How did you decide to go on to graduate school? Did you always know you were going to, or who encouraged you?

Hoadley: I think a lot of the faculty did. But I think probably also the idea--what do you do with economics? There are degrees, but what do you do with it? Consequently, I felt that if I was going to be in the field of economics, I had to get a doctorate degree because I'd be a second-class citizen without it. One of the

curious things, too, to me was the fact that virtually everybody I worked for in my early years came from the other side of the Mississippi River--degrees from Harvard, Yale and so on. The result was that I had a feeling that I better broaden my thinking, but let's get the degree as quickly as I can, get it behind me, and then I won't have to worry about it.

Unfortunately, Pearl Harbor came [in 1941]. I had just finished my orals on the Friday before the Sunday of Pearl Harbor. I didn't finish the degree, of course, until the war was over. But I at least had gotten over that major hump, yes.

Teaching Fellow for Ira B. Cross

LaBerge: Tell me about being a teaching fellow and who you studied under and what you studied.

Hoadley: It was economics. It was elementary economics. My years on the Berkeley campus included the second and third year as a reader and upgraded to a teaching fellow. But I was obviously green, and I sometimes feel sorry for the people that had to put up with me--and still do, I guess, with teaching fellows, had never done any teaching and so on. Literally, one day you're a student, and the next day you're a teacher, and nothing to bridge it.

But the tyrant in the economics department was Ira B. Cross. I say "tyrant" because he was a very outspoken guy. Had his own ideas. Believed people should accept his ideas without any question yet he had a heart of gold. I think I told you the experience of how I got to be a teaching fellow?

LaBerge: No, no.

Hoadley: Again by the grace of God, I graduated in May of 1938. I registered to go on to graduate school and work toward a master's degree and a doctor's degree. Virginia loving me and marrying me and working for me and so on was the plan. Well, when August came up in 1938, historians will tell you there was a recession--1937, 1938. When there's a recession, students clamor to take economics courses. I think that's still true.

Well, believe it or not, there were just a mob of students. Dr. Cross, in his own way, had a feeling that nobody should be a teaching fellow for him who was a Cal graduate because he didn't like the inbreeding--get the Cal people out of the campus and go some other place, but not going to work for me. And very

outspoken. He also is the kind of a person that he would recruit people to be good teaching fellows, a lot of Canadians, a lot of people from the East Coast, and so on, that were not Cal graduates.

The essence of it was he would then kiss off every one of those that he didn't select. He'd say to those who were going to be accepted as a teaching fellow, "Fine." But he never let anything remain in the way of a bridge. He had literally eliminated all of the other candidates. He found himself in the position where the only person that he could get to be a teaching fellow was a Cal graduate. Bob [Robert] Caulkins was the dean at the time. Bob was one of my mentors. Cross came over to the dean, Caulkins, and said, "I've got more students than I can handle. What'll I do?" Caulkins said, "Well, put on another teaching fellow." He said, "Yeah, okay, who's going to be my teaching fellow? I made my selection. I've got the brilliant people. I don't want any stumblebum."

Caulkins thought for a minute, and he said, "Well, Hoadley is around. He has a record as an undergraduate. He can do the job." You can imagine that Cross was not exactly happy.

LaBerge: You had already had him in class as an undergraduate?

Hoadley: Yes.

LaBerge: So he knew you.

Hoadley: Oh, he knew me. He also gave a number of courses in international finance that I'd had from him, but it was primarily the elementary economics course, which only sophomores and up could have. Anyway, the essence was that I became a cause célèbre because he called me in and with a little bit of profanity, and he said, "I'm going to have to take you because there isn't anybody else around. At the end of six months, we're going to flunk out enough of these kids that we won't need you."

So I was a teaching fellow. Doc Cross had an ego. He loved to be in Wheeler Auditorium and make these grand lectures. Right in the middle of some lecture, he'd see some woman or some student somewhere reading The Daily Cal, and he'd stop and blast him and throw him out of the auditorium. His ego caused him to poll the class. What did you think of the text? What did you think of the teaching fellow? What did you think of the lecturer?--meaning himself. Of course, being a ham, he gave a lot of interesting lectures, but what he hadn't anticipated: I won the poll as the best teaching fellow.

LaBerge: So what did he have to say to you after that?

Hoadley: I became his head teaching fellow.

LaBerge: Wow.

Telling Doc Cross about Impending Marriage

Hoadley: That's the Cross story. But I must say he did a lot of good. He didn't believe that teaching fellows should marry until they had finished their degree, so we had that to worry about. A couple of the teaching fellows were married, but he didn't know it. Virginia and I were getting to the point where we had set a date. We were wondering how we were going to manage this. We knew at least one other teaching fellow was married, so we figured, well, if they can do it, why don't we?--but the date was set, the invitations were out, and we hadn't told him.

Anyway, I'll never forget as long as I live that particular weekend. Virginia was needling me, "Tell Doc Cross." I was saying, "Don't push me." Well, anyway, this particular day came when I couldn't wait any longer. I had to do something, so I called the home of Ira Cross. I got Mrs. Cross. Mrs. Cross said, "Well, Ira is out in Lafayette." He was president of the American Iris Association and I think he did a lot in iris but also in chrysanthemums. The head teaching fellow was the slave to work with him on the plots that he had in Berkeley, for which you got nothing. That was part of the job.

But the reason for mentioning this all was that he did a lot of gardening in his place at Lafayette, and that's where he was. So I said to Mrs. Cross, "When will Dr. Cross be back? I have something I want to tell him that's important." She said, "Ira will be back but probably not till five or six." Here, it was ten in the morning, and I had to sweat it out. So anyway, I tried at five o'clock, and he was still out there with daylight and so on. Six o'clock he hadn't come in.

She said, "My, young man, you must be really disturbed." I said, "I really am most anxious to tell Dr. Cross some things that I think he should know." She said, "Well, it must be important. Why don't you call back in an hour?" And he still wasn't back. Finally, I got him. He said, "What's wrong with you, Hoadley? My wife tells me that you've been pestering her all day."

I said, "Well, Dr. Cross, I have to tell you that Virginia--" and then he stopped me. He said, "It's getting late. My wife and I are going to a wedding tonight. I better stop right now. Can't we postpone this?" I said, "Dr. Cross, [assuming a young, crying voice], it's because Virginia and I want to invite you to our wedding." He said, "What?!" I said, "Yes." I said, "We're planning to get married, and we know that you didn't approve of this, but we thought it was important that you know that we were going to do it in advance."

There was a long silence. Finally, he said, "Okay, you've already made the commitment. I can't stop you. But good luck." Well, I bore you with that story but it's one that illustrates that he was a domineering person, but he had a good heart. Some time later, when I had a job offer before I got involved in economic intelligence during the war, the job was to teach at Pomona. After I had accepted the job at Pomona, I was called into economic intelligence in Chicago, but it was not yet an official draft call. It was an invitation to be a part of a team that was being formed that later qualified as an official body.

The result of that was that I had the predicament of Pomona, or this job. The second job was one that I thought was tremendous. They were forming a group which stayed together for financing the war contracts, and later it was turned over to the responsibility for reestablishing a postwar banking system in Germany and Japan. I was part of this team that was formed.

Anyway, here it was. I had a choice. I felt, well, I signed the document, I'm going to have to teach at Pomona. Virginia said, "What do you really want to do?" I said, "I want to go with this team." She said, "Why not?" I said, "Well, I've got a problem. What am I going to do?" She said, "Why don't you go talk to Dr. Cross?" So we got in the car and went out to Lafayette, where he was gardening and told him the predicament. He said, "That's simple. Just tell them you're not going to go to Pomona." He said, "I'll call them and tell them to call it off, that you've got a better offer." Life just fell into place as a result of that.

LaBerge: Yes, but you needed somebody older and wiser to say that was okay.

Hoadley: That's right, because I thought it was dead wrong to--anyway, that's a long-winded digression, but we got pretty close. Later, his young son and I got to be good friends, and the young son died--tragically, some virus or something. I became a little bit of a substitute. There was another son in the Cross family, who

later married the widow of the younger one. You can see the tangling that we got involved in.

So we start over here from "I don't want you as a teaching fellow," all through this tortuous trail that he cleared the decks which changed my whole life during the war. So I have a mixed emotion, net positive view toward him. He was a tough cookie to deal with, but he used his toughness to help me as well as put me in my place.

LaBerge: That story also tells something about the times. I mean, in this day and age, no one at school would ever tell us that they couldn't get married. Do you know what I mean?

Hoadley: Absolutely. Right now--

LaBerge: It couldn't happen.

Hoadley: That's right.

Research Assistant to Professor Paul Taylor

LaBerge: Well, under him, when you were working on your master's--you got your master's in labor.

Hoadley: Yes, with Paul Taylor.

LaBerge: Okay, so tell me about Paul Taylor, and how did you get that research assistantship or--

Hoadley: Keeping in mind that my father was a New Deal Democrat and union president, I took labor courses under Paul Taylor when I was on campus, in the course of which my dad was my advisor. I wrote papers, and there were a lot of incidents at that time in the lettuce fields, a lot of strikes. So my papers reflected the fact that I was a native of California and had a lot of relatives around so I could get to Salinas and get the underground information that was available to me.

The result of that whole experience was that Paul Taylor felt that my papers and my presentations to his classes were useful to him, and he and his wife, Dorothea Lange, was quite a photographer. I was a half-baked photographer, but I took a few pictures that he thought were kind of useful.

In any event, I finally had a strange experience, and that is because Paul Taylor had connections politically in Sacramento

and with the federal government, Department of Agriculture, he was invited to put together a report on some of the problems in the fields in California. He asked me to be his assistant, so I had the opportunity to work closely with him. The result was he said, "Well, why don't you make this lettuce field experience be your master's thesis?" That's what I did.

In 1940 I got a master's degree in labor under the subject of 170 Self-Resettled Migrants in California.¹ I had interviewed all these people in the Salinas Valley and pulled other information that I had together into a master's thesis, which he thought was exemplary, I guess.

Paul Taylor was a very quiet, scholarly person. His course in labor economics was the most boring course that anybody had ever given. It was at one o'clock.

LaBerge: Oh, that's a terrible time.

Hoadley: "The History of the British Labor Movement" or something like that was the course that he gave at one o'clock. It was absolutely deadly. But when he would go into the fields or go to a strike-bound area and come back and report in class that the governor had asked him to be an arbitrator or something, and gave you that kind of inside information, it was a fascinating experience. It was the real world, and we really enjoyed it. When he was boring, it was awful; but when he was really with it, it was an exciting experience. So I got to know him pretty well.

LaBerge: Did he go along with you on any of these interviews, or did you go along with him when he was--

Interviews in the Salinas Valley

LaBerge: Okay, you were saying you were pretty much on your own.

Hoadley: Yes. As a matter of fact, the people who were supervising the enumeration in the Salinas Valley were part of the federal government operating under a grant. Paul Taylor was the intermediary. He was the one that got me involved, and that was a chance to make a few dollars, which was great, as well as getting experience. So I was out in the shanty town, with the Dust Bowlers who had moved from Oklahoma and Arkansas.

¹ "Agricultural Labor in the Salinas Valley," 1938.

That was a fascinating experience, but I was afraid I was going to get shot or something because I made the mistake of knocking on the door and saying, "I'm with the federal government." I thought that was prestigious. That was not exactly the way to get welcomed there. But I finally got to the pastors in the rural churches that had come from the Middle West and the South and convinced them that what I was doing was legitimate. And then I went to church, and in the church sermons and so on I was introduced to the community, so I had 170 people who were willing to talk to me.

But the stroke of genius, good luck, was the fact that the head of the Chamber of Commerce in Salinas had a son, who was a wayward kind of soul and having problems. This head of the Chamber of Commerce heard that I was there, and he also found out that I had the authority to hire a few people to go with me. I hadn't gotten around to do it. So he said, "If you'll take my son off my hands and give him something to do that he can do, even if you throw it away, it will be a godsend for me." I said, "Okay, fine." "In turn," he said, "I'll open doors for you in the business community," which he did.

The son did a good job. I only throw these things together, but the most interesting part of it was to see people who had never seen an ocean be in Seaside, California, earning a living ocean fishing. That Fort Ord area, the whole segment of California, was in its early stages of development. So that was Paul Taylor territory.

LaBerge: That must have been quite an experience to talk to all those people.

Hoadley: Yes, but I was very lucky to get so much local support, and not get shot. Some interviews were held with guns in sight. It worked out. It worked out. But those experiences were so invaluable because they give you something to talk about. It also gave you some ideas that you can dust off and brush up and use some other time.

Ph.D. Thesis: Need to Change Topics

LaBerge: Yes. And did Paul Taylor use your interviews, then, in his research findings?

Hoadley: Yes, yes. Not as much as the professor who handled my Ph.D. That's a quirky story. World War II intervened at the time of my

oral exam and the completion of the degree. Joe Bain--God rest his soul--was my mentor. He was professor of economics and a theorist to a considerable degree in industrial policy. I had the idea that I should write a thesis for my doctor's degree in the area of the petroleum industry of the West, where I had in-laws and a few other people who had information that I could use.

Anyway, I put together a paper for one of his seminars on the petroleum industry in the West, and he thought that it was useful. In the course of this we agreed that I would use that industry as the core for my doctor's degree thesis. And so I started the thesis. I had done a fair amount of preliminary work but hadn't put it in draft.

Then I got this call to go join this economic group that was forming in Washington and particularly Chicago. I had about maybe three-quarters of a thesis, and I had to stop. I didn't get back to the thesis until the war was over. I thought okay, I'll dust that off and see if I can update it. I hadn't even been near the campus for the whole war period. I came back to find that Bain had published three volumes on my thesis. He told me--he said, "You were doing some work with me, so I figured that you wouldn't mind because you were off doing something for the country." He said, "So we can't accept your thesis because it has already been published."

LaBerge: It's not original anymore. Do you know the title of what he published?

Hoadley: There are three volumes. I've got them. It was the Pacific Coast petroleum industry: market structure--I don't have the exact name. I was obviously upset.

LaBerge: I'm sure!

Hoadley: Needless to say, Virginia was even more upset because she was typing this before word processors. So all that she had done was useless. We had a choice--

LaBerge: It was all your work.

Hoadley: I had to do something, so I decided I was going to use my thesis no matter what. I in a sense, without doing anything overt, I just finished the first thesis. Then, because I was in the Middle West and the East, I wrote another thesis on the Midwest-East petroleum industry, but I was afraid that, because the subject could be classified as maybe partly used, my actual

thesis,¹ which is over on the campus right now, was a comparison of the two, which was completely fresh information that nobody could say is something that I absconded with. So I got the degree.

LaBerge: Did you come back for graduation ceremonies?

Hoadley: No, I was tempted. My mother was very upset, but after I had the degree and the sheepskin, she sent me a cap and gown with a hood, which rarely I wear, but that was the ceremony that she said was going to take place if it takes place in my living room. That kind of wound down the Ph.D. The only footnote I put into it is that in the oral to defend the thesis, my professor friend, Bain, had the right as the chairman of the committee to ask the first question.

The first question and only question he asked--he looked across the table--and he had an enemy--I won't name names--who was also on my committee. He said, "Walter, if you had never seen or listened to that so-and-so over there, what difference would it make in your knowledge and your ability to be an economist?" What he was saying is you've been given so much lousy, terrible information from that jerk over there, I want you to tell me what terrible job he does and in essence, I want you to forget him.

I was allowed thirty minutes for each committee member. It took me thirty minutes to answer the question, because I didn't want a second question. When I took my first orals for the doctor's degree, I gave them quick answers, which is the stupidest thing in the world, but nobody ever warns you. But they don't interrupt you, but the minute you stop--

LaBerge: There's another question.

Hoadley: Well, anyway, this was a game. But as it turned out, I got the degree, and I really didn't care. But that's the saga.

LaBerge: That's a long saga.

Hoadley: Frankly, I've never told that story. Virginia knew. But it made the Ph.D. a rather long, time-consuming problem. But it was also my first experience with plagiarism, or my first experience with

¹ "Pricing and Competition in the Distribution of Refined Petroleum Products: A Comparison of the Midwest-Great Lakes and Pacific Coast Region," 1947.

somebody taking advantage of me. I don't think we ever talked or saw each other. But I gather that it isn't absolutely rare.

LaBerge: No, I think that it isn't rare.

Hoadley: Maybe I made a bigger deal out of it than I should have.

LaBerge: Well, when it happens to you--I mean, just on the face of it, it seems wrong. And when it happens to you and all the effort you've put into it--

Hoadley: I thought so, anyway. But I got the degree. And my attitude toward Ph.D. degrees has been shifted as a result of that.

LaBerge: I'm sure.

Hoadley: I was brought up with the idea that you always did your best and you wanted to be sure that everything was impeccably correct. After what I went through getting my Ph.D., my attitude is, I'll do my very best to be sure, but I'm not going to do my "extra best."

LaBerge: That's right, yes.

Hoadley: But anyway, that's just one of the experiences that falls into place on an occasion like this. Someday maybe somebody will care that I did it.

III WORLD WAR II AND POSTWAR ECONOMIC WORK

Situation on Pearl Harbor Day

LaBerge: Let's shift to World War II and Pearl Harbor. Do you remember where you were when you heard about Pearl Harbor?

Hoadley: Precisely. Virginia and I were in the Napa Valley, near Calistoga. We were up there because Virginia's family, her mother and father, had a ranch, which we still have, on the Silverado Trail. We had gone up to the ranch to celebrate the very exciting experience that we were having at that moment. The Secretary of Labor, Secretary of Commerce and so on had some thoughts, perhaps, of World War II coming, but they were forming organizations on the Cal campus.

When the Assistant Secretary of State, Henry Grady, had been the dean of what was called at the time, the College of Commerce --he was a politician and a dynamo and a guy with a great, fertile mind, but his roots were Cal. On the Friday before Pearl Harbor, I was in his office. He was then the president of the American President Line steamship company. He had followed my career, and the Friday before Pearl Harbor--two days before Pearl Harbor--he hired me as his immediate assistant to do the research for the shipping industry across the Pacific in the years ahead.

On Friday Virginia and I were in ecstasy because we could see this was a very prestigious guy, and I was going to be his right arm. We were excited, and we were up in the Napa Valley, Calistoga, telling the family that all was well. That Sunday night I got a call from him, in which he said, "Walter, I'm afraid we're going to have to defer that arrangement that we made on Friday. We've lost a ship. It has been torpedoed by the

Japanese." He said, "Be sure to look me up when this incident is over."

So I didn't have a job because I had resigned everything. I managed to get another one pretty fast, fortunately, but anyway, so you asked what we were doing. We were celebrating in advance something that never happened. The first thing we did--it's what everybody did, men in particular--we rushed to sign up to get in the service. I had a lot of friends, so on the Monday after Pearl Harbor--there were recruiting stations, tents or what have you, in Berkeley. Everybody was outraged and concerned. We wanted to do what was patriotic.

Unfortunately, my eyes couldn't make the cut to get a commission. In fact, I had been warned by a few of my friends who were getting navy commissions as seniors that I should get involved but I tested and my eyesight was not--in those days you had to have 20-20, no question about it, corrected was not counted.

LaBerge: Oh, really. So even though you've got 20-20 with your glasses.

Hoadley: Therefore, a lot of my friends went into the service, were in there within twenty-four hours. I was kind of on the beach. That particular problem plagued me all the way through. Finally, I got involved, as I say, in this program of economic research, essentially to make sure that the war effort was successful--in my case, the machine tool industry and the paper industry. But that was always a mixed situation for me because I wasn't able to be where everybody else that I knew was. But I simply had no choice.

LaBerge: You offered your services.

Hoadley: I did again in Chicago over and over again. I'm sure toward the end of the war they had lessened some of the restrictions. That never did change my situation. The navy and the military, the air force, recruiting in Chicago was across the street from where my office was. At lunch I'd go over and say, "Here I am again." No good.

Richmond Shipyards

LaBerge: Before you went to Chicago, didn't you work for the Kaiser Shipyards or do something there?

Hoadley: Yes. When Pearl Harbor occurred, there had been a lot of preliminary activities going on, getting ready for World War II. Without telling anybody anything. Bob Caulkins, the dean, was a special official with the state planning board to prepare for war and particularly for shipbuilding. The Richmond yards were by no means in shape to turn out a ship a day, as they were later. But they started quietly building the base for production of ships.

Because of the fact that I was without a job, I was pleased to be invited to be a part of the group that was centered at the university on the war effort. It was called something like the Engineering Science Management Program of the University of California. That's not quite right, but it's close enough. Which meant there were courses given on the campus to provide good personnel for the whole war effort in the Bay Area.

I was teaching the people who were being recruited to man the Richmond shipyards. I became an instructor, particularly in management. It was that particular program that bridged the gap between Pearl Harbor and the opportunity I had to go to Chicago.

The Chicago experience again reflects how strange things can happen and how amazingly little developments can be of tremendous importance. Someone made a decision back in that same era to bring in a man from the University of Minnesota to come to Cal and be an instructor in economics. John Kenneth Langum.

LaBerge: What's the last name?

Hoadley: L-a-n-g-u-m. John Langum was a farm boy from the Middle West, brilliant individual. Very short, very pudgy, not an impressive person to look at, but a mind of tremendous ability. He considered himself to be a member of the faculty, but he really was very close to the teaching fellows. The teaching fellows and their brides or their girlfriends or what have you would get together from time to time to play bridge. Virginia was a good bridge player. I was so-so, I guess.

Anyway, we used to on a given Friday night find somebody's apartment or somebody's shed or what have you and play bridge. One night Virginia was a partner with John Langum, and they bid and made grand slam. It was an exciting experience, and Virginia was pleased. We all forgot about it. John Langum was called to Chicago--

LaBerge: From Cal or from Minnesota?

Hoadley: From Cal. To form the Middle West base of this research intelligence group and to be stationed in the Federal Reserve

Bank of Chicago. Lo and behold, he has to staff this organization and starts hunting. He couldn't remember my name, but he remembered the grand slam and his wife remembered Virginia's name. [laughter] Unbelievable. I got a call from him to explore his needs, and my skills and interests. He agreed that he wanted me to join his new team. Because we had no planes in those days, we agreed to meet in Salt Lake City, the midpoint for travel.

So he came in from Chicago and I came from San Francisco, by train. We got there, and had reservations at the Hotel Utah, over near the Mormon Temple. He and I negotiated, and when he went back to Chicago, I had been hired as a member of this team. And so every time since we've ever gone into Salt Lake City, I think, there's where my life changed. John hired me to come to Chicago. The result was that we went. Virginia was pregnant at that point, and the doctors had told her there was no way she could drive to Chicago. They were being cagy or careful, I guess, or something. So we had to take the train.

Economic Research at Federal Reserve Bank, Chicago

LaBerge: Before you did that, did you just make the decision immediately? Or how did you go about--because that's a big move for two people who had grown up in California and your families are here.

Hoadley: You recall what I said about everybody I worked for. This was my way to get out of California. As a Californian, I knew I loved the state--proud of it and so on. But I didn't want to be in a position where somebody said, "He's just a Californian." In those days, the East Coast and the West Coast were not only very different, but the East felt far superior.

So here's my first real solid chance to get that opportunity to be a Middle Westerner or Washingtonian. I was satisfied in my own mind this was, again, something providential. When you think of the quirks that took place to get me to Chicago--I'm sure it's true in everybody's lives--divine guidance. But these things had to fit together.

From the Chicago base, the intelligence group was headquartered in Washington, D.C., in the Federal Reserve headquarters. We put together an impressive network. Every Federal Reserve Bank (12) had a nest, a special group. Brought together, this group of people for the next twenty to twenty-five

years were the economic brains of the United States and Germany and Japan.

LaBerge: Tell me what you were doing.

Hoadley: Well, the first thing we were doing was domestic--to scout the financial needs of industrial companies making war fighting equipment. What funding is necessary to get the machine tools to be built in the Middle West in order that the manufacturers of munitions, equipment, automobiles would have no financial problems whatsoever. That was sort of a mandate. I remember the machine tool industry--I got an assignment. I didn't know a machine tool from I don't know what, but I sure learned! I went to every machine tool factory anywhere in the East, at least, and got acquainted with the people. That was a strange situation, as I was the person that authorized the money flow from the Treasury of the United States through the system so that these companies would have whatever they needed. That was the flexibility to deal--

Anyway, what we did then was to--step one--set up the system where we didn't give away the assets of the Treasury without audits and all that. It was a fairly operational procedure to get involved in. There were V-loans (the V standing for victory), and there were VT-loans (victory and termination): how do we get back whatever the government has a claim on from these people who got all this money.

The process exposed us to every business dimension you could think of. Accounting--in those days it was the forerunner of computers, but it was so primitive, but it was state-of-the-art. When I got involved in the intelligence side--which is another way of saying "What do we know about the counterpart in Europe or in Japan?" I had tremendous shock in the middle of the war, when I learned to my absolute disgust that when I was chairman of the University of California ASUC student labor board and my star was a Japanese--that Japanese turned out to be a naval intelligence spy.

LaBerge: Oh, really!

Hoadley: I could then piece together that the guy was taking pictures of all sorts of things. He had a camera wherever he went. But I was defending him as the model Japanese when they were putting all the Japanese into concentration camps--to find Hideo Okusaku was a spy. That opened up another blind spot in my life. I never saw him again. I tried to track him down at the end of the war, but I never did.

LaBerge: So you did go and support him as not having to be interned?

Hoadley: Yes. Whether it was that precise, at least I defended the fact that not all Japanese were bad. But, as I say, that was a shock. It made me a very cautious individual. I was very naive.

Headquarters at University of Chicago, 1944 ##

LaBerge: Okay, so you were involved in that intelligence, finding out what the other countries were doing.

Hoadley: Yes. At the first was preparation for our people to have whatever they needed, and then the next, what do we know? We didn't know much. Then about 1944 the Washington inside dope began to feed to us that we've got to start thinking about when this is over because we are winning. The University of Chicago was set up as the headquarters for the re-establishment of the banking system in the defeated nations of the world. I became the economic advisor to that group at the University of Chicago.

LaBerge: Were you based right there on the campus?

Hoadley: Actually, that's where it was, yes. That's where I got to know Milton Friedman and a lot of the Chicago School people, which, again, luck or something put me in the right place at the right time. Anyway, in the course of the transition to peace there was a lot of confusion. We had to rely on the guesses of missionaries to tell us where the banks were in Japan. We had a truckload or--one truck maybe had all the intelligence information we had about the Japanese financial system.

As Americans, we had, in all modesty, assumed we were so much better than anybody else, we didn't need to know what others were doing. Forget it. We sure ate some of those crumbs because the enemy had a lot of things that we didn't know. But the war began to turn--still terrible hostilities going on, but from "We might get beat here," to "We're winning and we are going to have to have something in place when this is all over."

And so the scope of activity narrowed down to banking, in my case, finance.

LaBerge: Before we talk about that, who were some of the people you were working with? You said this became the core of the economic advisors of the United States when you were with the Federal Reserve. Names that we've heard of since?

Hoadley: Yes. People like the chairman of the Federal Reserve, Bill Martin. If you check the record of the presidents of the Federal Reserve Banks in the United States, with hardly any exception, every one of those presidents was one of the team that we were a part of. Even to this day, there are a few, who were very young, obviously, still on the edge. But if we had the roster of the presidents of the Federal Reserve Banks and the Board of Governors--Arthur Burns, the equivalent of Alan Greenspan. That was where I matured my economics. These were people that took their job seriously. Became very close friends.

LaBerge: Who was the chairman of the Federal Reserve then?

Hoadley: The background is Dr. E.A. Goldenweiser was the commander-in-chief of the whole operation. He was the chief person. There were a series of chairmen in there. Bill Miller was part of that. As I said, Bill Martin. But I would have to say that I would need a roster. The names that pop out to me are names of people who all rose to the top and now have gone, disappeared.

LaBerge: Were you traveling around, like traveling to Washington?

Hoadley: Yes, by train. And then, toward the end of the war, occasionally we had a plane ride. But it was still pretty primitive. The generation that evolved in World War II in this group that I was a part of were the leaders for the next twenty years.

Birth of Children in Evanston

LaBerge: Where did you live when you were in Chicago?

Hoadley: We lived on the north side, in Evanston. Our children were born at the Evanston Hospital--one in '43 and one in '46.

LaBerge: I think you told me your son's name, who was born in '43.

Hoadley: Richard A-l-m. That's Virginia's maiden name.

LaBerge: And what about your daughter?

Hoadley: Our daughter Jean, Jean Elizabeth.

LaBerge: Born in '46?

Hoadley: Forty-six, yes. At the Evanston Hospital, north of the Chicago city line. Our son in a snowstorm; our daughter, a false start

and then back to the hospital and had a second chance and delivered. We remember those occasions, for sure.

But we didn't know the area very well. In fact, when we arrived in Chicago for the first time, we had no idea where to live. We said, well, we'll go out and see where Langum lives. Of course, he was in a very different bracket, so we could quickly see that wasn't for us, so we asked the real estate people, "Where do you go?" They made a few suggestions. Unfortunately, they were in slum areas.

LaBerge: Where they told you to go?

Hoadley: That's right. But, again, fluky things happen. Virginia's family had some people who came over from Sweden the same time her parents came over from Sweden. They were friends. The last thing Virginia's parents said to us before we took the train to go to Chicago is that "if you have any questions, look up the Readings." Okay, we never really thought about it. We heard what it was. After we'd traipsed all over and found slum after slum on the north side of Chicago--we couldn't afford the suburbs--Virginia said, "Don't we have an envelope or something?" So we looked up the Readings. And our life changed.

They got us into an apartment place which was temporary, like a hotel. We were there a few months, and we finally got another apartment on our own. But, again, it was an envelope that we didn't think was important. I learned a lot about smoke because the trains were all coal-burning.

LaBerge: That's right. So when you lived in Evanston, you took the train in?

Hoadley: Chicago Northwestern, yes.

LaBerge: Should we stop here?

Hoadley: This would be fine.

LaBerge: The next time we could start--because we only just started--with you being at the University of Chicago with that group. We could talk about that. Unless there's more to say on the Federal Reserve part during the war. And I'm sure there's more to say, but whether--

Hoadley: I don't know. Our initial task was, "Let's get the money out and be sure we don't lose the war," because we had money problems. Finally, simply make sure that we wind down the war and don't cheat the government. That summarizes a lot of work.

LaBerge: Several years worth.

Hoadley: That's about it, yes. The Federal Reserve is the sort of thing that there were subgroups, committees and so on, but the question is in there is a lot of minutia.

LaBerge: Okay.

Seventh Federal Reserve District, Economic Intelligence,
1942-1944

[Interview 3: April 9, 1999] ##

LaBerge: Okay, we ended last time getting you to Chicago, but we didn't really discuss all the things that you did, starting with, is it 1944 when you got to Chicago?

Hoadley: The University of Chicago. I was there in '42.

LaBerge: With the Federal Reserve Bank?

Hoadley: Actually, that's where it was physically located, but I was a part of the national economic intelligence team of the Federal Reserve.

LaBerge: Okay, so why don't we start right there, then, 1942, and tell me what you were doing.

Hoadley: Well, of course, Pearl Harbor was in '41. I mentioned that I thought I had a job with the American President's Line, and it collapsed because of some bombs in Pearl Harbor. I was temporarily looking for a place to hang my hat--involved in the industrial training school associated with the University of California to train managers for the Richmond yards, building ships. That was proceeding under the assumption that I would be there for a while, but I had no idea what that was going to lead to.

I mentioned the phone rang and John Kenneth Langum called me. Langum was the guy with Virginia who had a grand slam. John met me in Salt Lake City and offered me a job to come to Chicago and join a team. At that time, the Federal Reserve system--I think I mentioned--was called upon by the military and by the government at the federal level to put together some teams that would be monitoring the ability of our industrial companies to meet the war needs.

At each of the twelve Federal Reserve Banks was set up, a unit, maybe about six or eight people. This group, multiplied by twelve--twelve banks--became the economic brains--however you want to define it--that was involved in checking in general what was needed. More specifically living out of a suitcase, going from company to company to company to talk to the financial people--what do you need? What sort of financing, what are the contracts to be financed?

I got involved in that, and then some of us were selected to go to Washington, D.C., to coordinate all this. The first phases were, what do you need in the way of money; the second phase was, what are you doing with the money, do you need more; and the third phase was--toward the end of the war hostilities looked like they were going to subside--the key question became how are we going to unwind all this because there was a lot of government money. We had pushed the money there, and now we had to get it back.

The program had certain codes to it, specific terms. The codes had involved priorities for the companies. I was in the middle of the machinery part of the Middle West, which was the industrial base for vehicles, plane parts, and of course munitions. The Seventh Federal Reserve district became my territory.

LaBerge: For instance, what companies did you go visit?

Hoadley: In the machine tool industry and the paper industry, you name the company, and I was there. It was a complete program that just kept us going. We were troubleshooters. We of course interfaced with the military as to what they could see ahead, or they asked us what we could see ahead. So there was a lot of research in terms of needs and also the question, "What's this doing for the people? What's the morale?" So it was a general assignment until about 1944. They U.S. leaders started to think that we had victory coming. The public was not informed on that, but we were beginning to get reports.

Reestablishing Banking Systems in Japan and Germany

Hoadley: The problem was how do we re-establish the civilian economy that had been totally immersed in the war? How do we unwind that, but more particularly, what are we going to do with the banking, financial system from the standpoint of rehabilitating the enemy, putting him back functioning again? Specifically, Japan and

Germany were the ones that I was involved in. The situs, the base for that was the University of Chicago.

LaBerge: Before we talk about that, a little bit more on your work with the Federal Reserve. A couple of things I found in the library were your reports: one on the meat packing industry and one on all the Chicago area's industries. Is that what came out of what you were doing?

Hoadley: A lot of it came out of it, that's right, yes. The meat packing was logically in Chicago because at that time the industry was based there. The Chicago stock yards--was moved to Kansas City. Of course, those of us who had kind of general responsibilities were making speeches all over, to try to sell government bonds. That was not the main focus, but some of my more interesting experiences were trying to sell bonds to farmers somewhere out in the wilderness of Wisconsin.

But it was a frustrating kind of experience because so many of my friends and colleagues were in uniform and were going overseas. My international activity picked up toward the end on the re-establishment side of it. But as far as friends who were killed at Pearl Harbor, I lost a lot of good friends. I had a strange and kind of awkward feeling that I ought to be doing more than what I was doing.

So we were constantly probing for things to do on top of what we were doing officially. There were several of us who had this same kind of feeling. We put a lot of energy into the idea of trying to come out of the war with a victory that did something for peace. I spent a lot of time with the Japanese leaders who were defeated, and asked them about Pearl Harbor and tried to learn more about the causes of the hostilities. I never got satisfactory answers, but at least I got the party line.

But there were some very sincere people in Germany and Japan who were prisoners. Particularly toward the end of the war, they were sort of so badly beaten, they were considered people who would do anything because they were afraid somebody was going to kill them. It was a mixed situation. I never felt totally satisfied.

When we got to the stage of re-establishing the banking system in Germany and Japan, we gave it all we could to try to get things back. That was part--I don't believe the public fully appreciated--the philosophy of the Americans was to win the war, but after you win the war, try to win the peace but not by the mistakes that were made at the end of World War I but by rehabilitating the terms with the Japanese, in my particular

case. It worked surprisingly well, but I don't think we can take much credit for it because the Japanese particularly, as Asians, lost face, and when you lost face, they were as good as dead. So no matter what we wanted or no matter what we were interested in, the answer was "Yes, sir; yes, sir; yes, sir."

We finally got them to relax a little bit, but that was an emotional experience, to put it negatively in terms of wondering why I couldn't or shouldn't be doing more and then, later, concerned about how we can make some sense out of the losses.

And then, simultaneously with the Germany and Japan research, the president of the long since defunct automobile company, Studebaker--

Committee for Economic Development and Government-Business Partnership

LaBerge: Paul Hoffman.

Hoadley: Paul Hoffman. Paul was the leader of the Committee for Economic Development, which was an organization--I'm not sure he created all of it, but he certainly was the leader--to carry out the government's policy of, we're going to put things back in shape. That appealed to a lot of us. And Studebaker was headquartered, as I recall, in South Bend, Indiana, so it was next door to Chicago. We spent a lot of time there.

My boss, Langum, was one of the major kingpins in that program and sort of rolled through this transition reasonably well because we had something to be fighting for, now that the war was ending positively. That taught me an awful lot about the difference between a negative activity, war, and a positive activity of first of all shutting down the military munitions, plants and so on, and then trying to avoid the depression that came out of the World War I era that set things up for the boom and bust in the twenties and thirties. We spent a lot of time on such issues.

Sewel Avery, as I recall, was the chairman at Montgomery Ward. There were lots of jokes because he was a stubborn guy. He wanted to do everything his way, and he was absolutely certain that America was going to fall apart with the second depression, Hoffman and the CED group were determined that he was going to be wrong, and he was wrong.

One of the lessons that I learned--and I think it's relevant to today's condition--is that if you can gather together small groups of leaders who catch a vision, catch a need, you can accomplish almost miracles because everybody gets a piece of the action that they have to do something about, and you take the problem from being "we've got to get peace" down to the fact that we've got to be able to turn this munitions factory into producing refrigerators--nobody had had a new refrigerator in years.

From an economic standpoint, we did research pretty continuously on the pent-up demand of civilians because the people who expected a second depression totally overlooked the fact that there was a build-up of pent-up demand of what people needed because they hadn't been able to get, to buy, to use anything new for years. Fortunately, that was the right answer. Instead of going this way [motioning down], they had to clean up the debris, but we came out of it then [motioning up].

I was part of that process. A lot of the reports that we wrote became reports of the CED. The CED is still alive today in Washington, D.C.

LaBerge: Oh, it is?

Hoadley: Its function is broader in the sense that it's not coming out of a war or going into a war, but it is a think tank but with a very distinct business input. The CED is a research-based organization working on national policy issues with practical recommendations as to do this or do that; so it has carried on the tradition that started back at the end of the war, World War II.

So anyway, that meant I surely got well acquainted with a lot of business executives and finance specialists, a lot of which I had many an opportunity to build a personal base as well as contribute whatever modest or significant input. We felt we were doing something that was important. And that colored me more than anything else because research alone would be dead-end. It can be theoretical. It can be fascinating because you're debating with somebody about some minuscule point, but totally irrelevant. It made a pragmatist out of me, for sure.

LaBerge: Before that, had you not been a pragmatist?

Hoadley: I thought I was, but I was far from what I emerged later on. I guess you'd have to agree that when you're doing that kind of research, economic research, you can be fascinated with your academic training. You get a doctor's degree, and the only way

you please the doctoral committee is that you have to tell them that everything is according to this theory or that theory.

Basically, I got bored talking about theory when I was out there to find out how can we pour another \$5 million into this plant so that we can increase the production of tanks or something of that nature. So I guess it caused me to meet a lot of business people who didn't care anything about theory. I had to unwind a lot of my academic training. I really didn't know, because I thought that I was so far ahead in pragmatism that I could really run something but I never had the responsibility.

But I realized quickly how little I knew. Because of my academic training, which we all agreed was adequate, fine, but basically we didn't know what we didn't know. I can't help but repeat that during World War II, how little we knew--but we learned--whether it was pragmatism with the business leaders and the spirit of the country. We were right in the middle of that.

I came out of that experience much more a pragmatist, but I knew then literally hundreds, maybe even thousands of business people. It's amazing how over a period of a lifetime your contacts can shape your thinking, building the information base, but much more important, building a list of individuals to keep in contact.

So I started somewhere in that era keeping a list of people I knew. I wanted to know somebody in every industry. I wanted to know somebody in every state. I wanted to know somebody in various disciplines within the field of finance. As a result, I have a master card of people that I got to know because everybody was in a pretty open sesame perspective. They didn't have the academic constraints. "That's my territory," or "That's my theory" or "You're wrong." The attitude is you may be wrong, but take another look because I think you've overlooked something.

The only reason I mention this now is that that's exactly the kind of spirit that will take America for the next ten to twenty years, if we can somehow organize it. I guess that's where I build in my mind a prejudice that if government can't solve a problem and labor can't solve a problem, academics can't solve a problem, what's left? Business.

The trouble is that the business people blow hot and cold on doing something for the community, rather than take a leadership role. My complaint still today is where are the fresh ideas coming from business to meet the problems that we have to face? It's extremely difficult to get business leaders, extremely able people in America particularly, to think as decision-makers for

the country. They're afraid somebody is going to say, "You've joined hands with the enemy. You're going with government."

During the war, we didn't even know the distinction between government and business. But the minute the war was over, the assumption was you're going to go to business, or you go into academics or where are you going? Business was considered to be not the way to go, but the business leaders, Hoffman in particular, rose up to the degree that the public began to realize that there was some answer, that a Second World War depression was not going to happen.

That was kind of an evolutionary period in my lifetime.

American Banking System and Bond Value Decision

LaBerge: As a part of all of that, were you involved in wage and price controls and monetary policy, or not?

Hoadley: They were all part of the process. In other words, many of us served on committees, specialized task forces, kinds of gatherings with--I remember one particular one, perhaps never will forget--is that the war was financed with relatively low interest rate bonds. In the process, those bonds, a lot of them were bought by banks, so the banks' financial statements showed they owned a lot of government bonds.

LaBerge: Did these have a name, like Series E or something?

Hoadley: They were bonds for everybody. The bonds that the public received or bought on a payroll basis were the consumer side, but government bonds really filled the coffers of the banks. Banks bought them--aided and abetted by the Federal Reserve pouring money into this system--those bonds were the ones that made a real difference. The bond was sold at a particular interest rate. You don't have to be a genius to realize that when things seemed to be going back to normal, the rates that you fought and won a war at were low, and that rates would rise. Well, when rates rise, the value of the bonds has a tendency to go down.

A number of people--I guess I was one on kind of the edge, carrying the spears but not the main thing, but close--put that little piece of information into a package, and you've got a busted banking system. The banks have all these bonds, the value of the bonds going down, and we had the horror of anticipating

that someday somebody would make an announcement that the American banking system was broke.

I remember sitting around a big table at the Federal Reserve in Washington, D.C., wringing our hands: what are we going to do? One of my regrets is that I don't remember specifically who it was that made the suggestion--because there must have been fifty of us around the table--but the suggestion was made, why don't we tell the bank examiners to put those government bonds in the statements at par; therefore, we will not worry about what the market price is. We couldn't do that in a classified market. But simply say when the examiners went around to a bank and they found bonds, the bonds were under water because if you tried to sell them today, the value would be below--but if the bonds are going to be paid off, the country is basically strong, we're going to work our way out of this, we'll put them in at 100 percent, rather than maybe in the market today they were 50 percent.

That particular experience was as close as I ever came to America at the brink. That particular meeting that afternoon at the Federal Reserve did something that saved the nation, and the public never knew about it. But I only give that as an illustration in response to your question as to how was I involved. Well, I was part of that group that had some responsibility, but final decisions were not made around that table but by the members of the Board of Governors or the National Bank Examiners.

Anyway, there were numerous opportunities to learn, be involved. It took a toll. Strains and stresses were there. Some of my friends had nervous breakdowns and so on. When you're dealing with issues that are overwhelming, you can't personally solve them, but you're part of the group that's responsible.

LaBerge: So you mean your friends who were working in the Federal Reserve?

Hoadley: Yes, there were a lot of casualties. I realized probably for the first time that stress is a byproduct of a major decision. I hadn't made any major decisions for a long time. I didn't realize that. But when you've got to do it--the military were making decisions all the time, but the people that were in the support group were just brushing with it. But finally the question comes, like this one, on the bond values. If you don't make it, you're in trouble in the markets. If you do make it, you'd be accused of doing something for a special interest. But those events were part of history.

We all scattered at the end of the war. Actually, I went back to Chicago. Never really left Chicago, as far as a home was concerned. And was offered a position as the executive officer of the Detroit branch of the Federal Reserve Bank of Chicago. Of course, I knew Detroit pretty well.

University of Chicago, 1944-1949 ##

Postwar Economic Planning for Japan

LaBerge: Let's go back--before we talk more about what you did at Armstrong all those years--to find out what you did at the University of Chicago and what else you did between 1944 and '49. When did you go over to the University of Chicago and get involved?

Hoadley: That was in 1944.

LaBerge: Okay, so tell me what you were doing, who you met.

Hoadley: The people that I dealt with were heavily military. They were going to be part of the occupation forces. The military, the turnover leadership was tremendous. But the University of Chicago was the center, as I mentioned. The people who were there were people that had other assignments and were freed of those in order to get involved. Nobody really had the kind of expertise that you wish you had, but you were brought together-- a military general here, a sergeant over here--people who had been missionaries in Japan, Germany--and people who basically were just diggers--found the missionaries. They had things in their trunks when they left Japan before the war, and in their trunks were some pictures, and the pictures would tell us where a bank was. We didn't know where the banks were. We knew very little.

But again, the connections really directed me because the directions came from the Pentagon and from Washington. We were the field members. But included in that group were more of my Federal Reserve alumni. It was part of an ongoing team that was changing its responsibilities and its areas of activity, but still moving along in a new direction as far as Japan and Germany were concerned. But I didn't speak Japanese and I didn't speak German, so we did everything through interpreters. That was a bit of experience that set me up--I'm on record at Cal that I had

a command of German and a command of French. I had for about twenty seconds, when I took my exam.

Value of a Good Interpreter

Hoadley: I really was not by any means fluent, but I knew enough that I never thought I was going to use--it turned out to be useful. But in those days, to get a doctor's degree at Cal you had to have two languages in addition to English. So, by the grace of God again, French and German were helpful. Japanese was a complete bust.

But I began to realize the value of having good interpreters. That made an enormous difference to me and probably made me lazy because all my career I have dealt in other languages, I've never really spoken them. I've had interpreters. The differences between interpreters is unbelievable. I ultimately, when I came to the Bank of America, inherited a Japanese woman who's still in this area, Kiimi Narita. She was my royal Japanese linguistics specialist.

The idea started back in 1944, '45, '46. People who were fluent--I learned that there are different kinds of Japanese. There's a Japanese that's high quality, spoken by the top people, educated and so on. And there's the low-life people. The interpreters were most valuable to me when they knew the language but they didn't appear to have the culture. By that I simply mean they could tell me in some way what the Japanese were saying among themselves. The Japanese thought we didn't understand what they were saying. That was a game that was played all through the postwar generation--Japanese coming to any place where they could steal an idea and talk among themselves and think that nobody knew what they were talking about. Well, it was sure true for me. I didn't know what they were saying.

But my interpreters did, and were Caucasians mostly.

LaBerge: Oh, I see--who knew Japanese.

Hoadley: I learned, get a Caucasian who's fluent, and then they can help you--the difference simply being that they know what's going on and you're at a terrible handicap. But the Japanese could stall you out forever. Well, this was an incidental development.

But your question as to what was going on: it was an evolutionary process. The first step was to find out where the

banks were, who the leaders were, so that we could brief the military officers who were going to be with General Douglas MacArthur. Many of them had been to language school, so the military was in command, but they still didn't know what they were supposed to do, so we had an interface between the military and those of us who were, quote, "specialists." This was another application of the Federal Reserve alumni, only the interface was with the military.

There were a lot of people who went to Japan with the occupation, but it was amazing how little we really knew. That was the shocking thing.

LaBerge: Did you travel to Japan as part of this?

Hoadley: I was traveling, but not anything like the military. My traveling in Japan escalated a few years later. I was kind of a part of the Japanese team, but that was more for communications with other people, through other people. At that time, my rank and serial number were still pretty low. This occupation team was a group of high level people--you mentioned generals and so on. I was a part of this, but I was given mainly the job to find out answers for other people's questions and then feed that information into those who were going to be carrying out the policy or mission.

I would get involved in a discussion of banking, but the application would be probably more Chicago than Tokyo. The question would be, then, "Will that work in Tokyo, or will it not?" The campus on the south side of Chicago was an unusually fine place because it's where I met Milton Friedman.

Milton Friedman and Other Academics

LaBerge: Right, that's what my next question was. How much interface did you have with faculty?

Hoadley: A fair amount, a fair amount. The academics tended to kind of work with the same territory. I honestly don't recall the part that Milton had in this, but he was a younger member of the faculty. He was there. In economic terms, the University of Chicago was a locale for people who were theorists interested more in the free markets, the roots of that. Milton either brought them or built them or did something, but it was part of a stable of people. I think it was more than coincidence that this particular campus was picked at that particular time and

thereafter. A great many of the ideas that percolated through U.S. policy in the subsequent years, all the free markets and the democracy and so on, certainly got a good start there at that particular time. This was in the late forties, middle forties, somewhere around in there.

They were academics who were carrying a lot of this research, too. We all knew each other, but we were not working as a team, with buddy-buddy relations. The academics had their ideas, and they expressed them in their writings and so on, so you had an academic process going on simultaneously with the postwar plan group, but we all kind of meshed.

Then the Federal Reserve was the place where the war research had been anchored. The chairman of the Federal Reserve Bank--not the president, but the chairman of the Federal Reserve Bank was a trustee at the University of Chicago, so the connections between the Federal Reserve and the university--as I recall, there was a pretty good connection between the Federal Reserve and this group.

So I guess I'd have to summarize by saying I was still working Federal Reserve territory to some degree, and the other work was developing. I was there. Take the subway to the south side of Chicago to the point where I at least knew my way around. It's not the greatest part of Chicago by any means.

The stockyards were not very far away, so there was an odor there, too. But it's a kind of a mixed picture, as you can see. Those of us who were kind of utility people were put to work with anything that had to be done in emergency or nobody else would do it or could do it, or somebody said, "Do it." The assignment would run as specific as to "What should we do with the yen?" to something as general as "Can we use any of the Japanese executives, or should we get rid of all of them?" Subject shifted from one place to another. But the main point is we were digging for information to help the Japanese restart their economy.

LaBerge: The same thing in relation to Germany?

Hoadley: I had far less to do with Germany than I did with Japan but yes, they're the same identical situation. But we knew a heck of a lot more about Germany because of the culture and the European situation, so that we weren't quite as hung up. With the Japanese we had the cultural difference; we had the fact that they were suspicious for a long time before World War II. They had been collecting all kinds of information. Their intelligence was aggressive intelligence; ours was passive, educational.

That's why they were much better prepared to take over America or California, as we found out later, than we were doing anything in Osaka or any of the Japanese cities.

International Perspective

Hoadley: But it gave me an international perspective. If you trace what I had done up to that point, it was pretty domestic. But the idea of the war made a real difference in my mind because first of all, I discovered the rest of the world. I didn't know much about it. My Ph.D. training didn't help very much, either. It was pretty domesticated. There were foreign scholars. In fact, I did my economic graduate work at Berkeley with a heavy accent, German accent, as refugees from Hitler were on the faculty of Berkeley.

My professor in charge of economic theory in graduate school was Howard Ellis. Howard married a German somewhere in the process of the early postwar years, but he knew the scholars that he thought could help academics in economics in America. He later became president of the American Economic Association. I wouldn't say that he did it all, by any means, but he guided a lot of people from Austria and from Germany to come into American academics. I would many times say I learned my Ph.D. with a German accent.

You ask about Germany. My German connection was later, but it was there. The process was these German scholars were going to be thrown out by Hitler. Most of them were Jewish. They were afraid for their lives. Getting out of Germany was not too difficult in the early postwar [World War I] years, but it got more difficult. They could see the handwriting on the wall. The process brought a great many of them to Yale, Harvard and schools on the Atlantic, New England area.

They couldn't get tenure immediately. They also saw that the academic fraternity was not necessarily asking for all this competition to come in from the Hitler territory, so they kept coming west. Howard Ellis--I gave credit, anyway--was steering the best ones to come to Cal, so my doctor's degree has a German twist to it.

But anyway, those were all sort of strange roots.

Writing Ph.D. Thesis on Wrong-Sized Paper

LaBerge: Another thing I checked out of the library was your doctoral dissertation on the petroleum industry. How did you write that while you were doing all the rest of this? I mean, I realize you had done a lot of the research that was then, later, published-- by your professor!

Hoadley: You saw it.

LaBerge: Right.

Hoadley: How did I get it done? Well, during my days in Chicago and the Middle West, I had a lot of travel to do. Travel in those days was trains--not as good as a plane and, anyway, much slower. If I had to go to Milwaukee, it was not exactly twenty minutes which it would be now. But I just pecked away--I got relatively little done on any one day. Just wasn't in the mind framework. I pecked away, but the thing that helped me was that I had my first thesis in the back of my mind, and I was duplicating for the Middle West pretty much what I had done for the West, so I didn't have to conceptualize nearly as much, so I could peck away at it.

But when the war was over, I negotiated with Virginia that I would devote an hour in the evening, three hours on the weekend or something, working on this thesis. But unfortunately, I wasn't smart enough to make the connections with Joe Bain at Berkeley to keep him informed on what I was doing. He didn't know what I was doing. And I was pecking away with it then. I had a secretary, Ann Lasser, who--I lost contact with her. We were very close. She had diabetes. We didn't hear from her last Christmas time, and I can't get through and I don't know what has happened to her.

Anyway, God rest her soul or bless her, but Ann was my right arm. She was working with me all the time. She would take things home, she would type, and so on. I got it done in pieces. The degree came in '46. It was through a lot of cooperation. I ended up with three theses. I'm interested that you took the time to go look.

LaBerge: Did you know that it was in the library?

Hoadley: I knew it was deposited there, but the requirement was you had to get a bound copy, and the bound copy had to go to the library.

LaBerge: Yes, and there it is.

Hoadley: Well, I had never taken--when you get through doing something like that, you figure--

LaBerge: That's the end of it, yes.

Hoadley: They shook my hand and said, "Here's your degree," and I said--

LaBerge: "Thank you."

Hoadley: And that's about it.

I told you the story about the wrong-sized paper.

LaBerge: No.

Hoadley: Hoadley never does anything that goes automatically smoothly. When I went back to Berkeley in '46 to submit my thesis, it had been approved by the members of the committee, so I brought it and hit a roadblock--

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LaBerge: Okay. The thesis was unacceptable.

Hoadley: Because it was on paper which was not sized precisely to meet the university's criteria, so when you got my thesis off the rack, you were looking at Virginia's typing.

LaBerge: She retyped the whole thing?

Hoadley: She had to retype it. And she did that in a matter of a couple of days.

LaBerge: Oh, my gosh.

Hoadley: No sleep, no nothing--just little kids running around, yes. But she has a big chunk of that Ph.D.--her credit.

LaBerge: It's sort of like a legal requirement. I suppose that there's still some requirement: it has to be so many margins and all that.

Hoadley: The stock paper which was at the Federal Reserve in Chicago was not acceptable.

LaBerge: Oh, dear.

Hoadley: That was a trivia, but it was not trivia at the time.

School of Banking at the University of Washington

LaBerge: Right.

Well, another thing that I noticed on some piece of résumé I have of yours is that you were on the University of Wisconsin faculty? Was that while you were in Chicago?

Hoadley: When I was in Chicago, we were, as I said, all interested in doing whatever we could to supplement the work that we were assigned to do. We did this because in wartime we felt we wanted to be busy. The University of Wisconsin relationship was a special one because of the pragmatic situation at the end of World War II. If you reflect on it, nobody was hired into banking as an officer or as a real senior person from 1929 because banking was in Depression shambles in the United States.

The result was there was a whole generation missing. We come out of World War II, and the banks didn't have anybody trained. There was a graduate school at Rutgers University called the Stonier School of Banking. That covered the eastern part of the United States for training new bank officers. The Middle West, which I had been involved in with the banks and so on during the war, had leaders who suddenly realized they didn't have personnel for themselves. They were rebuilding banking in Germany and Japan, but nobody had been hired in some U.S. banks for ten or fifteen years. This was a common complaint.

The powers that be, including my friend Langum, got together --it was something like sixteen states--got the leading bankers. They formed a School of Banking at the University of Wisconsin.

LaBerge: In Madison?

Hoadley: Madison, that's right, yes. I was one of the founding officers of the School of Banking and from time to time lectured, giving a brief course or something. It wasn't a full-time job; it was an additional job.

LaBerge: Isn't that interesting--I mean now, looking back--that then you became a part of the banking industry.

Hoadley: That's right, that's right, yes. And that got to be quite an organization. I lost touch. I don't know whether it's still in being or not. But the whole atmosphere in those years toward the end of the war and the early postwar years was we have a big backlog, a big pent-up, we were short of things--we have got to do more. We all got swept up in it. After I went with

Armstrong, they still called me back once in a while to give some lectures during vacations or something of that nature.

That was a hot, muggy place--and a cold, windy place. Madison is a lovely community, but ouch. Along Lake Michigan was not the greatest place to live.

Hoadley's Economic Philosophy: Round Up

LaBerge: No. Well, during this whole time when you were meeting other economists, is that when you developed, for instance, your basic economic philosophy?

Hoadley: It all emerged from that series of events. The training at Cal was obviously basic, but the experience during the war of using my economic analysis had put me in a position where I could test a lot of things. I learned much more in those experiences than I ever learned in class. But I guess you'll just have to say that my particular perspective kind of got honed and trimmed as I went along, emphasizing what works and discarding what does not.

The key point through the years--including right now--the key point is that I learned to keep flexible--don't expect things to be right or perfect, but when you don't know, round up in America because there are a lot of positive things out there that you don't know--what they are or where they are--but they're going to do some good. So if you have a situation where you're pondering, assume that things can go acceptably right, unexpectedly right as well as wrong.

The danger of being a professional in any technical field is that you have a fail-safe mentality. If you double the strength of new bridges--whatever it is, you want to be sure you are protected --so add more strength. But very few people ever spend time probing for the unknown, looking--maybe never see it--but for things that can help you as well as hurt you.

That was the greatest discovery blessing I ever had in forecasting. My forecasting record was certainly not perfect, but when I had opportunities to check it, I found that, "When in doubt, I rounded up." It was helpful, and that was frequent. It happened that in the postwar years there was an undercurrent of hidden basic economic strength. It amuses me in a sense right now. This very day I'm polishing some draft material on modern hidden strengths in America. It has been my feeling for the last five, even ten years that most forecasts have been too low. Mine

have been rounded up. So I'm now seeing an update on the hidden strengths of America.

Examples of hidden strengths are: flexibility, adaptability, technology, international trade. Fifty percent of the leadership in business in America is brand new CEOs, and all have to prove themselves by action. They must do a lot of great things. Globalization, the fact that government has become less constrictive. Mergers and acquisitions and much more. No one of these is the answer, but competition abroad brought the best out of America, and on and on and on.

These are all hidden things that never fully get into the official growth numbers. They're not there, but they are really there. I have a small collection of comments from various specialists in economics saying, "Gee, I underestimated. I was low." The truth is, most of us have been. Anyway, that's an aside, but it all came out of this American kind of background culture. If you want to prove something, most forecasters allow for the things you can see that could go wrong. But since they can't see in advance the things that surprisingly could go right, most don't pay attention to them until they actually come.

Fortunately, most hidden strengths have come together positively and spectacularly in the last five, seven, eight years. Not by an amazing amount, 1 or 2 percent, but revision after revision is up. As I say, I was lucky enough to discover that earlier somewhere along the line. You see, you were trained in economics in my generation to be cycle minded. You can't ignore the cycles, but structural change, which is not cyclical, and all these factors, and more that I have mentioned, give us more overall hidden strength.

Now, you can lose it, too, and someday we will, so one of these days I'll start looking for the cycle to come back, but we're not there yet. It helps stock market forecasts, too, if you're cyclical minded at the correct time, but nobody has been proud of forecasts in the stock market recently except to give it direction. We are dealing now heavily with emotion. The big problem in economics often is what to include.

When I was getting my economics education, everything had to be proven. There was no allowance for non-economic forces, no allowance for anything that wasn't pure economics. The more academic minded people, the purists, would say, "It's irrelevant to say that will or won't work because politicians won't let it, it's not economics." You get that comment over and over again. But the truth is economics is not a narrowly pure science, so

I've been a renegade in including noneconomic developments in my studies.

Economics Is Not a Pure Science

LaBerge: Is the wartime what made you branch out to see that economics wasn't a pure science?

Hoadley: Yes. That got me started, and then I realized in subsequent years to begin to pay more attention, to ask the question, "Why did my forecast not go right? What did I miss?" Inevitably it was not purely an economic force. It was something else. So I introduced in my thinking the idea of testing my forecasts. I test it with questions. I say, here's a forecast. Is it economically sound? Does it make sense? Is it politically possible? Is it socially acceptable? Is it technologically feasible?

I have always tested my forecasts by these other variables. If you just tick them off, you'll see they reflect the research I've been doing. I spread myself thin with a broad approach, but I would have been far less able to deal with the subject without paying attention to these other, non-economic forces.

I had a lot of fun with Milton Friedman because Milton and I are good friends. He's about as pure an economist as you can find, a very able guy. But he would always kid me by saying, "But that isn't economic." I'd say, "It's close enough for me; furthermore, it helps with the answer." But if you're an economist in the old, traditional sense, you're pretty narrow minded.

Unfortunately, economics has become heavily mathematics now. Whereas that has certain advantages, it has some terrible disadvantages. The human forces are non-linear numbers, far less mathematics. When I meet the young economics graduates, I'm impressed by their ability to use their computers and use numbers and many sophisticated techniques, but somehow it's incomplete for me, for all the reasons we talked about. I have been on a long trail.

LaBerge: It is a long trail.

Hoadley: It's interesting to rethink some of this because of you. I was looking through that list of things that I presumed to have done. There's a memory attached to those.

LaBerge: I'm sure. Any of these, if you have anecdotes or whatever. Do you have any anecdotes about Milton Friedman?

Hoadley: Well, the standard one I have with Milton is that we hear each other occasionally. I'm not doing much more speaking--large-scale, anyway. He has cut back a good deal, but he's still doing it. I'm privileged many times to be invited to be at the head table when Milton speaks, and vice versa. When we get through listening to each other, one of us will say, "Well, I agree with about sixty percent of what you said." And the other will say, "That's about the same number, yes, sixty maybe. That's about it." Then we laugh. But that's the one that pops up from time to time.

LaBerge: Would you characterize yourself as a monetarist?

Hoadley: Not really, but I have a lot of friends who are. They've watched the money supply, they've watched interest rates, and presumably I watch it, too. But I don't tie myself to a particular nature or phenomenon such as money because of the fact that I tend or at least try to include in my thinking these extraneous, non-economic forces. The minute you move in that particular direction, you lose an identity. You're an eclectic. So when people try to describe whatever my philosophy is, things come out not in a pattern so much as, "Oh, he's an optimist" or "He's a generalist. He's a 'macro.' He's somebody who gets through to people but I can't agree with him" or something. So I guess I simply put it together. I'm kind of a hard-to-label economist.

I'm sure I've been labeled, but most of them would be from a pure academic view, "Oh, he's a business economist." Someone who's a business economist, they're more interested in my background record than what I'm thinking that they can use. They may be generous and say, "We may not always agree, but I'll certainly visit, because I'm almost certain to get an angle I hadn't thought about." As long as I can mirror something like that, I figure, well, You're still cooking.

As far as anecdotes are concerned, I've given you too many already.

Other Postwar Job Offers

LaBerge: Oh, no! Well, what other job offers did you have after the war besides those two?

Hoadley: Virtually anybody who had been involved in the kind of things I was doing had many opportunities. But, my job offers? I've mentioned the Federal Reserve job. Then there were offers with trade associations, for example, meat packing. There was an organization in Chicago for the meat packers. They had an economics staff. One of my good friends invited me to join the staff. You may by chance have heard of the Blue Chip Economic Series. It's in the consensus forecasting business--to be more specific--an individual has a good chance of making a good forecast from time to time, but if you get a lot of well-informed people and have a consensus forecast, you're more likely to have a better result. That idea was born in the Chicago meat packing, a trade association. Bob Eggert was involved, and I helped.

There were many jobs in the financial field. Many of the investment companies which you read about today were starting back in those years. I was offered jobs in investment banking and brokerages, in the non-banking but mostly in the general area of finance.

I made an early decision not to go in that direction. I felt that I wanted to be part of the production side of the economy, doing things that were tangible and more directly helpful to the country and to people, rather than sit on the sidelines, for example, trying to guess whether this or that stock is going up or down, without being in a position to do something about it. So rather than be a second-guesser, going around to companies, asking them "Why did you do this?" or complaining, "That was stupid," when you never made a decision in your life yourself. I couldn't do that. I wanted to be part of an ongoing production dynamic organization, that I could have some influence on. So my job offers in the financial area, on the side of second guessing, dried up fast because I turned them all down. I wouldn't have any part of them.

Then I had, of course, opportunities to teach. I would give lectures, but I had enough teaching experience from Cal to realize that it's an exciting situation the first time you give a lecture, but to give another one just like it--I would always be tearing up my notes. My academic friends said, "That's crazy. You want to use the same notes, same--put your ideas into a book and that's going to be the way you get promoted." I didn't want that. I had opportunities for deanships that came up.

I had several opportunities that came with industrial companies. I took the Armstrong one, pretty blind--but I'm sure I mentioned earlier that the people that I had to work for during World War II and even earlier, almost all came from the East, so I felt that I wanted to go east. I didn't have to say, "No, I'm

a Californian"--and proud of it--but I always had the feeling that I was kind of a lonely outsider from way out there somewhere in the West.

But then I got an opportunity, phone call, involving Harvard. For heaven's sake--

LaBerge: To be a professor?

Hoadley: Well, I wasn't entirely clear what it was. I ended up not taking what probably would have been a low-ladder position. Instead I became a member of the visitors committee for the economics department at Harvard. I figured, well, somebody at least knows I'm alive. So for some years you'll find the Harvard theme buried in the resumé somewhere.

But I had also an occasional opportunity to go overseas. Somebody would call or write and say, "Would you come join an advisory group?" I was under kind of scrutiny. I had job offers--maybe that's stretching--I had inquiries as to whether I'd be willing to do that. I felt that I didn't want an overseas base, but I'd be prepared to travel. So I've traveled millions of miles because of the feeling I've got to know people in their own territory. But I still felt that I was better off in an American base.

The job offer which intrigued me the most that I rejected, for the reasons I've indicated, was a job offer in New York. In the early postwar years, anybody who had a reputation as an economist and could make some comments of interest on the business outlook was in heavy demand. The ballrooms of America were jammed in January for outlook speeches. I've done my share. By probably in '47, '48, '50, I was on that speaking circuit.

The National Industrial Conference Board was a prime base in New York. They sort of began a clearinghouse for a lot of these speeches. Two or three individuals built reputations, and they asked me to become a part of their group. I thought, Gee, maybe this is what I should do because it's a way to merchandise my talks, I'd get a chance to meet a lot of people, and there was money involved in it, it was New York. So I was very close to accepting the job with this group, absolutely prestigious people.

But then I said, uh-uh, not me. The reason I turned it down was that I realized that I would be getting into an organization that was corrupt, corrupt in the sense that the people that were involved in it were looking out for anything that they could get, that they could exploit. They would tell me anything I wanted to hear, "We're all going to get rich" and so on.

But, again, the Almighty was my guide. I had a lunch with one of the group, in the course of which I think inadvertently the individual let the cat out of the bag. That was when he said, "Well, we're going to"--talking about another member of this group--"we're going to get rid of him. And furthermore, you're going to meet a lot of competition before you can run this show, and I'm not going to let you do it, because you're a threat."

Here I was, a starry-eyed, innocent person, thinking, this is the big league. But put it all together, and I could see very quickly that I was going to be chopped up if I got too successful and that this was not going to be very pleasant and productive, but it could be for a while very rewarding. That was as close as I came to getting into "the big league." I don't want to mention the name.

LaBerge: I figured that.

Hoadley: So ten or fifteen job offers, something like that.

More on Field of Economics

LaBerge: That's a lot.

Hoadley: But there weren't as many people competing. One of the greatest blessings I've had is I came on the stage at the time when the profession I was interested in was on the--[whistles, indicating "on the way up"]. And now that book.¹ Let me tell you, ten years ago, the stage was growing dark in economics. I came to the end of the line of real active duty about the time that my book came out. Curiously enough, I got a call a few days ago from the head of the Business Economists Group, saying would I--when the national convention is scheduled for September in San Francisco--would I update that book. I had made ten years ago a speech that was related to that book, so I said, "yes." The word "economist" is not the word that people revere the way they did back in those earlier postwar year days. All you had to do was just appear anywhere, announce "outlook" and you'd jam the biggest ballrooms in America. You could fill them easily. Everything was the outlook. I was the first speaker of the year for the Commonwealth Club of California for twenty-five years.

¹ Walter Hoadley, Looking Behind the Crystal Ball or, How to Use a Business Economist Successfully (New York: Vantage Press, 1988).

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Hoadley: All you need now is a computer. My work station is out there--on it I'll get you forecasts a dime a dozen. What do you want? And I'm pretty well convinced that isn't likely to change very soon. But the profession has to change. We've got to recognize that the people who are dealing in finance on a minute-to-minute basis are competitors that you can't compete with because they've got their numbers, they've got everything organized--they may be dead wrong, but they've got something short-range, where you can do well, but you've got to be able to sell it, on the big turns, on the big changes that are coming that identify early the trends. That's where very few people are competing, and that's something that CEOs occasionally pay a little attention to, see whether there's a market there. But you have to tell them, not what you think is going to happen, but what do you do about it?

As I said, the trouble with economics is that training does nothing to make you a decision maker. I became a decision maker on fats and oils in Lancaster, Pennsylvania. People go through graduate school and never make a decision or even be helped to make a decision as part of the scenario. That's my prejudice, but that's part of my non-economics, too. I'm boring.

LaBerge: No, not at all! That's exactly what I wanted you to talk about. And to me, just your whole well-roundedness--I mean, it's similar to, for instance, a physician who only knows the medicine as opposed to someone who can take care of the whole person and knows that there's more than just the science.

Hoadley: Yes. Without your Ph.D., you don't get anywhere. But with it, you don't necessarily do it, either.

LaBerge: How's your time? Should we end there and start next time at Armstrong Cork?

Hoadley: Well, is this a good place to stop?

LaBerge: Sure.

IV ARMSTRONG CORK, 1949-1966

Job Offer

LaBerge: You didn't take that job [with the Federal Reserve Bank], did you?

Hoadley: I didn't because simultaneously came the job at Armstrong Cork. I could have easily taken that job, but the man who had to make the decision would never get off the dime and tell me when I was going to get it. He'd say, "We'll take it up at the next board meeting." He did this for about three or four months. In the meantime, other opportunities were coming. If he had said, "Here's the job," I would have taken it.

LaBerge: Do you remember who that was?

Hoadley: Hap Young was the president of the Federal Reserve Bank of Chicago--a very warm, friendly kind of guy, but unfortunately he was slow in the decision process. So I kept waiting. Every time there was a board meeting, I thought, "Is he going to call me in and say, 'You've got the job'?" But he had something else that came up or something, so--

So I had an interesting opportunity at Armstrong Cork. I didn't know Armstrong Cork. I didn't know that it was Lancaster. Somebody called me--actually, it was Maurice Warnock, the chief financial officer of Armstrong in Lancaster, Pennsylvania.

LaBerge: How do you spell his last name?

Hoadley: Warnock, W-a-r-n-o-c-k. They called him "Moose." He didn't look like a moose, but that's what he was called. He called and said, "You don't know me, and I don't know you, really, but I'm told that you can do a job. We're looking for somebody who can help us make some decisions." He finally said, "Would you bring your wife and come to Lancaster, and let us get acquainted?" My first

reaction was why do I want to go to Lancaster? I didn't even know it was Amish country, but I found out pretty quickly it was.

Virginia has always been--God bless her--willing to go and do whatever we wanted to do, so I said, "Do you want to go to Lancaster?" "What do you want to go to Lancaster for? Where is it?" But she said, "Do you want to go?" And she said, "Furthermore, it's a train trip, so we'll have a trip to the East Coast. What do we have to lose?"

Well, the truth of the matter was that something had happened in Cincinnati, just proving how remote things influence your life. Procter & Gamble headquarters. Procter & Gamble was the largest user--may still be--of fats and oils in connection with a lot of its products. They had a postwar financial disaster by being on the wrong side of the fats and oils commodity market. Armstrong had the best fats and oils man in the country. They pulled him out of Armstrong, and he went to Procter & Gamble. It left a hole.

LaBerge: And so they were looking for someone to fill that.

Hoadley: To fill that hole.

Procter & Gamble Connection

LaBerge: Can you tell me what was the problem with Procter & Gamble?

Hoadley: What they did was, they didn't cover their needs for fats and oils, and they lost an enormous amount. The figure, around \$16 million, was a big shock.

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LaBerge: Okay, so Procter & Gamble wanted the best in the country to help them out of that.

Hoadley: And they reached into Armstrong. In any event, this call from Warnock. Said, "Come down. I understand that you're an expert." I didn't even know what the fats and oil business was, not at all. Anyway, we went to Lancaster. We quickly pronounced it LAN-caster rather than LANG-caster. We were met at the train station by an assistant treasurer. The guy's name is Bill Martz. The odor in that community was terrible because Armstrong at that time was the largest producer of linoleum, and linoleum is linseed oil--"lin-," the prefix of linoleum. I thought when we

opened the door of the Pullman that we were in, and this odor came--I said, "Bill, what's that odor? Do you live in this community?" He said, "Oh, yes." He said, "First of all, when there's an odor, everybody is working. Nobody complains. If there's no odor, we know the plant has shut down. Secondly, it doesn't take long until your clothes may smell like it, but you don't even know it. It disappears."

The rest of that story--there's two parts to it. Warnock invited Virginia and me to his home in the late afternoon. I had visited with the chairman of the company, Henning Prentis. He didn't tell me that I had the job, but I had a feeling that he had some economics training and he was sympathetic. I had a feeling that maybe this was going to work. I kind of got frightened because here I was in Pennsylvania, had a job in Chicago still.

So we went to Warnock's home. After he had chatted a while and passed around some drinks, he said, "How would you like to come to Lancaster?" I began thinking about the odor. Pennsylvania, I didn't know anything about Pennsylvania. I said, "Well, give me five minutes with Virginia." So off--almost in a closet in his home. I said, "Dear, I've got a job offer that pays twice what I've got. Do you want to come?" She said, "Why not?" And we had two little kids.

So we moved into Lancaster, and I was made a member of the operating committee that made the decisions on fats and oils and all the raw materials that the company bought.

LaBerge: Okay. How had they heard about you?

Hoadley: As they later told me, they had several candidates. One of them was Paul McCracken, professor at the University of Michigan, who had been involved in the same activity I was involved [in] during World War II.

LaBerge: With you in Chicago?

Hoadley: No, he was based in Minneapolis, but he later became chairman of the Council of Economic Advisors for the Nixon era and a very distinguished guy. We knew each other. I never was told directly, but I assumed he had the first shot at this job and turned it down because he was an academic and had a distinguished career as an academic in the University of Michigan. Anyway, I can't prove it, but I'm pretty sure Paul dropped my name, and so it was my name in the selection group. From then on, it was decisions that culminated in the job offer.

Momentous Decision First Day on the Job

Hoadley: But the other part of this story, which has influenced me and could have made a disaster or difference in my lifetime, was that the very first morning I showed up for work at headquarters--we were in a motel somewhere a mile or two away, it's in a strange area, it's December, and I sit down, I listen to a discussion about fats and oils. The process quickly got to a debate as to whether Armstrong should take a long position or a short position. What I didn't know but learned at that table is that the edible fats and oils, the kind that you can eat, were Procter & Gamble specialties. Armstrong used the inedibles.

But the markets interact. If you knew one, you knew the other, pretty much. This particular morning the chairman of the company was sitting at the end of the table. I was there. They got into this debate, and they couldn't get an agreement, so the chairman says, "Hoadley, you're a new man." The amount involved in this was something like \$6 million or \$8 million. I had never seen that much money. He said, "You make the decision." Well, I figured I better be honest. I said, "Gentlemen, I'm obviously not as well informed as I hope to be. I am a little reluctant to make a quick decision. If you'll give me an hour, I'll be back and I'll give you a decision."

I don't know what I was saying, but I figured if I fell on my face that morning I was out of a job, in my own mind. A lot of people postmark this particular experience, but the good Lord was with me. I made the decision. It was the right decision, and within something like forty-eight hours we made a couple of million dollars.

LaBerge: How did you make the decision? What did you do in that hour?

Hoadley: That hour I was on the phone, talking with some of the contacts I had luckily built. I made four or five phone calls, asking questions. I stayed away from the guy who had gone to Cincinnati because I figured if the word was out that I was going to use him, they ought to be paying him rather than paying me. So I knew people in the Commerce Department, in the Agriculture Department in Washington, and I was reasonably familiar with just enough to tilt me, but if anybody had given me a real examination, I would have been washed out pretty quickly.

But the decision was based on economics, it was based on an inquiry in several different places that would give me hints on it, so it wasn't blind, but also the Almighty--I give Him credit because it was wishy-washy.

LaBerge: Did you take the long or the short position?

Hoadley: I took the long position. Later, I traveled all through the Northwest, areas where the linseed oil was produced. I got to be pretty good at it. I often remember the question what would have happened if I had lost millions? Management wouldn't have fired me on that, I'm positive, but it would have busted my morale. As it was, I became a full-fledged successful member of the management team at Armstrong.

LaBerge: The first day.

Hoadley: Absolutely. And everybody around the table was ready to help me. That's a long-winded story, but--

LaBerge: No, it isn't. Those are important, really important forming things in your life.

Hoadley: I'd been involved with money in one way or another a lot, but it was always somebody else's money. It wasn't anything that I had too much to do with except policy that would put money into a munition plant or something else. But it was always out there, rather than something I did. That was the first decision I made, if you give me credit for making it. That really made a difference. Later, of course, all through my life, I've been involved in large transactions, so that taking a risk was not a new experience. But it did make a difference.

Uses of Cork

[Interview 4: April 13, 1999] ##

LaBerge: We're going to start today with Armstrong Cork. You told me last time about how you were interviewed and your very first decision about the linseed oil. Tell me about when you were hired, what did you know about your job? What were you going to be doing?

Hoadley: Actually, Armstrong is one of the pioneers in American business in having an economics department. The chairman of the board, Henning Prentis, had a master's degree in economics.

LaBerge: Oh, really! That's unusual, isn't it?

Hoadley: It was rare, extremely rare. I mentioned that the person who held the job as economist at Armstrong had been drawn away by Procter & Gamble, so that there was a hole there. I was in the

process of being considered and ultimately got the job. The background was economist, but, as I explained to you, I didn't know how to define "economist" in terms of the raw materials and the things we ultimately had to deal with. But I learned.

Cork is an old, obsolete product. It was interesting because the chairman said, "Your first assignment is to tell me how much longer we can deal in cork." Of course, the company had a lot of employees who had given their lives to cork. Cork is bark insulation on an oak tree, that protects trees in extremely hot climate. You peel off this bark of cork, and there you have something that they will cut out pieces in the form of cylinders, and you've got cork.

The original idea of cork in business was to use it in the Civil War, when they had to deal with food spoilage, and they had no preservatives, no refrigeration. But cork was a sealer, and so they sealed a lot of demijohns, large containers, and cork was booming.

LaBerge: Things like fruits and preserves?

Hoadley: Anything that had to be sealed.

LaBerge: The same way we do with wine?

Hoadley: Yes. Eventually, it made the wine industry possible because of cork. Actually, cork was originally in every soda bottle cap, and then they got rid of cork capliners and replaced them with plastic. That's what we have today. But cork was a problem because when they got through punching out corks for wine bottles, they had a lot of left-over cork debris, and it was wasteful. They brought all this cork from the Mediterranean, which is where most of it came from.

So experimentally--maybe accidentally--it was discovered that if you put this collection of odds-and-end pieces of cork into a hot chamber with some kind of steam, they would form a solid block. Therefore, you could pick up the scraps and remake them, as it were, in the course of which they also found that cork was a great insulator.

The first refrigerators were made possible by the liner inside the refrigerator walls made of cork. There wasn't enough cork in the world after a few years to make possible needed refrigeration insulation. Also, cork has a sound-deadening, -absorbing dimension as well. Of course, that was the forerunner of acoustical ceilings, so that the Armstrong Cork Company built a whole dynasty of products out of cork and cork scraps.

Predicting the Future of Cork

Hoadley: The state-of-the-art had proceeded to the point where the chairman, in hiring me, since I didn't know much, asked me to take a cold-blooded appraisal of the future of cork. He said, "Tell me how much longer," and I had my first assignment, answering that question. I said, "Between two and three years." Well, I went through the company--because there were several factories that were devoted to using cork. Here was this renegade newcomer, telling us cork people what's going to happen. I missed it by about six months. That enhanced my status with the senior officers. It didn't exactly make friends with the people throughout the organization.

LaBerge: Where were all the factories?

Hoadley: The factories were on the East Coast. One was in Keyport, New Jersey; the second was in Pittsburgh, Pennsylvania. Subsequently factories were developed to make the products that originated with cork and were scattered all over the U.S. and Europe. I think I saw the annual report the other day, Armstrong has about fifty factories now. They had at the time we're talking somewhere between eight and ten, and they weren't cork--only two or three used pure cork, and the rest of them were cork derivatives.

LaBerge: How did you come to that decision?

Hoadley: Because I went to the people who were buying the products and worked with them as to what would they do if the supply was cut off, what would they do if a new product came along. I could see that the old product was hanging by a string. I could see it easier because I had to be convinced that the situation was as good as the people said it was who were producing it. It was a tough assignment. But anyway, I lucked myself into a situation where the report was rejected by everybody except the chairman, and he closed down the factories. They phased them out over the course of a year or so.

So that was another introduction to the life and death of products. It gave me some experience in dealing with people who didn't appreciate being told something that they didn't believe. But the rest of that is a long-winded cork story. They took me to Spain, where the company had Armstrong de Corcho, which is the Spanish word for cork--a subsidiary in Spain. North Africa had some cork oak forests and they bought the cork from others who had the cork oak trees. But that, of course, took me all through the limited cork territory in the U.S. as well as in Europe and North Africa.

LaBerge: Where is it in the U.S.?

Hoadley: Well, the growing of cork is minuscule here. I was thinking primarily of the factories that were scattered on the East Coast. It was sort of exciting for me to see something that, as raw material conscious as other people were, they were blind. They couldn't see the fact that the product was fine for a different generation. The Civil War was over. They weren't preserving food the way they did in those early days.

It also was exciting because you could see a whole company, extremely dynamic, coming out of a dead raw material. It was a great experience and, of course, quite an introduction. Then I worked with the people who did the acoustical. I worked with the people who were doing the insulation. And then they discovered that the automobile engine needed a gasket, and the gasket meant that there were two pieces of metal at the head of the motor, up front of the car. The two pieces of metal needed something in between to seal. Guess what: cork.

I was interested in the Armstrong job because it was an opportunity, I was convinced, to practice what I thought I knew about economics in general, but it was way beyond anything that I had anticipated to get in the middle of something that was dying, while other things were being created. But it taught me the dynamics of American products. That's kind of the cork story.

Creating New Products as Times Change

LaBerge: In realizing that the demand wasn't going to be there in a couple of years, then what did the company decide to do?

Hoadley: They phased out.

LaBerge: They phased out and did something--

Hoadley: Well, they were in the process of finding the offshoot products, so they were creating new products and opening new factories, anyway. That went on for a period of twenty years, probably, in the transition. And to this very day, that company is producing a very wide variety of products related to original cork.

Oh, one other thing. I'm sorry. They also found that in the sound deadening part of cork, you could treat the cork and it would become very durable, and you could use it for flooring, so the cork floors were fashionable. And now they're the largest

producer of hardwood floors and of products that are plastic but which were substitutes for cork. So you had the floors, the walls, the ceilings, the refrigeration--all not using any cork in them eventually, but in transition. It was an illustration of American dynamism that certainly caught my attention.

So my job was to deal with all that, and it took a lot of my time. In the meantime, I was expected to practice my economics by telling them what was going to happen in the stock market and interest rates and various and sundry things which are kind of conventional economics.

LaBerge: Was it part of your job suggesting new things for the company to develop, or was that someone else's job?

Hoadley: It actually became my job because it was called market research, and a lot of things that we did were given that title. But, after about five years the company coalesced with bits and pieces of marketing, and the resource side was tucked under my office. So I was the person who shepherded the research that preceded the decisions that ultimately created a lot of new factories. And at the same time I was presiding, with the chairman at my right, over the demise of the old products.

LaBerge: Now, as far as the factory workers who were making cork, did they stay on and become a part of the new--

Hoadley: In those days, it was much easier to do that than now. A job was a job. The fact is when dealing with cork, you ran into the problem that many of the workers resented the fact that what they had given their life for was now obsolete. So, there was a lot of resentment, but at the same time, they had no choice, so they reluctantly, slowly decided that they would deal with floors, not cork; they would deal with ceilings, not cork; and bottle tops, not cork. In the transition, most of those markets were also new and expanding, so the transition, while not smooth, at least ended up successful.

LaBerge: Was that part of your job, too, the unemployment picture or job transition?

Hoadley: Not in a generic way that I would be doing as an economist, as a professional, dealing with government or universities. It was a pragmatic approach to the whole transition. Because of the paternalism which was common in American business at that time, there was a strong feeling that managers took care of their people. The Armstrong family came out of Pittsburgh, the senior Armstrong with the Civil War background of helping government protect the military food, had built a kind of family

relationship. Today it would be resented as paternalism in the worst form, but to them it was just considered to be the thing to do. You didn't toss people out in the street. You took care of them.

I don't know that there was any very formal program to do this. There was an effort to ease the transition. I was not immediately responsible for the human dimensions. In fact, I was explaining the inevitability of this for economic reasons so people wouldn't throw me out of town, kick me out of town, or whatever they would have chosen to do to get rid of me. Some were in my files. I still have--I haven't looked at them in decades--letters of resentment from the people in charge of the products that had the cork in them. I haven't thought about it until now for years, but it was part of the experience--dealing with people and controversy.

But the most rewarding thing came later on--probably twenty years later--some of those who have long since retired came together for somebody's retirement party and we had a kind of a love feast because my projections had proved right. That caused these people to say, "We were wrong; you were right; but you still were the devil because we didn't understand and you didn't explain it well enough." So the needle was there, for sure. That was as dramatic an illustration of the transition from the old to the new that I confronted.

Decision-making Responsibilities

LaBerge: As far as reporting responsibilities, who was your immediate supervisor?

Hoadley: I had worked during the war with people with all sorts of braid and general stars and so on, and I learned pretty quickly that if you have high rank and serial, you can get a lot of things done, and you better be careful of somebody else's rank and serial. Try always to be close behind them in terms of what seems to be their actions, but ahead of them, quietly, as their advisor. That's the role I played for a long time, never taking credit for anything but making it possible for me to pass through my ideas through the people that I was working for, or your ideas will be blocked.

So I learned quickly and earnestly that you have to be reporting directly to the top. I stumbled into that going from the war effort and the Federal Reserve and into Armstrong Cork.

By the time I got to Armstrong Cork, I knew that if the chairman wanted me and I could deal with him, I had a better chance of survival. So I had a reporting relationship to the chairman, but in fact it was the financial officer because the financial officer--this one we called Moose Warnock--was very close to the chairman and became the chairman, which was not too bad a development from my personal standpoint. Warnock made sure very early on that I was physically in my office and a tiny staff of three people, about ten feet away from the door of the chairman's office, so that I had access to the top.

Later on, I was invited to come to the Bank of America, but I could see I was going to be shunted somewhere high but not at the top, and so I wouldn't come. I finally negotiated that rank issue. I became the only person to enter the managing committee from the outside of the Bank of America.

The problem in economics is that in your own right, you have relatively little power because you're staff, but if you're working very closely with the people who are the line officers, and you see as your function to make them successful, then you get the opportunity to make them successful because you're in a position where you can help with the decisions. See, the basic weakness in economics that I observed was that the economists are trained to be analysts, not decision-makers. That's a great difference because analyst means you're getting information for other people, but you never make a decision that says, "This is what we're going to do or not do." You don't have any power.

But if you're close to the person who has the power, and you're working with him on a relationship basis that this is for the good of the order, good for you and by chance unimportant but good for me, it sets in motion the reality that I've practiced my economics pretty thoroughly close to or at the top. Professionally, but also in business or in any organization that I've been a part of, I found I could get things done if I had the power to do them. More particularly, I was surrounded by people who would tell me what really was going on.

The greatest problem you have as a staff person is you don't know what you don't know, but if you're in the inner sanctum--a member of the managing committee or the operations committee where I made my decision that I told you about--it made some considerable difference as to where I sat. It sounds arrogant to say that, but from a pragmatic standpoint, economists have risen well, but so many, many times have been pushed aside by people who cherry-pick the ideas of economists, take full credit for everything they can get away with, and when problems arise, they're always the economists' problems.

That's a game that has been played out over the last thirty or forty years. Line officers who can measure their performance by what they sold, what profits they made, and so on always had an advantage when things were going well. When things are going poorly, they always have to find somebody outside their own orbit to blame. Again, with the bank and other opportunities that I had, I always have tried to introduce the idea of, "You let me help you, but I'm not looking for credit. But what I'd like to do is to just play fair. When things are going well, will you let me subtract from what credit you're taking, the fact that the economy is helping you and you're not doing a bit about it, so that I can subtract when it's going well, but I can also add back in the situation when things aren't going so well."

That, again, was a part of my philosophy or tactics or strategy. There's nothing tougher than to be in a board meeting and have a line officer who's doing extremely well get up and say, "That's just economic nonsense." The rest of the line people around the table are never going to defend an economist, so you're on your own. So you better anticipate that. You better know that somebody is going to say that, rather than to be shocked and surprised. It has meant, in my own case, I had to be well placed rank-wise, but I also had to know when things were not going well, that I knew as well as somebody else why they were not going well.

If I was to blame, I took it. That seemed to work. But if you have two camps splitting, sooner or later one of them gets burned. If you use the strategy I mentioned, you can go through transitions without an explosion, or at least with a lower-scale explosion. But anyway, that's the approach that came out of my experience.

LaBerge: Just from hearing you talk about that, it sounds like you want your work to have an impact. You don't want to just give figures. You like to be part of the decision? Am I interpreting that correctly?

Hoadley: That's exactly right, yes. I think in the early stages of the career of economics, you get a great satisfaction by having your name show up in a report. The slightest little indication is, "Aha," because so frequently, what you have done is lost in the shuffle. I'd have to say yes, I felt that when I was invited to take a job in the financial field with stocks and bonds, I didn't want to be on the sidelines, second-guessing people. At Armstrong and the Bank of America, I wanted to be a part of the team that made the decisions. In that way, I always felt I was giving it my best. It was filtered by other people, of course, but not to the degree that I didn't have some impact.

I have to be careful how I state this: I was on the committee to try to find a locale and make a recommendation for the tenth campus of the University of California. The tenth campus will now be in Merced. We had a lot of research, visitations and so on about that campus, but in the final analysis, I had a vote for Merced, and I can't be absolutely sure but that vote made a considerable amount of difference. The fact now that there is a tenth campus and secondarily it's to be in Merced.¹

Well, that's an illustration--I tried to be a part of the final decision. That means that I'm not trying to duck responsibility. I made my share of mistakes, and I learned to be the first to tell them, not the last, when somebody else tells you you were wrong. That's another good lesson to learn and practice because no one of us bats a thousand, for sure. I can recall a few of those that didn't work out.

Getting Away from Cyclical Forecasting

LaBerge: Do you want to tell any of them, just for illustration?

Hoadley: Yes, I guess--

LaBerge: I think that says something about somebody's career: what did and what didn't work out.

Hoadley: The first that I recall was simply a case where I took my economics so literally that I was absolutely sure as a graduate student and so on that I had the answer. I was a born, dyed-in-the-wool--not a monetarist but a cycle-ist. I had it worked out that there was a rhythm and that the rhythm was thirty-nine months up and so on, and I had worked out the formula and fell flat on my face very early because the system may have worked, but the answer was wrong.

That was a shock because I had been over-instructed, I guess, or indoctrinated that business cycles were real. They occurred with regularity. I drew the curves and the charts. They looked pretty. Except I said the economy was going to be in this direction, when in fact it was going the other way. That

¹ See more discussion on that subject in University of California interview at page 168.

was a learning experience. That showed up even as early as during the war, so you can be over-taught or over-indoctrinated.

I think secondarily I vastly underestimated the impact of international forces at the end of World War II. I never had been seriously involved in international until the war. I thought that everything that went well in America would go automatically well in Japan and a lot of other places, and that wasn't true. We had a lot of bits and pieces of information that were just not complete. Economists should never ignore culture.

But I guess if you track my record, I was among the first--maybe the first--to get away from cycles, and focus on structural changes to this day. Also, I broaden my field of economics to encompass noneconomic variables.

##

LaBerge: You went away from cycles.

Hoadley: Yes.

LaBerge: But do you use that just as background information?

Hoadley: I think probably the best way to articulate that is, what is your alternative if you don't believe in cycles or you de-emphasize them? I guess, as I say, I was among the first to deal with the next step, which is structural change, one-time change, that is not necessarily recurring within a period. And so I was among the first to deviate from cyclical forecasting in the United States to structural forecasting, which meant that I was focusing on the basic changes as opposed to the rhythmic changes.

Hidden Strengths in the Economy

Hoadley: It's sort of curious, as I say, I'm working on a paper right now. The subject is why has the profession, economists, so completely missed the basic strength of the economy in the last five to ten years, including me. What I'm pretty thoroughly convinced is that there are hidden factors of strength in the American economy which we don't know how to measure but which are there and spilling over into the economy, a lot of strength that otherwise is overlooked.

First, the flexibility of Americans to adjust to change. How do you measure flexibility? But the Japanese can't do it, the Germans can't do it, the French can't do it.

Second, the adaptability. You get into a situation in America and you work your way out; you don't despair. We're the largest trading nation in the world, by far. And the average American hasn't a clue as to what difference that makes.

But I've got a whole litany of a lot of things that are impinging on the economy that most people don't look at. One-third of the CEOs in America are new in their job, and every one of them is bright-eyed and bushy-tailed, giving it their best because this is their opportunity. It's, again, another indication of cycle to structural change, to uncover the hidden forces of strength.

Structural Changes

LaBerge: Was your finding about cork not having much of a shelf life after you got there, was that kind of a structural change?

Hoadley: Dramatically, absolutely, the same thing. You could have easily missed that completely, only to be hit by a rocket when it finally caught up with you. I think so.

LaBerge: You were a young man when you started there. I'm wondering how you learned to deal with--well, two different things: taking risks and then also being the brunt of people's criticism or disbelief--because that's a hard thing to take.

Hoadley: Well, that was World War II. In the early days of the war and having lost the job I never got, reality of that type taught me to be pretty careful not to be blind and accept things as such. Look for the big changes. In fact, I have two or three friends--maybe it's all I've got--but two or three friends in the forecasting fraternity worldwide who are the futurists in the purest sense of the word.

They are now trying to blend the cycle with the structural. What they're doing is trading information with me and trying somehow to document that major changes occur in history somewhere every two or three hundred years, at which time nations disappear, institutions disappear, principles disappear, technology changes, financial--in other words, you get an accumulation of problems and in the course of this, correction

has to take place. It takes place on a continuing basis, but every few hundred years you get a real big one, when you kind of clean house. It could be because of disease or technology or whatever.

These futurists are people whom I trade information with because there's enough truth in what they're doing to make me alert. I have joined the group to say this is one of those places in time, in history, where the changes are profound structural changes. Again, it's my structural approach that encourages me to pick up what these other people are working on.

If you're trying to figure out what's going to happen in the next twenty years, first of all you don't know and you can't predict, but still there's a very good chance that the problems that we've been solving in the last few years are long since going to be forgotten, and the problems we're going to be resolving on a continuing basis now are so profound that almost everything that we know now is going to be dramatically obsolete.

We're talking about the whole genetic field. One of the individuals I have some high regard for is an individual who is a specialist in the genetic field--and I don't even begin to understand what that is, but I can only say that if only a tiny bit of what they're talking about--the cloning situation--we don't know what we don't know, for sure.

So my only debate with my colleagues is that what we're going through now is probably a primer--it's a start for something that in the course of the next two or three hundred years will make things so dramatically different--I hope for the better. I just finished editing a book by a Chinese friend. He has a buddy, both engineers. They in engineering have some sort of principles which they use, which I don't quarrel with or know anything about, but they're interested in getting an appraisal of their draft book from a non-engineering standpoint.

The essence of this is that they see so much profound change that they feel you have to deal with the quality of life issues--with fundamentals--chronic problems have to be corrected--that are always overlooked just before the storm. I think they're probably too technical for me, but there's a grave situation ahead because of the decay in values. The correction comes inevitably--well, without saying much more on that--it's just that I'm persuaded and my handful of colleagues are either joining me or I'm joining them in the expectation that the role of leaders, including economists, has got to change to spend more time on the long-term problems and opportunities and somehow also try to find a way to become over-preoccupied with what's going to

happen in the next twenty minutes because the things we do in the next twenty minutes, carried out to their conclusion, could make an unbelievable difference twenty years from now or fifty years from now.

Of course, these engineers are very concerned about congestion, concerned about all the issues involving environment, the DNAs and so on. I'm sure they're in over their ears. I know I am. But we're dealing in structural, fundamental changes. The problem is how does the public grasp this. If they grasp it, what's going to make them accept it? No one of us can say we're sure what is going to happen. The public is also in the hands of politicians, who are not going to want to be frightened because a future nuclear disaster over here could happen in their area. Any disaster or something negative is bad--in fact, my principal criticism of the book is there's nothing positive in it. My rounding up comment is relevant.

So I'm trying to get these engineers--one of them is coming back this next week from Singapore--to think positively. We get a chance to point out that, in essence, there have got to be more positive prospects, and I'm hunting hard to find the positive. Otherwise, we're going to get inundated with doom and gloom. It's so easy to pick up any one of these themes and drive it into the wall. What I always have said is, what we don't know is also extremely important. Things can surprise us. I am kind of winding my trail.

LaBerge: Well, it comes back to your looking for hidden strengths, doesn't it?

Hoadley: Yes. And they're there. And we've got more of them in America than any other place in the world right now.

Changes in Moving to Pennsylvania

LaBerge: Back to Armstrong Cork and moving to Pennsylvania, tell me how that affected your life and your family to move to that section of the country and what your impressions were.

Hoadley: A quick answer is a tribute to my wife. As I said, she has been interested and flexible, willing to do anything that was good for the family, and we negotiated that change without any difficulty. It was kind of a mixed situation because we didn't know where Lancaster was in Pennsylvania or any other place. We were also shaken by the fact when we arrived that there were people who

were very kind but said--they didn't use the word "culture" but "in the living conditions that we have in this Pennsylvania Dutch country, we're sometimes said to be cold and not terribly friendly. We have our own families, our own traditions. So we hope you won't be offended, but we're probably not going to include you in a lot of things."

That's a great way to get welcomed. But they were absolutely honest about it. But in ten or fifteen years, Virginia and I became very comfortable. In fact, an Amish girl that did some housecleaning for Virginia wrote us a note a few days ago--we still maintain the contact. She had a home with no electricity, horses--tobacco farmers, and now they're in terrible shape because what do they do with tobacco?

My response to your question is that we were bright-eyed in the sense that we saw opportunity. We were not aware of the problems of young people growing up as much as now, but it was a safe community. These were conservative people. A lot of the cars had the bright metal painted over because they didn't believe it was proper to be ostentatious. So in that sense it was kind of a shock.

When we were in Chicago and again when we were in Lancaster, my father was alive. He could never understand how his son could go live in this other part of the United States. Every so often, we'd get a box, and the box would have flowers from California which, by the time they got to us back on the East Coast, didn't look too much like anything. I think that was part of his game.

We were frankly stuck. We left California and so we figured, well, we could cry about it if we want. It wasn't perfect, by any means. Strange culture. But good people are good people. We found them every place we've ever gone. One time while we were in Lancaster, believe it or not, the Cal band came through and gave a concert.

LaBerge: Oh, my goodness!

Hoadley: Most of the people in that community didn't know Cal, let alone the Cal band. But our ties were in the West. We had to adopt the Eastern perspective. Somewhere we got a blend of the two. But that was a dramatic change for us, going backward, because milk was still delivered by horse and buggy. A lot of the things that were there were right out of the history books.

But here was a dynamic company, right in the middle of it. It's hard to prove, because you had a feeling as--I later became chief financial officer at Armstrong--to see the people who were

representing banks and insurance companies and brokerage houses come to Lancaster because the company was big enough that they had to pay attention to it from an investment standpoint.

It was interesting to see that of the people who came to visit was the chief financial officer from the West Coast, as opposed to Middle West, the South, and East. I had the impression that the people in the East were the absolute tops, that they were the world Super Bowl winners, and everybody else was second-rate. I found that they had some scars. They weren't all that great. In fact, when I joined the Bank of America, I had back in my mind that the Bank of America people were infinitely better, in my opinion--one of the reasons I joined the bank, as opposed to my Eastern cousins. But I at least had clues as to what they were.

We've had--still have--great affection for the people in that area. I may have mentioned the pastor that married our kids just passed away last month. People call us, send us notes, "Did you hear about this?" It's kind of America maybe fifty years ago. Maybe we should say a hundred years ago. Fifty isn't big enough for me.

It gave us an experience. Virginia came out of Calistoga, so a small town was not new for her. The contrast in our family was clear. She has always been a champion of the little, and I've been the champion of the big. I came from a big school, big high school; she came out of Calistoga High with eighteen senior class students. So we were not exactly strangers to small towns. We had a lot to learn.

Progression at Armstrong Cork: Treasurer and Economist to CFO

LaBerge: When you started there, you were the economist. And then you became treasurer and economist? Tell me about that progression.

Hoadley: Well, I mentioned Moose Warnock became the chairman.

LaBerge: Shortly after you were there?

Hoadley: He was the chief financial officer when he hired me, and that left a hole, which he picked me--I had to smile about that treasurer and economist because there was a standard joke at Armstrong that economists are strange people, and a lot of perfectly fine people would make a joke out of the fact when you say, "Here comes Hoadley. He's a treasurer and economist." The

second comment would be, "Well, it took him a long time to wise up, but they took those two lousy, meaningless, unimportant jobs together, and put them in one guy. Saved the company a lot of money." And so every time there was an introduction, "Here comes the treasurer and economist, two dumb jobs."

Well, actually, there was a certain element of truth in that! But the main point is that Armstrong was a solid, financially secure company, and we kept it that way. There were lots of changes taking place in that company that you heard me say, and to keep that company together and keep the financial people who were lending money to the company happy--all they could see was that cork was dying--they didn't have much faith in what new was coming along, but I was close enough to the top people in the company that I could say in all honesty to the people in New York or any other place--London, what have you--"This is what's really going on at Armstrong" and be able to get keep their respect.

LaBerge: Another reason why you needed to be a part of the directing group, so that you would have all that information.

Hoadley: Because if you turn out to be a phony, it doesn't take many experiences to wipe your reputation out totally. I found that if you speak with authority, that's important; but if you speak with truth and authority, it's much better. And the security analysts who would recommend or not recommend the company stock had their own reputations on the line. When they sensed that Armstrong was coming strong--and we were careful. We didn't say anything that wasn't true--but a lot of security analysts made a lot of hay by recommending Armstrong. I had been in Chicago long enough to be an officer of the security analyst society, so it was not too hard to sense what they wanted to hear and what they didn't want to hear.

But treasurer and economist meant that I was part of operations as treasurer; as an economist, I was at the policy level. So that was probably as good a transitional point of going from staff to line. I had been close to the line because of the nature of the staff job that I had, but I became a line officer the instant I became treasurer. That made a real difference.

LaBerge: How did your responsibilities change?

Hoadley: I had the responsibility as the economist, broadened to the extent that I built a small economics department that continued the things that we had been doing but with the emphasis on market research, taking pretty seriously the question of what about

these new markets. I was pleased that the head of market research at that time became the chairman of the company a few years ago.

LaBerge: What's his name?

Hoadley: Bill Adams. He's now retired. But Bill headed market research. Al Matamoros, which is a strange name, was a part of my economics team. He later became the head of market research, too.

Then, on the treasurer's side, we had the responsibility then for bank relations, the statements, the accounting, the operational side of money affecting the company. So my name was on the stock certificates, and I was a line officer.

And then I was promoted to chief financial officer, which meant I did it all again, but I had people to do things for me.

LaBerge: You'd be directing what you used to do?

Hoadley: Yes.

Federal Reserve Board, Philadelphia

LaBerge: At the same time you were doing that, you were on the Federal Reserve Board--tell me.

Hoadley: Not in Washington.

LaBerge: Not in Washington, but in Philadelphia.

Hoadley: Yes. In the structure of the Federal Reserve system, there are twelve regional banks. San Francisco has one. There are twelve. The Federal Reserve system involves a Board of Governors in Washington. Those people are recommended by the President, confirmed by the Senate, and serve terms of up to fourteen years. Each Federal Reserve individual bank had a board of directors, and does, as San Francisco has. There's a chairman of that board in San Francisco. Only a person who is qualified in the public interest, so-called Class C director, can be the chairman of a Federal Reserve bank. Because I was a Class C director selected by Washington, I was eligible to become chairman.

Then there's an organization called the Chairmen's Conference, which means the twelve chairmen of the twelve banks have their own chairman and meet in Washington with the Board of

Governors. We become the policy advisors to the Board of Governors in Washington. That was what took place. I was invited to be a director of the Philadelphia Federal Reserve Bank and a Class C director, which enabled me to become vice chairman and then the chairman of Philadelphia and then out of that to sit at the table and to be elected chairman, overall.

LaBerge: Of the Chairmen's Conference?

Hoadley: Yes.

LaBerge: Who appointed you?

Hoadley: Well, I'm not absolutely positive because presumably there was a consensus. I was exposed to all the brass in Washington. Somebody was an angel. Somebody singled me out because of my Federal Reserve base in Chicago, and Philadelphia is a long way from Chicago--

LaBerge: But they knew where you were, too.

Hoadley: The president of the Philadelphia Federal Reserve Bank was one of the wartime economic intelligence officers.

LaBerge: Who was that?

Hoadley: I'm going to have to scratch my head. Karl Bopp. Dave Eastburn, an economist, was another one. He became the president of the Philadelphia bank. A lot of us knew each other because of the war days, working together. As far as I know, it didn't do any harm to the country, but that was the way it worked.

LaBerge: What did that involve? How many meetings? How much time?

Hoadley: The meetings in the Federal Reserve Banks were a couple of times a month, so I had to go from Lancaster to Philadelphia. And then the committee meetings. So I started out by attending a meeting a month, and then it was two meetings, then three meetings, and finally it was almost every week. As chairman of the Chairmen's Conference, that was not as time-consuming as it might seem. We didn't have the communications that you have now, so it took a little bit more time.

The staff work by the Board of Governors in Washington was of a very high quality--mail was used, but we had a lot of information flowing to us on a confidential basis. I got to Washington probably six or eight times a year. But I was not based in Washington in the formal sense of being there. I was in

Washington by virtue of being able to say, "This is what's going on in the Philadelphia area."

But I was fortunate to be in Lancaster, close to Philadelphia, whereas Bob Perry, who's the current president of the Federal Reserve Bank in San Francisco right now, has to commute to Washington as the president. I don't even know who the chairman of the bank is here, but they've got to go to Washington, so they've got--

LaBerge: Is it a volunteer job?

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LaBerge: Like with the University of California Board of Regents, a lot of people are surprised to find out that that's a volunteer job. So you get paid to go to meetings for the Federal Reserve.

Hoadley: Meetings. In essence, our actual expenses were covered.

What the Federal Reserve Does

LaBerge: What kinds of things are you discussing? I'm asking as a real novice.

Hoadley: The first question is, what's the state of the economy? Is your region contributing to the national situation positively or negatively? The second question is, what are the economic problems that need attention in your area, at your level? And which of those are important enough that they should be told to the Board of Governors in Washington? The fact is that a regional Federal Reserve Bank has power to change the discount rate. However, there's a small print which says that Washington can override it. The Philadelphia Federal Reserve Bank was the first bank ever to break the tradition; it went in its own way.

LaBerge: While you were there?

Hoadley: While I was chairman, yes. Because we thought that--I've forgotten the exact year. We had a difficult economic problem in the Philadelphia area and we wanted to lower interest rates. So, the full financial market suddenly realized that these upstarts in Philadelphia were suggesting a change that should have traditionally originated in Washington and been confirmed in the

region. It originally originated in Philadelphia and actually was confirmed in Washington, which was unprecedented.

We had a board of good people. There are nine directors in the regional bank, 3A, 3B, 3C. The C's are public, the A's are bankers, and the B's are financial authorities. There are some technical details which I've long since forgotten.

LaBerge: That's a fourteen-year term, is that right?

Hoadley: That's for the Washington board. The terms in the region are three years, and then you can serve a couple of times. I've not kept up with the small print as to what that is now.

But anyway, the fact that we were in Lancaster--to get back to your question of what difference did it make--Lancaster put us practically into Washington via Philadelphia, which gave me a chance to build on my old Federal Reserve connections and to be within a very short distance of Washington. So I could have been, if I chose, on a lot of congressional and presidential research groups or commissions. So I had exposure. I never thought of it at the time, but that's in fact what it turned out to be.

Virtually every economist of any stature in the United States and the world came through Washington at some time. I was included in so many of those gatherings.

LaBerge: Do you remember any particular crisis or change that occurred--just, for example, when you had to do something beside cork in Armstrong. I'm trying to think of the years you were there. It was before the oil crisis, wasn't it?

Hoadley: Yes.

LaBerge: How about the Vietnam War?

Hoadley: It was before. My era was before that. No, there are always skirmishes going on. I don't just automatically jump on something because--I guess from a perspective of today, it was a pretty quiet period. I'm sure that we attach a lot of importance to changes which were going on, but we were mostly European, and you still have the aftermath of World War II, but even that was rapidly fading. We're talking now about the sixties, and that's getting on to twenty years from the forties, so that World War II was not a factor of any significance as such.

As far as crises are concerned, they were essentially domestic. In those days, organizations were internationally-

minded to be sure, but international was not a big part of American finance. The dollar was the dollar; the Federal Reserve was high and mighty. That's the way it was. But, you recall, coming out of World War II they set up the International Monetary Fund and the World Bank. A lot of these organizations in Washington were the international eyes and ears of the United States because everybody looked in one direction, to the U.S. We were internationalizing the country, slowly. We're still doing it. We have a long way to go.

The Business Council

LaBerge: What about--there was some group--I can't remember the name of it now, but it was an advisory group to the government, the Business Council?

Hoadley: Yes, that was in the background--remember I mentioned at one point the CED?

LaBerge: Yes, Paul Hoffman.

Hoadley: Paul Hoffman and the CED headquarters in Washington. The people who survived that episode obviously were business-oriented and very interested in business contributions to better life for Americans, and Hoffman was an early person and very important person. The Business Council was initiated within the government in the Department of Commerce. The Business Council was a mixture of government leaders and private business leaders. They met a couple of times a year, and still do.

But when John F. Kennedy became president, he and some of his advisors didn't like the idea of business and government being that close. See, in the war we were so close you couldn't tell one from another, and gradually that weakened. So the Business Council started out with an economics advisory group. I was on that. And then gradually it became pretty clear that the administration was not happy with the arrangement, so we separated the Business Council, and the Business Council became purely private, I was a part of that transition, too. It became pretty largely a structured advisory group of business people but on an invitational basis. They literally kicked the Business Council staff out of the Department of Commerce. That didn't exactly enhance enthusiasm on the part of business people for government.

My particular job in that, as an economist, was largely to join forces with the economists of the other Business Council company economists as part of a process of shining the crystal ball. That organization, I believe, is a private advisory group--or the Business Council--is still in existence. I've long since been off that. But it was an experience that grew out of the war, when the business people realized they had to trust the government and the government had to trust the business people, and a lot of good things happened. But there has always been a suspicion in business about the government people, and the government people surely are suspicious about the business people. So that was kind of unwinding at that point. It was largely a forecast of the economy, an analytical approach to the problems that confronted the country. When we spoke to the government people, we did it as their guests, whereas for a long time we were part of the same team.

The Federal Reserve and Politics

LaBerge: How much does politics have to do with the Federal Reserve, do you think?

Hoadley: That's a difficult question to answer because obviously, in theory, it's minimal. The way the Federal Reserve is set up, the directorships and so on, it's set up in such a way as to give a person fourteen years of voting power. No president can have fourteen years. The idea of having twelve Federal Reserve Banks to capture the regional differences only reinforces the idea that the effort was strongly made to minimize politics, but the politics was there.

Turning Down Offers from the Government

Hoadley: First of all, the President nominates the chairman of the Board of Governors. I mentioned earlier--at least I think I did--that I was invited to become a member of the Board of Governors.

LaBerge: No, you didn't mention that. I'd like to hear about that.

Hoadley: Well, the only reason that I mention that is that I had a problem sort of chronically of being invited to take this job or take that job at the end of the war, and it continued. Because of, again, my Federal Reserve Bank background in Philadelphia, the

phone rings, and "The President wants to nominate you." I guess I should say that was a critical period in my life because here I had an invitation pending for the Bank of America, simultaneously with the one out of the White House in Washington, and an inquiry as to my interest in a position as Undersecretary of State for Economic Policy. I was trying real hard not to make a decision.

LaBerge: Because that's a full-time job.

Hoadley: That's right, that's right. I mentioned to you some time ago that I made a positive commitment to Virginia that we'd never get involved in politics, so I was struggling and playing like this wasn't real; it wasn't happening to me. So I finally had the problem that if you take the job with a private bank, you have to sever relations completely from the Federal Reserve. That was a tough situation.

What happened--I should have known--some reporter got a look at the candidate list in the White House, saw my name at the top or somewhere on the list anyway. The New York Times runs a column. The wording was something like "and the inside expectation is that Walter Hoadley will be appointed by the President." At Armstrong, they read the Wall Street Journal and they read The New York Times, but nobody but nobody knew that I was negotiating anything. That was a real critical period in my life because I felt guilty, but I really hadn't made a decision. I was trying to avoid it.

As it turned out, people stormed into my office at Armstrong, said, "What's this in the paper this morning about your leaving?" I hadn't even talked to the chairman or anything. So I laid it out on the table. I made the decision not to take the Federal Reserve because Virginia had my commitment.

You had asked a question about politics.

LaBerge: That answers me as far as that you think that it *is* political, right?

Hoadley: That's right. Technically---

LaBerge: Technically it isn't.

Hoadley: But yes, that's right. The result of my acceptance of the Bank of America position was that I had to resign from all my Federal Reserve activities. That was when we came back to California.

LaBerge: Now, was this the first time you were asked to be on the Federal Reserve Board of Governors?

Hoadley: I had been probably on the list, but it was all so secret--

LaBerge: Someone might call and say, "What would you think about doing this?"

Hoadley: "Would you accept if--" Yes, that was the standard--quite a number of opportunities that came. I was invited--when Herbert Hoover was ex-President, I didn't have any particular occasion to know him, but curiously, I'm still technically a part of the Hoover Institution. But he called his friend Henning Prentis, who was the chairman of Armstrong, and said that I should seriously consider being the Undersecretary of State for Economics. I had to talk to the old gentleman upon the phone. I knew that was pure politics. I had to explain to him that I had a wife that I had made a pledge to. The conversation wasn't too long. I knew well the tradition that when the President of the United States wants you, you take it. My answer, "Sorry, sir," was not well received.

So all that sort of killed a lot of the quote-unquote "opportunities" that were associated. I had contact with Dwight D. Eisenhower, and that's the era we're talking about here. Subsequently--all the presidents--but my contacts were much more through their top lieutenants than it was face-to-face with the President--down through Nixon. I was a keynoter at a conference on inflation for Nixon. I guess that kind of wraps up, my political decisions were, "No."

A Promise to Virginia

LaBerge: Where did that come from? Did Virginia see that you probably were going to be tapped to be in the government?

Hoadley: She could see that I was the president of most of the things that I joined.

LaBerge: You were not aiming, but that could possibly happen.

Hoadley: Yes, that's right, yes. I did rub elbows with people who were pretty well placed. But I was not in any sense a part of somebody's official lineage or list of active-duty, full-time government employees--although when I was a graduate student I mentioned that I had done a master's degree in labor. That bordered on it because that was a government job, but that was so lowdown. Nobody knew where it was.

But anyway, anti-politics is strictly my wife's makeup. She hates controversy. She hates anything that involves deceit or problems that put you in public jeopardy--she doesn't like anybody to be criticized. She thinks politics is dirty. She doesn't like the idea of having everything you've ever done distorted in campaigns. Where she got that, I'm not sure, but her life has been patterned in tranquility: Do the right thing and avoid, if you can, getting involved in something that's a mess. She could give you a much better statement on it, but it comes down to the fact that she doesn't like politics, period. I made the decision and since I made it I was going to abide by it.

LaBerge: Shall we stop there?

Hoadley: Yes.

LaBerge: The next time we could start with the Bank of America decision--unless there's more--if you go home and think, "There's more I'd like to say about this."

Hoadley: Well, I think I'm wearing you out.

LaBerge: Oh, you aren't wearing me out at all. I mean, I almost didn't get the story of you being asked to be on the Board of Governors. You might think of another important thing like that.

Hoadley: There are miscellaneous things, yes. Well, I've not tried to do homework for this.

LaBerge: Oh, no, you shouldn't, you shouldn't.

Hoadley: It becomes canned.

LaBerge: Yes.

Hoadley: And the fact that I respond the way I have is a reflection of my confidence in the University of California oral history program. What I'm telling you is what comes out spontaneously. I'm not trying to put a box around the subject. But you're the expert; I'm not. I'm just sitting here chatting.

LaBerge: That's fine. That's what you're supposed to do.

Hoadley: Okay, fine.

Roads Not Taken

[Interview 5: April 29, 1999] ##

LaBerge: We last stopped when you were ending your Armstrong Cork job, and we had talked about a couple of job offers you turned down, one of them being the Federal Reserve.

Hoadley: That's right.

LaBerge: Were there any others that you turned down before you came here, notable ones?

Hoadley: The one that I referred to was the chairman of the Federal Reserve Board of Governors. Bill Martin of McChesney-Martin. As I explained, I was involved in the Federal Reserve as the Philadelphia chairman, and Bill Martin had been interceding to get me in. I had to pay attention to him because he was a mentor in many ways, and it was through Bill that the White House got interested in calling me.

I'm told that Bill Martin also was saying good things in the right places so that I had gotten an inquiry that comes from time to time: "If you were invited to do something, would you be willing to do it?" sort of thing. That isn't a job offer; on the other hand, it's an approach, and I had several of those.

But I was specifically involved in invitations to join a couple of organizations in the New York area--investment banking people and more particularly economic consulting firms, which at that time were more popular. They're almost nonexistent today. Most known economists were attached either to a bank or to an investment advisory service or something like that. The services were largely named after the principal economist, whoever he may be. Had several of those, but I didn't take them too seriously because I was happy where I was, until I got a call from the chairman of the Bank of America.

As I explained, the minute that I thought seriously about leaving, I had to resign my Federal Reserve duties because I couldn't possibly be in a bank and also have responsibilities within the Federal Reserve. It's a conflict of interest. So I had the delicate question of getting myself out of the Federal Reserve, getting myself into the Bank of America without too many complications of somebody claiming I was holding two jobs or something of that nature.

LaBerge: How did that job offer come about?

Hoadley: The job offer from the Federal Reserve is essentially a political job. I think I mentioned--if I didn't, I will--I agreed with Virginia, my wife, that I would not be a politician.

LaBerge: You did.

Hoadley: But there was a question in several minds as to whether this was really a political job since it wasn't an elected position. I was in a position where I was going to be presumably an expert and not a person that was going to challenge a course that somebody else was taking or be locked into the White House with a lock-step with what they wanted to do. I was said to have the prospect of a term of fourteen years and that I would be free and independent, and I was supposed to be free and independent. I had been a Class C director in Philadelphia and you could only be a Class C director if you represented the public, so I was clean.

But the job opportunity came because of an opening on the Board of Governors. That meant that Bill Martin was the actual ongoing chairman of the Board of Governors of the Federal Reserve and the White House negotiated. They had a list of the candidates, and my name was on the list. I don't remember when or how it got there, but somebody who was filling that spot, who had the responsibility, put my name on the list. It was supposed to be a secret, but the newspapers and the media have a way of finding out the leaks and taking full advantage.

V BANK OF AMERICA, 1966-1982

Offer from Rudolph Peterson

Hoadley: At the same time that that was going on, I was getting a call from the chairman of the Bank of America.

LaBerge: Had you known him, Mr. [Rudolph] Peterson, before?

Hoadley: I didn't know him as well as I knew a number of the other senior officers. The Peterson contact came after several of his lieutenants had scouted me.

LaBerge: Who did you already know?

Hoadley: Well, I knew the people that were first of all associated with economics, just because we were professionally in the same particular field. The Bank of America didn't have a big or strong economics operation, and they wanted to fill it. Harold Furst was the person within the economics department at the Bank of America, who I suspect may have dropped my name somewhere along the line as a person who ought to be contacted.

LaBerge: Is he also a UC [University of California] person?

Hoadley: Yes.

LaBerge: That's what I thought.

Hoadley: He has been very active in the business school, yes. And a very good friend. I knew him as an economist. But specifically, there were several other people who were in the bank whom I had been on platforms with. So when you say you know them, you know them but you're really not very close to them. You had an opportunity to chat with them about how a panel is going to function and what part of the subject would I take or someone else would take. Then finally you get to the place where the

program is going to be on, and you have thirty minutes before you're on television or on somebody's platform, so these were kind of running conversations.

These were people that I also knew in another connection as the chief financial officer of Armstrong World Industries. I had the opportunity to meet or to be called on by bankers who had some selling to do, and that I might do some business for them in the way of loans or investments or something of that nature. The result was that I had the knowledge of many of Bank of America's principal money people who were in the East, as well as those representing the Bank of America. I'm sure they were asked by the Peterson people to check me out.

But the final decision came down to the fact that Peterson called me and said that he wanted to talk to me and to bring my wife along. We were in Lancaster, Pennsylvania, in the Philadelphia area, and Rudy was in the Madison Hotel in Washington, D.C. He invited Virginia and me to have lunch in February, 1966. There was snow on the ground and more snow came, and we were not terribly excited about driving from Philadelphia to Washington, but we did. We had lunch.

I thought the strategy of inviting Virginia to be along was a good one because not only did it allow her to hear what deal was being cooked up, but she also had an opportunity to say, "What kind of vacation does he get?" and all the things that she was interested in. Furthermore, we had some travel planned, so she said at the critical moment, when he was trying to get me to say yes, "Oh, Mr. Peterson, we had long ago planned this trip to France"--Paris or something--"and certainly you wouldn't object if my husband started the job X date rather than Y date." All he could say was, "Sure." That was sort of a bonus arrangement.

I get to the Madison Hotel from time to time. In fact, I'll be there sometime in the next few weeks. I can't be sure I know the table, but I certainly know the area of the dining room where Rudy offered me the job. That was wrapped up. I had to immediately get to the phone and tell Bill Martin that I was not going to be involved in anything from this moment on because I'm going to take a job at the Bank of America.

He congratulated me, praised me, and I'm sure would have been glad to kick me if he could. But that's how it happened. I think I explained also that the media picked this up, and it got into *The New York Times* that I was going to leave Armstrong before I told Armstrong. So I had the Federal Reserve, I had Armstrong, I had the Bank of America running a three-ring circus. We wanted to stay absolutely pure, right? I guess we did.

Negotiations

LaBerge: How did you and your wife make that decision, to make the move back to California?

Hoadley: We'd been actually invited over the space of a year to consider coming West to the Bank of America.

LaBerge: So you had time to think about it.

Hoadley: Yes, we had a lot of time to think about it. The original approach was, "Why don't you come back to California? You started in California. Be a Californian, and why don't you come home?" We were content in the East. My parents were gone. So we didn't have a burning desire to come back to California. But the job that was originally offered at the Bank of America was a very interesting job. It was a chief economist, and it was a senior officer--not all that explicit at the moment as to what "senior officer" meant.

But I had had enough experience with, as I mentioned, being a part of a big organization and knowing that unless you're a key part in the center of the whole team, you were ineffective because you can't get anything done without having to have somebody else's approval; or you're told by somebody that this is what somebody else thinks and you don't know for sure. So I insisted that I be a member of the managing committee.

LaBerge: Did you negotiate that on the job offer at that lunch?

Hoadley: I had indicated some of the conditions that I had to have met to make sure, and really be able to do the job. I didn't want to be obnoxious, but I also didn't want to be an ineffective staff person, particularly in a foreign territory as such. My background had taught me, had said if you're going to be a part of the senior team you want to have the same vote as the other people have with the exception of the CEO and one or two other people that are in a position--who outrank you. But you've got to be in a position where you know what's going on as well as the other people know what's going on. Otherwise, you're guessing what the other people know, and that's a dangerous thing to do, which I refuse to do.

We had some negotiation on salary. The Bank of America had a cap. This was due to Mr. A.P. Giannini's conservative background, which was--there is more in life than getting rich; you want to share things. I agreed to that, but I was not excited about breaking up the family and coming all the way west

without some financial incentive. So we negotiated, but that was one of the reasons it might have taken the better part of a year to get things straightened out. The bank's salary level then was modest compared with others.

Of course, the problem that Mr. Peterson had was that if he gave me more than he gave somebody else who had been around for ten or twenty years, it would not be a secret. Somebody would hear about it. So he had his problems. Anyway, over a long period of time and their persistence and my increasing interest, we finally came together at the Madison, and we made the deal.

LaBerge: How much time, then, did you have between leaving Armstrong and coming back here?

Hoadley: About six weeks.

LaBerge: Did you take that trip?

Hoadley: We took it. Yes, we did. But it was one of these things where you make up your mind you're going to do it--you better be prepared. Virginia fortunately had the same mentality. But there were some family questions. We had some marriages coming up, and some other things that were going to have to take place, so Virginia was in one part of the country and I was in the other part of the country. The usual coast-to-coast transition dislocations took place. It all worked out.

Importance of a Backup

Hoadley: But there was not a long period of time because once the decisions were made, you're not very helpful to where you are, and you're not certainly very helpful to where you're going. You try to do both jobs. But I had the fortune of having learned to always have a backup in the years before. Especially when you have a responsible position, have a backup, have somebody who can take your place if you get hit by a truck. If it isn't an important job, nobody cares, but if it is an important job, it's got to go on and the function is going to continue. If you're not going to be there for whatever reason, protect the organization.

I had a backup--

LaBerge: At Armstrong.

Hoadley: --which was not designed by any Machiavellian view that I was trying to play games or anything. It was just part of the philosophy that I wanted to have a backup, and that enabled me to carry out a lot of the marketing research activity at Armstrong with somebody who had a job that was real and had an opportunity to progress.

LaBerge: Who was that?

Hoadley: Albert Matamoros, strange name. Al Matamoros was a New Yorker. In my early days at Armstrong, having sold the idea of having a backup, I got an agreement to put an ad in The New York Times and The Wall Street Journal, looking for this backup person. Ran the ad, and just as it happened, Al Matamoros was working at that time at I think it was McGraw Hill or one of the publishing companies. He had put an ad in the paper, also looking for an economist. His ad and our ad came together in the paper, so my first reaction was--we were in Pennsylvania Dutch country and Philadelphia area and so on--Matamoros, what a strange name. His family was from Panama somewhere in the central part of the hemisphere.

But anyway, Al looked at his ad and he looked at my ad, and he thought my ad was better than his, so he submitted his name for my opening. I was accused later of stealing the economist, but actually it was the truth that we just both had a little game of editorializing by each other's ad. At any rate, Al had just about finished his doctorate degree from New York University. He struck me as a bright, young, enthusiastic kind of guy. He had a lovely wife and family, part of which was expanding at the time we were talking. He came down to Lancaster, the Philadelphia area, for an interview. I was impressed. He was a very fine person.

He turned out to be a good backup and succeeded me at Armstrong and continued there until he retired. I was fortunate that that worked out that way.

The transition we were talking about was over a period of some months. I came West.

Position at Bank of America

LaBerge: When you came, were you replacing someone, or were you starting a new position?

Hoadley: It was a little bit of both, which is kind of strange because the Bank of America back there, as I recall, somewhere in the fifties--1954 and so on--had some discussions about having an economist. At that time every bank of any consequence had an economist. It was part of the roster. Bank of America had some people who were more or less on call, not really on the total payroll but on a retainer of some kind.

They had some academics, some people from nearby universities, and for a period of ten years or so there was kind of a revolving number of people who were in charge of some aspect of economics. But the idea of having an economist, I'm sure, was kind of an up-and-down rating as to priority until finally, I guess, it was just the peer pressure of not having somebody as a chief economist came up. They decided they were going to get, quote, a "chief economist" in a full-time job and so on.

So I got the call. The chairman of Bank of America, not the CEO, was Louis B. Lundborg. Lou Lundborg and I had been on many programs for the American Bankers Association, so when Lou got in the act of finding a suitable chief economist, he was the real arm-twister, as such. Through Lou and some of the other senior officers, there was a pretty fair idea of what they wanted, but I seemed to fill the bill on the list of things that they had. Being a Californian probably made more difference than anything else because I was coming home, and I didn't have a Brooklyn accent or something of that nature--which, incidentally, Matamoros did, which was kind of interesting.

The answer to your question is there was a slot for somebody to do some economic research work during the fifties. I came on in '66, so the background was there, but it was not something that the person who had the job was well known for, or as effective as someone else maybe.

The job could be said was brand new in one dimension, and that is, I became a member of the managing committee.

An Economist on the Managing Committee

LaBerge: Tell me why that's so important, and exactly what the committee does.

Hoadley: The managing committee in the Bank of America is not unlike the executive committee of a lot of other organizations. It comprises the CEO and anywhere from five to sometimes as many as

ten--Bank of America was six, as I recall--officers who were identified as senior officers. They met as a group, had the decision-making responsibility short of the board, and they ran the bank on a day-to-day basis. The major policy decisions were made there. That meant that when you were sitting at a table with others responsible for other areas, you were listening to what was going on in the credit field, the investment field, all the other aspects of banking--the auditors and security and the specialists in equipment and so on. It was all there.

The reason why it was important to me is, as I said, I felt --particularly coming in as a stranger--I was a rare soul, being invited. In fact, it was pretty clear that I was the first person ever to come in from outside into the managing committee of the Bank of America. It was important that--I felt that I needed to know what was going on in order to do *my* job well. So I insisted on that, and eventually they caved in.

But there was a complication. The complication was that Mr. Giannini had the rule that you could never serve the Bank of America and any other organization at the same time.

LaBerge: I remember hearing that, yes.

Hoadley: And that meant that as a member of the managing committee of the Bank of America, that I was one thing, but I was a director of Armstrong. In the course of that situation, I had the information passed along that I should resign the directorship at Armstrong, and so I did, except that the Armstrong board would not accept the resignation. That was great news. They wouldn't accept it, and when I told the Bank of America people, "I'm just a pawn here; somebody's got to change this."

So the board of representatives of the Armstrong board and the Bank of America board got together and finally agreed that I could hold my directorship in Pennsylvania while I was working for the Bank of America, which shook the traditions of the Bank of America. But I did end up being a director and continued to be a director at Armstrong until I retired there.

LaBerge: Has that rule changed now?

Hoadley: I wish I could tell you very effectively, but I'm almost certain that the rule--I may have broken the rule. I know that the CEO of the Bank of America has been a director of Chevron and Kaiser and what have you, so I think the answer is pretty clear. I'm not absolutely positive.

LaBerge: When you came, who were the other senior officers?

Hoadley: Well, let's see.

LaBerge: Lee Prussia, maybe?

Hoadley: Lee was not at that time. Clarence Baumhefner was one.

LaBerge: How about Mr. [A. W.] Clausen?

Hoadley: He was not at that moment, but within a relatively short period of time came out of the south and came into San Francisco. Now, let me see. Of course, Rudy Peterson was.

LaBerge: Mr. Lundborg.

Hoadley: Yes, Lou Lundborg was, yes. And the chief credit officer--let's see.

LaBerge: Sam Stewart?

Hoadley: Sam was--

LaBerge: Okay, but he's not the chief credit officer.

Hoadley: No, he was the trust officer, the lawyer. He was brought into the bank by Giannini from a law firm in New York. There was one credit officer. Clare Sutherland was in charge of credit and loans.

LaBerge: And the job you were doing. Were you carving out the job?

Hoadley: Pretty much so. I had the team that I inherited that were backup staff, a half a dozen people. They were largely processing statistics on banking and on the economy of California, but it was not an analytical group of the Ph.D. level. In the course of the first two or three years, I built a staff. Got up in the twenty range, twenty people on the team. It was analysis.

The problem with economics is you can be playing numbers game all the time, but what do you mean? What are you doing? The important point was to be able to have a team of people who could bring something to the table that the officers could use. And so we built the team around people who could do analysis and move in the direction of making decisions. The greatest shortcoming of economists unfortunately has been that they're trained to be data specialists but not to tell anybody what to do. They, in other words, fed the information in and said, "Well, here, you're on your own." The truth of the matter is that's one of the reasons why the economics profession has gotten into all kinds of trouble.

I'm told there was an article in The Wall Street Journal today, which I haven't seen, about the demise of economists or something of that nature. I wrote a book a few years ago on the subject of--

LaBerge: Oh, is it The Crystal Ball?

Hoadley: Yes, that's right. That was the one that sort of said we've got problems in the profession and we better do something about it. But I guess it was still late because the profession has been in shambles, and there are very few chief economists today anywhere. There are still a lot of people practicing economics as a consultant, doing things as specialists, on assignment or what have you, but not somebody in a position, for example, that I had when I was at the Bank of America, where you're on the managing committee and/or the masthead and/or the listing of the senior officers, and so on.

But I was fortunate that the timing worked in my favor, and I was able to foresee some of the things that ultimately made a difference.

Building a Team

LaBerge: How did you build your staff? Where did you find them?

Hoadley: The way you find a staff person in economics is probably not very different from what it is in others as well--is that you first of all make a special point and decide what are you going to do with this person. You draw up a job spec, qualifications that would be necessary to fill the job, and any particular special dimensions that you're looking for or that you're not looking for. You draw this all up, and that can take anywhere from a few days to a month or two.

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LaBerge: You were going to tell the people who were going to have to live with--

Hoadley: Yes, when you're going to bring in a new person or several individuals into a team, you can create an empire and people don't know what's going on or what it's going to add to cost and it's obviously going to be a pain, so you've got to condition the environment within which the person coming in is going to be able to do the job that needs to be done.

You spend as much time as you can making sure that the job that you're asking him to fill is a specific job, that people know what the person is coming in to do: when they're going to do it, how they're going to do it, to whom they're going to report, and so on--all of this so that when you start interviewing and selecting people, you've got some basis for believing that the person ultimately selected is going to be successful and not chewed out in some way, which otherwise would not work. That's probably the process: you spend as much time defining the job and selling the job as you do trying to find somebody.

Then the conventional approach is you call up your friends. You may have somebody in mind. But when you're looking for a team member as opposed to a chief economist, you probably don't know them nearly as well, and so you go to universities, where you have connections--connections with Cal or Stanford or at Chicago or Yale, Harvard, you name it--and say, "Who's coming along? Who's got a doctorate degree? Who's been working a while?" or something or "Can you recommend somebody?" You get a collection. If you were not careful in those days, you'd get fifty people. You try to draw your specs sufficiently tight that you end up with maybe three or four that you can ultimately say, "Somewhere in here is my man."

As far as the team is concerned, I was looking for, as I say, analysts, in the course of which some of the people who were here as kind of analysts but really not analysts, more statisticians, I think were a little uncomfortable because they knew I was looking for somebody with something that they didn't have, so I lost a few people. But they were junior. I replaced them. With some degree of satisfaction. John Wilson, who just retired in the merger and elimination of his particular position, was the chief economist who succeeded me. I hired him. I got him through recommendations from friends--again, my old Federal Reserve buddies that we talked about, who had given me names of people. But I didn't know the younger people as well.

John had been in Minneapolis, had been at the University of Minnesota. Had a background of some work in Washington and also had a flair for politics, knowing a lot of politicians. In the course of his interest in economics, he also was involved in the environment. Was involved in some of the security issues, as well as being sufficiently interested in finance that he knew a lot in that field as well.

But there were at least three other people that I had to take this backup job. But before we could fill the backup job, we had to fill out the staff. I wanted and always tried to have the people that were working with me have authority for selection

of people that would work with them, rather than me picking somebody, saying, "Here, you've got to use so-and-so because I hired him."

But John added to the staff in a very significant way. In fact, just today I had lunch with Emmanuel Frankel, who has been a part of John's staff. I guess I hired him then, but he was really John's selection. But these were all people with doctorate degrees. I insisted on doctorate degrees not because that made that much difference, but I had too much experience at Armstrong and in my days in Chicago working with economists who hadn't finished their doctorate degrees. They had taken their prelims.

One good friend of mine, still alive, collapsed in Washington at the Board of Governors of the Federal Reserve because he was called upon to make a presentation, and somebody made a reference that he hadn't finished his doctorate degree, and here was this sea of Ph.D.s. He just had a nervous breakdown and it was a real shock.

Anybody who worked for me, including Matamoros, finished their doctorate degrees, with my insistence, and that was a condition of them coming aboard. John finished his and had all the credentials by the time he arrived. But people working under him--and out of that original team some became economists for Continental Bank. These people were stolen from us. The economist at Wells Fargo, the economists at the old Crocker Bank, Philadelphia National Bank. I was sorry to lose a lot of these people, but I felt that that gave us some movement.

We also followed the policy in setting up the economics department that I wanted the economics people on my team individually to know people in the bank who were officers. They had to sell themselves to those officers in such a way that they would be known to be contributors to the Bank of America, as opposed to an appendage on the part of the payroll and the costs in the bank.

The upshot of this was that we built ourselves a pretty strong team. I am pleased to say, it was a good team. The individuals were responsible as the job became defined for whoever came in to work with somebody for a specific task to do. The days that I'm talking about, the popularity of the economics department was such that there was an incessant demand for people to make speeches, write reports and so on. We said that was fine and it was very positive, but let's be careful and remember we're working for the Bank of America and not for somebody else.

I think a lot of economics functions dried up because they forgot the umbilical cord to the people that were paying the bills, and enjoyed the opportunity to get on radio, television, write articles and op-eds and what have you, which gave them a lot of personal satisfaction. But the precarious nature of that is you have to be careful that you don't get so far away from the team that they think you're doing a showman's job and not something that is going to be important to the bank and important to the colleagues who are in a senior position of the bank.

But the team--I think John retired and very recently--the team got up to maybe thirty.

Function of an Economist at Bank of America

LaBerge: Who did you report directly to, the CEO?

Hoadley: Yes.

LaBerge: Okay. Because I know that in that book you wrote that that's important.

Hoadley: Yes. It was, and it made a difference. I wouldn't be here today if I hadn't been a member of the managing committee. You have to be a member of the managing committee to be in this retirement suite [Bank of America Retired Executives Suite]. In a very narrow way, it made a difference even in my career after I retired. But I didn't think about retiring. In fact, I sometimes say maybe I should have negotiated even harder with Rudy about my retirement, which is something I never thought about, retirement, at that particular time.

LaBerge: Did he give you a mission or a goal, or did he just say, "Here, you define what you're going to be doing?"

Hoadley: It was a mixture of that. I think that there was an officer of the bank who was just leaving the bank as I came. His name is Jesse Tapp. Jesse Tapp is a very fine person. Had economics training, and I would have to say was certainly a contributor to the creation of the economics function in the Bank of America, and kind of a godfather/supporter and a great person to have on the team. In the course of the time--I had known Jesse a little bit before he came to the bank, but I would have to simply say that it was Rudy Peterson who gave me the mantle, gave me the responsibility, but I had a clue coming from Harold Furst, coming from Jesse Tapp, Lou Lundborg as to what really was needed.

I'd have to say in all candor I think they were responding primarily to the competitive disadvantage of not having an economist and were thinking about external relations. I had had a lot of experience doing this, so that wasn't a chore. But the problem that I had, in my own mind, was to be able to say something as an economist that would be useful to the bank so that at the end of the day the bank was a better bank because I had been part of it, rather than I was getting a write-up in The Wall Street Journal for having made a profound comment or something else, or whatever it may be.

But the attractiveness of the economist function in those days was such that people were constantly asking you to do things. But the point you just made, what did Rudy want--we negotiated, and I think the first priority was to make sure that the Bank of America was in the number one position in knowing what was going on in California and in its major markets and what was the outlook for those markets.

That gave me a chance to deal with the agricultural people, with the entertainment field, as the Bank of America really put Disney in business, and many things that I am sure Rudy outlined. These were things that were to be researched and projected. And then we had another member of the managing committee, C. M. Van Vlierden. Van was the international man. Roland Pierotti was a person who was on the managing committee when I joined the bank. He was succeeded by Van Vlierden.

I'm sure you've heard from other sources that when World War II was over, Bank of America staffed a lot of its international offices with refugees from Dutch banks because the Dutch banks were verboten, not literally but functionally from what they had in the days of glory. Van Vlierden was a part of the Dutch group. There were various other ones that were not at managerial level, but scattered--particularly in the Asian area--that joined our staff for international business.

International Expansion of the Bank

Hoadley: My point in mentioning international is that the bank had considerable international business, but the international was more an appendage; it was a regional bank plus some international, and Rudy wanted to make sure that the international was integrated fully with the domestic into a part of the banking system. So I did pretty much from the outset--to

increase the amount of activity with the external bank people and international specialists.

I went out to Asia and to Europe and to Latin America and so on, so that we built, from an economics standpoint, a support base for what we were doing. That was something that I had not done except for my German and Japanese experience from World War II. I helped, for example, open up Taiwan and open up Korea. But it also gave me a chance to know a lot more of the staff and officers of the Bank of America worldwide.

But back on the theme of what did Rudy want--he wanted that to be done. I enjoyed that and found it very fascinating. We had to tie the domestic and international together. We had to consider how to serve our people overseas, so I staffed our economics operation with a few people overseas. Bob Shaffer went to London as an outpost of my economics operation. Unhappily, had a tragic death.

He and his wife and daughter were in London and I thought everything was fine, but I don't know whether he had a drinking problem or whether he just had bad luck, but he mixed some medication with some alcohol, and died. They never got satisfactory information as to what happened. His wife is still in San Francisco. Bob Shaffer. And in the economics department of the Bank of America, in this building, Bob Shaffer's picture graced the wall. He was a very fine individual.

It was not a great start trying to put economics overseas, but we then later had economists in various other places, but not a great many--Tokyo, Hong Kong, Caracas. These were people that were asked to provide a fresh perspective for the overseas credit officers to interface with the customers, to do the external public relations contacts, to the extent that somebody wanted that. But they were to be staffed--Bruce Madgett was one of the younger officers. He has been in charge of all of Latin America, subsequently as a credit officer. He's no longer with Bank of America--thanks to the merger. [Bank of America and NationsBank]

These people spent time in headquarters in an office, outpost in New York City. This was destined to try to tie domestic and international together. People knew each other, they worked for each other, and their customers were our customers, not somebody else's. We were all working together. Those outposts grew to be very useful and very successful. I think eventually, after I retired, in one of the austerity waves, international was slimmed down a bit, but these people were not replaced en masse. Because communications had improved so tremendously, there didn't really need to be a lot of overseas

places physically. So that contributed to the changes, but much has happened to lower international priority after I retired from the bank.

But we built a worldwide economics operation geared to serve customers. I think it has been useful and profitable over the years that I'm familiar with, to note change and search for a vision for a long time ahead. The Bank of America having its economics department was pretty well rooted. I'd have to say John Wilson, my successor as the chief economist, recently retired. He held together an economics department as long as I think any major bank. It was one of the last American bank economic functions to lose its status. When this bank was merged, that department disappeared because the new management doesn't believe in central administration costs. Therefore, clusters of people who were at one place are not now popular in the Bank of America. You're supposed to be out working only on whatever you're supposed to work on. A different philosophy which time will tell how much better it is. You can argue whatever you want, but customers must be satisfied in the end.

Well, we built a team and the team can reinforce each other, help each other, and have resources that are concentrated, where you can tap and use. The philosophy today is you have a few economists; they're scattered around; they use them when they need them. The status of the department is zero as far as the department is concerned. But there are, I understand, maybe six or seven people now functioning as economists in really the domestic bank. I'm not aware of any economists--there may be some--I'm just out of touch--in the international part of the bank.

Differences in Being an Economist at a Bank as Opposed to Other Businesses

LaBerge: What was the difference for you to be working as an economist for a bank rather than for Armstrong?

Hoadley: In principle, a great deal of similarity. In effect, you're bringing an evaluation of the future. You're forecasting. You start with the idea that you're trying to give the management some clues, I always felt, for the big changes, the big turns, the downs and the ups, the turning points. That is similar, whether you're working for Armstrong or working for the Bank of America.

But the principal difference is that in the banking field you're dealing with intangibles. You're dealing with funds, money, credits, and so on. At Armstrong, you're dealing with ceilings, floors, factories, tangible production, and you are not as immediately involved in the consumer side because you're dealing, in the case of Armstrong, you're building things for the consumers which are going through channels of distribution. At the bank, you are the bank. Your team is there. There were many branches, and there was a direct contact. But much past expertise is fading.

I think there are other differences, too. That is, Armstrong always had challenges from unions. I had, obviously, some responsibility for providing information, strategy, negotiation, bargaining and so on. Although I wasn't across the table all the time, I was expected to feed information that would support management's position or at least try to do something to counteract the union's position. So the whole union complex was something that was strikingly different from banking, where there were no unions as such.

The only analogy that sort of links me with the bank in that connection was that I had responsibility there, at the Bank of America, to meet with people who were raising questions about whether the bank was doing what was right or wrong in Puerto Rico or in China or wherever it may be. More specifically, the problems that the bank had, say, at an annual meeting, if someone, the sisters from some dedicated place, were complaining that whatever the bank did, whether charity or something, they didn't like what it was, and the officers of the Bank of America were very glad to have Hoadley there to go out in the corridors and smooth the feathers.

Smoothing Ruffled Feathers

LaBerge: Now, why did you get that job?

Hoadley: Probably because nobody else either wanted it or took it. My instinct was that you can ruffle a lot of feathers, but you can also smooth them. I kind of looked forward to that to a strange degree because I wanted to know what really was bugging them. I wanted to know if we were really doing something wrong or whether it was their conception. Time and time again, they had bad information, often they didn't know what they were talking about. We were able to show them what we were doing and prove to them that we said what we did and we did what we said. A lot of those

problems disappeared. Maybe somebody noticed, and anyway, they asked me to do more of it. It wasn't official capacity as such; it was simply something that was respected and used.

LaBerge: Because in some other organizations, the economist probably wouldn't be the one to do that.

Hoadley: Well, not likely, that's right. But, again, given the background I have, I guess I'm inclined to look early for trouble and to get rid of it. So anyway, I had quite a number of years and opportunity to try to smooth feathers. I chaired some public discussions--it's actually the head of the bank's foundation, which distributed--and still does--funds for worthy purposes--who gets questions en masse. So, I've had responsibilities over the years with the Bank of America which took me into different phases of the bank--the foundation [Bank of America Foundation].

Trust/Investment Committees

Hoadley: I was part of the trust operation, trust and investment committees, so if you classified the bank in terms of the line bank for loans, the trust side for investments, I was more on the trust/investment side. Although I sat on the credit committees, I was more or less on both. I wasn't making the loans, except I had a vote when we finally had to come to a vote. But I was more on the investment side. That was closer to the economics, the money markets, interest rates--rather than the credit side, which was largely a matter of if someone needs money, what are they going to do with it and when do they pay it back and at what interest rate? How much money are we going to make?

Investment questions usually followed a pattern. What securities are we going to be dealing with? How are we going to service people who have funds and want us to manage their estates or personal finances? Or funding to some degree using the bank's own money?

Other Committees

LaBerge: Let's talk about some of those other committees, besides the managing committee that's, like, the main decision-making committee. I have a list of some [reaching for list]. You can

rattle them right off. Money and Loan Policy. Were you on that one?

Hoadley: I was on that one, yes. If you've got them there, just check them off.

LaBerge: Okay. General Finance?

Hoadley: I was not a member of that. That was the committee that really handled the strategy on the largest loans.

LaBerge: How about the General Loan Committee? I don't know what the difference between those two is.

Hoadley: Well, the Finance Committee oversaw the other one.

LaBerge: Bond Investment?

Hoadley: That was not mine. That was Baumhefner. Lee Prussia.

LaBerge: Cost Pricing Committee?

Hoadley: Yes, I was the chairman of that one.

LaBerge: What did that do?

Hoadley: Well, that was the committee that set the prime rate, the basic rates for the loans. This was the policy committee that determined the strategy as to whether we would compete with the same interest rate as Wells Fargo or Citibank and what have you. The cost pricing group also had experience when there were price controls, when the government said, "Thou shalt do or not do."

LaBerge: This was, I think, in the seventies?

Hoadley: Yes, along there. But anything that had to do with the basic cost structure, the cost of money, and the price that we would charge on the policy level, as opposed to an individual loan. I wasn't involved in the deals. I was involved in the strategy. We used to get together--the person I was thinking of--Clare Sutherland--was in charge of credit and loans.

LaBerge: Okay. That name is very familiar.

Hoadley: Yes. Clare had a corner desk in the other building and we used to wander over to it in the morning. We didn't sit on his desk, but we walked around it or stood around it. That's where we set the prices for the day or changed interest rates. Clare was a

solid banker with the traditional attributes that go with a good human being, yes.

LaBerge: Those are the only committees I had written down, but maybe there were others.

Hoadley: Well, the foundation. Out of that came the Social Policy Committee.

LaBerge: Out of the foundation?

Hoadley: The foundation was a part of that. The Social Policy Committee really started at the board level or eventually became a part of the board level. These were the people who had some dispensing of assets or funds that the bank had, over and above banking, but for community service.

The other committees. We had always a new committee of a year to take care of a particular problem. Could be the advertising, could be merchandising, could be a committee in connection with the--for example, the Isla Vista [1970] fire and so on. Well, when we had to have a post mortem, I got involved.

LaBerge: How did you get involved in that one?

Hoadley: Just because somebody would ask me. Somebody would be the CEO who would say, "We're appointing a committee to investigate, and we're putting you on it." I didn't volunteer, and I didn't say no.

Isla Vista Branch Burning, 1970

LaBerge: For instance, when Isla Vista--and, just for the record, we're talking about when the bank was burned at Isla Vista.

Hoadley: Exactly.

LaBerge: Did you go down to Santa Barbara?

Hoadley: Not immediately, but in a week or two. And that was a community relations problem. But the people who had the responsibility were those that had the responsibility for the branch there, but we were concerned about the problem that gave rise to the burning.

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LaBerge: When the last tape ended, we were talking about Isla Vista. Do you have any specifics about that, like what did you do when you went down to Santa Barbara? Did you have a community meeting?

Hoadley: The person in charge of that was Al Zipf. Al was head of the California Division and had the responsibility for the branches. I went down to represent the bank at some of the press conferences, along with the other team as backup, and then also dealing with the university people there, University of California, and with the community. Obviously, the fire department. But primarily trying to find out whether this was something that we should consider as the forerunner of a whole wave of further fires and what the community had to say about what we had done wrong or right. The community was very supportive, outraged. But we had to be pretty sure that we weren't getting wrong information. I was one of the team, and not somebody with any major responsibility for it, but there as a support to the community and interface with the community.

Awareness of Cultural Differences

LaBerge: Were there more instances of that during that whole Vietnam War period?

Hoadley: There were frequent minor problems, not burning down a branch. But we lost a branch in Kuala Lumpur, in Lahore--overseas--never were actually sure that that was more than something involving religious conflicts that were blamed on America. The community marched and marched to our branches and burned them down. There were one or two others like that, but domestic-wise, I wasn't involved. Isla Vista was kind of symbolic of the breakdown of law and order. Because we were the money bags, we were the money changers, we were a prime target.

Overseas, it was pretty much anti-Americanism. Some things that probably might have been averted, and that is because of religious differences--we learned, for example, I didn't know--that it was against the Muslim, Mohammed--to depict Mohammed in any form as a picture or a statue. Apparently, somebody in Lahore, I guess it was, branch of Bank of America had a magazine which came from America with Mohammed's picture on the cover. The community saw it or heard it or something. These were things that we learned quickly, after we realized what they were.

I think Americans have had a lot to learn--and still do--about cultural differences. The things that we don't know about,

we can usually offend people. We do well by them, we still offend them, but not to the same degree. We tend to think we're doing the right thing and everybody else has got their own thing; that's their business. But unfortunately, it's our business to respect it. These were not a stage that we were in terror or anything of that nature, but it was a concern, yes.

LaBerge: Was part of the social policy--oh, investing in the community or having policies about where to make the loans?

Hoadley: I think that was evolving pretty much in my years. Later, it was formalized, after I retired, into a Social Policy Committee that was carrying out the mandates of the government to try hard to get banks to make loans to underprivileged people in the community and so on. That was formally put in the hands of some officers of the bank, but that came out of the Social Policy Committee.

Taking a Risk in East Palo Alto

LaBerge: Before you gave me an example of one of those risky decisions you made at Armstrong, your first day there, with the linseed oil. Do you have any examples of that at the Bank of America?

Hoadley: One thing pops out. I don't know if you know where East Palo Alto is?

LaBerge: Yes.

Hoadley: The wrong side of the tracks. As opposed to regular, full-scale, magnificent Palo Alto, there is East Palo Alto. Well, again, because of either compassion or stupidity or whatever you want to call it, my particular concern was that the Bank of America did the right thing, and we would go a little bit further than someone might expect us to do. I realized that--because of some of the research we were doing, market research in connection with the bank--we were working closely with the head of the California Division--there was no branch of any bank in East Palo Alto.

Al Zipf, God bless him--still around--but anyway, Al and I decided that--he had the power; I had the idea--we should start a branch in East Palo Alto. East Palo Alto got a branch. We did all the conventional things. We got the community excited and interested that we were going to open a bank. And we thought, boy, we're doing some good things here. People are going to really tell us it's nice that we're here, and helpful.

We totally misjudged it. The people, first of all, started to--I don't know--what do I say here?--raid the branch? There were all kinds of efforts on the part of some people within the community to ridicule the bank, by virtue that it represented money. In other words, we should give away all the money. We had it to spill, why would we charge them this interest, and all of the things that reflect a certain degree of ignorance but also a lot of venom against the bank.

I have to expect people to be critical of a lot of things, but they can be critical of me--I had a soft head. Al Zipf--either had the same soft head, or he acceded to my pressure or I acceded to his. Anyway, we opened a branch. Had no volume of business that you could really call profitable, and lots of complaints and lots of bitterness. Everything that we thought we were trying to avoid came back in spades.

The branch was subsequently closed. That was one noble effort in social policy which very simply ran into a situation which was economically weak, politically probably corrupt, and it was socially not ready for discipline. So that is my illustration of a good effort and no result. That was not a winner. At Armstrong, we got a winner out of that one, but we had a loser here.

LaBerge: You must have had some winners to stay around. I mean, just from what I read in your book, your philosophy that you need to help the CEO make good decisions by showing them how the profit could be made--I'm paraphrasing not very well. How did you do that?

Hoadley: We didn't do anything as far as East Palo Alto except in retreat to explain that we meant well, and we implied that we might be back someday, but we hadn't found a way for doing business on a profitable basis.

But the time we're talking about, building branches was very popular--to be able to say that you had seven hundred branches, eight hundred branches, a thousand branches or what have you. And so a lot of communities got branches. They were branches for service to the community, but obviously, in order to do two other things: to make some money on the bottom line, but also to be able to compete with other organizations that were opening branches.

Changes: Personnel, ATMs, Hours

Hoadley: The positive side is a lot was done. Now in recent years branches have been closed, and ATMs are in their place. There was a lot of kicking and screaming on the part of people, but it's died down pretty well now. People have come to accept the ATM. They hate to a considerable degree having to talk to something that can't talk back to them, and probably a third of the people are very unhappy. But they were either more unhappy if you took anything away--close a branch in some obscure place was obviously an inconvenience for people. But if you're losing a lot--you can afford a little subsidy, but it's not a good idea to start expanding branches to make money and turn a loss.

I guess, simply put, the Bank of America was the largest bank. We had more branches. We were involved in community affairs. But a new development came along that threw us a curve. It used to be in the bank that you appointed somebody to be the manager in Salinas or somewhere, and they might want to stay there twenty or twenty-five years. But the generation that was coming up seemed somehow, somehow to feel that unless they move to another city, they were not getting anywhere with their careers.

I think a lot of turmoil developed in the communities--fortunately, not very serious--but the uncertainty. They were accustomed to the fact you went in and there was Joe or Marie or so on. That was a case of human relations, and it's still a problem. I think you're going to have to keep that in mind, and certainly we realized it, because the Giannini tradition was to do it with a human touch, to serve the community as best you can by people who are a part of the community. But some people didn't want to stay in Salinas, and they thought that if they didn't move at the end of two or three years, nobody loved them.

But the ATM picture and the fact that a lot of people, particularly women, were interested in part-time jobs with their family--they had their kids in school and maybe would be working as tellers--a lot has happened that came out of the ideas at those tumultuous days of change, so that the Bank of America today, since the merger even more so, I guess, sees consolidation as the route, whereas in my generation it was expansion. But there are a lot more people being served today than then because we now have the communications and the new systems to get it done. A lot of people never go near a branch anymore.

LaBerge: I know I don't unless I have to get travelers' checks or actually see somebody.

Hoadley: You're probably content the way it is. And you have very different hours. The bank used to be open from ten to three or something of that nature; in the back room they did all the paperwork for the next day to open up for business. That's very different today. The change that came about when we opened branches on Saturday. I grew up at a time when it used to be the case they were shut down on Saturday and reopened again. Being sensitive to people's changes--now the ATM is there, you're concerned about does it have money? That's the annoyance now, that you go there and you find it says Out of Order. We didn't have that problem because we didn't have ATMs. They were introduced when I was winding down my career, in the late seventies.

LaBerge: Would that have been something you discussed at the managing committee and that you had input on?

Hoadley: Yes.

LaBerge: And would you have done research on that?

Hoadley: The people who did the research on ATMs were a team that were appointed to put them together. The California Division was where that took place. The California Division had a team that worked on it. At the managing committee, everything they did was when a major policy question came up. ATM was one of them.

And of course the word "Visa" was born. The credit card had been started just shortly before I joined the bank, BankAmericard. And then, later on, it got to the point where a great many of the BankAmericard affiliates were unhappy that they were doing all this good commercial work of advertising BankAmericard, and they didn't want that to go on without them getting a piece of the action. So we needed a new name, a short one, and in all languages seemed to be identifiable: Visa was more of necessity because of that situation.

Pamphlets and Reports

LaBerge: How about annual reports? Did you have something to do with that?

Hoadley: Well, we all had a hand in that. The annual report was primarily a financial document. Being a financial document that became more explicitly under Baumhefner and Lee Prussia. But any

editorial, any comment on the state of the state, strategy or something of that nature--I always got a chance to read somebody else's draft and sometimes I'd draft a few paragraphs and so on, but it wasn't a primary responsibility, a support responsibility, yes.

The bank issued a lot of documents. One of the functions of the economics department is to put out little pamphlets that were related to the economics field. So at our branches we had little folders and so on that would talk about agriculture in California and something in connection with an industry. These were reports. I would have to say that in the early days of starting the economics operation across the country, it was the little pamphlets and the booklets that got attention, because they were pieces that presumably brought information to people they wouldn't otherwise have. They were pretty carefully put together. All of our economics staff would be involved in that sort of thing. I had the final say.

Now it's difficult because all the people get so much junk mail, so much paper they don't know what to do with it, so very little of that is now prepared for distribution through the mail. But if you go into a branch, you'll find pamphlets that are there. We created the pamphlets, I guess, or some of them, depending on what the subject was. If it was a technical subject, we weren't always the technician but if it was a policy matter or an informational matter, we had a hand in it.

LaBerge: How about publishing your forecasts? Did you do that?

Hoadley: Yes. We did this in different ways. Initially, it was a case of forecasts being largely speeches--the speeches, the text, although I didn't use notes. I had to write out the record for publication purposes. Giving out outlook statements, publications of that nature was a beginning.

Then we got to be a little more in depth, in which we were talking about outlook for the regions and looking at industries or agricultural crops or water or transportation, whatever. A lot of these were of general interest, in which case they were in the branches. Some of them were more specialized, and there were specialized audiences we'd send something to because they were interested in trucking or interested in airports or whatever.

Our job in economics was to try to anticipate what people wanted in the way of information and have it for them when they needed it. But as far as other documents, I personally put out a lot of outlook statements. They were attributed to me. The bank distributed a great many of them. But it wasn't a schedule that

it seems so many banks had, where you had certain things they did at certain precise times in the year and do it year after year after year.

We tended more, at least under my administration, to make reports on subjects at times we thought they would be important. We carried that over into radio and television, so that when there was something happening, we gave an interpretation pretty currently. That seemed to have an appeal. The danger in a lot of economic literature is by the time it gets published, it's stale. Everybody knows or at least if they don't know it, they don't care. But if you're not competing with the press, you've got to work with the press.

[Interview 6: May 17, 1999] ##

LaBerge: When we finished last time, we were talking about your career at Bank of America; namely, I think we covered what you did under Mr. Peterson's term.

Hoadley: Yes.

A.W. Clausen, CEO, 1970-1981

LaBerge: So I thought we could launch into when Mr. [A.W. "Tom"] Clausen became CEO. Did you have any part of deciding who was the next CEO, or any input into that?

Hoadley: I didn't have an official vote because I was not a member of the board. But I had ample opportunities to express my opinion, and then I was, of course, asked, but it was sort of unofficial as opposed to who's going to get your vote, as such. But Tom had a desk as close as that one is to me right now [motioning about five feet]. For years we were buddies. I knew him pretty well. He came into the senior management of the bank in sort of the same general period that I did. He came from Los Angeles, and I joined from the East Coast. So Tom and I have been good friends.

He's always been a very hard-nosed, hard-hitting guy who knows what he believes and says it. First things first is always his--first things first. He means it. Of course, the standard joke was you don't want to deal with Clausen in the morning.

LaBerge: He has told me that himself [laughs].

Hoadley: He's great in the night, but he's kind of short in the morning, so we always used to queue up in the morning and stay out of range when it was possible with him. But Tom was obviously a well-trained, well-experienced and highly respected individual, so it was not a great surprise that he would do this, the CEO. I can only say I knew him when. He was a member of the team coming up through the ranks. We've been good friends. To this day, we still have lunch together and do things that you would normally expect.

LaBerge: Did your job change, or do you feel the direction of the bank changed when--

Hoadley: I think that Rudy was, of course, a deep-rooted person in consumer ideas. He was the man who launched a good deal of the bank's strategy and a lot of its programs for consumer credit. He practiced that in California, and he was overseas part of the time. He had that period when he went to Hawaii, and came back. All of this was at a time when he was internationalizing the bank slowly. He was also putting a lot of emphasis on the consumer credit side, which had been started some time before he took over because of the [A.P.] Giannini tradition that we helped the little people.

But Tom was a straightforward credit man. Whereas consumer was a part of his portfolio responsibility, it wasn't the same focus, so in that sense Tom became a very solid supporter for international and later, of course, went to the World Bank in that site. His interests paralleled mine to the extent that both of us were deeply interested in international as well as domestic. But having known him for some years before he took over the corner office, it made it pretty smooth for us to just sort of pick up the stride that was developed in policy with the bank for some time prior to that. That meant that Tom and I worked even more closely as he became CEO.

Importance of Planning

LaBerge: He mentioned that you did a lot of planning with him.

Hoadley: Right.

LaBerge: Planning became more important, just that term and the use of planning.

Hoadley: I think that the way it should best be expressed is that planning was something that was inherent to the strategy of the bank, but it became more formalized when Tom took over. I had the responsibility for planning in the initial part of his career as CEO. It became kind of a watchword for the bank officers because they were now asked questions about "What are you planning? What do you see ahead?" And they had to comply. I was kind of in the middle, trying to develop a system the team could finally--that Tom was supporting. And then planning became a function broader than my responsibility and became a part of most segments of the bank. But Tom certainly was the person who innovated the planning idea and implemented it. I had the responsibility with him to work that out. He was highly supportive.

There were times when other people were given specific assignments in planning, and then later the planning function was sort of formalized in that outside consultants were used. At that time, my responsibility for planning was reduced, and the professionals from the outside came in and worked, specifically after Tom had served his term. Then his successor picked up the planning. All I can say is that I was a part of that. I was on the edge of it toward the end, whereas I was with Tom when it got started.

LaBerge: Did you retire at the same time he did?

Hoadley: I retired in '81. He retired approximately that same time frame, but his retirement was not exactly the same as mine, but within months of each other. He was ahead of me.

Sam Armacost, CEO, 1981-1986

LaBerge: Okay, so you were here, then, when Sam Armacost took over, too.

Hoadley: That's right, yes.

LaBerge: Would you feel comfortable commenting on the difference or what happened?

Hoadley: Why not? My feeling is that Sam was a person that I had the privilege and the opportunity to work with for a number of years. He was a very bright, very creative, very direct individual in many respects, but a person that you associated leadership with. Unfortunately, it didn't turn out for him because his leadership was fine at the start. He was formally elected into that position of CEO. Lee Prussia was the other contender for the

leadership. Between the two, there was, of course, a lot of discussion in the upper ranks of the Bank of America. But I don't recall any significant disagreement on the fact that Sam should be the person.

I can only say that as part of that era that he got off to a good start, but he ran into a lot of problems. Problems were part of the bank's structure, the bank's capital, and the banking system was changing very dramatically. Sam was called upon to make some cost-cutting reductions of expenses, and Sam apparently had difficulty--I guess you have to phrase it carefully--violating the Giannini tradition. The Giannini tradition simply said that if you work for the Bank of America, you had a job for as long as you were not retiring; you were assured that you had security.

And so here came a time when the circumstances demanded dramatic change in the opposite direction, Sam was the one who was on the captain's spot, leading the whole parade. It just didn't get done. So all I can say is that it was a disappointment to all of us. I don't think I fully understand even now what the situation was, but I can describe it as pretty much an evolution, a change in the nature of banking, a change in the leadership requirements, and a change in the kind of decisions that had to be made.

And then, to compound the problem, there were various rumors about somebody wanting to take over the Bank of America at that time. This--again, I'm reading between the lines--this obviously was a matter of some concern for the board. In fact, the record will show that the community of San Francisco rose up in arms at the thought that somebody, particularly an Angeleno, would have the audacity to try something like that. So it was kind of a broiling era.

And there's more to it than that because the person who was in the leadership to try to merge or try to take over or buy the Bank of America was an ex-BankAmerican.

LaBerge: That's right. This wasn't Sandy Weil. It was Joe Pinola? Is that it?

Hoadley: Joe Pinola, Joe having been very active in southern California for the Bank of America and a very aggressive kind of guy, the kind of person that was very sensitive to his prerogatives and very demanding, and I'm sure he had ambitions that were not fulfilled in that same period as well. But I will simply wrap it up by saying that the leadership looked like it was in place, but the conditions changed faster than the leadership changed, and

there was not enough spare time to let things work out smoothly. The pressures came from the community, they came from competition, they came from investors, and that simply meant action had to happen.

Bringing Tom Clausen Back from the World Bank, 1986-1990

Hoadley: Of course, it was fortuitous that Tom was leaving the World Bank, and so the directors, I think quite properly, reached into the background area to find someone to lead the bank, so it came not necessarily as a surprise but it came as a decision that was well received because of Tom. Tom had the courage, he had the skills, he had the determination to do things as they had to be done. "Let's get them done, whatever the fall-off or difficulty or something else. We're still going to have to keep moving ahead, no matter what."

And Tom reached out into the financial community to find the capital that was necessary at that time to raise, to arrest some concerns about the structure of the bank and the strength of the bank. Tom was the right person, as it turned out, to handle all that.

But in that whole era, I was close but not in the middle of it. My role was kind of one more advisor, and asked by Tom and by others, "What do you think?" In that sense, I had a chance to participate, but I didn't vote for anything because I wasn't a member of the board.

A lot of changes, of course, have happened since, which give rise to more recent developments in North Carolina. So the process started twenty years ago. I think I've already said that the fact that there were consolidations and takeovers was not necessarily a surprise because we were over-banked in the world--still are--and over-banked in the domestic scene, in the United States, and over-banked in California. So consolidation was predictable and was anticipated.

But the specifics, of course, depended upon circumstances, the politics, the conditions that led to change because something or somebody was vulnerable or somebody wanted to do something that brought a lot of opposition. It was a tumultuous period, and yet it was handled in such a way, in that respect--I can even say that a lot of the people who were involved really didn't see the magnitude of the changes that were taking place because they just didn't conceive that anything could happen that would change

the bank dramatically. Time has certainly made it clear that a lot of things can happen that you don't foresee. Many times they happen for conditions that you can't even anticipate or predict, which I think has been the case as far as NationsBank is concerned.

But the leadership of the bank shifted to Clausen, away from Clausen, back to Clausen; then, of course, Dick Rosenberg. I knew Dick more as a fellow banker in the international, but more particularly the national scene. I didn't work with him. He came into the bank, really, after I left, after I retired. But I knew him by reputation. I've had no direct experience working with him. But his office is next to mine and we wave at each other and we've come to know each other.

Consolidations in Banking, 1990s

LaBerge: During that time, you were talking about all the different changes that were happening. I've written down some of the things, and maybe you could comment if this was part of it. Some of the congressional acts, like the International Banking Act of 1978 or, well, OPEC and the Arab boycott. What else? The seventies, with slowing loan growth. I guess that was a term Mr. Clausen used.

Hoadley: I think that for perspective it's probably safe to say that the consolidation within the financial services field got underway in the sixties, back there. It took all kinds of forms because in the background was a deep feeling on the part of politicians that bankers--that you should have fences around every state to keep somebody of some ilk from getting over the fence and doing something to undermine or take away the power or the strength or what have you of somebody who was inside the back yard or the front yard.

The walls around banking were very formidable. The little bankers have had nothing particularly good to say about the big bankers. I can remember so vividly in New Orleans many years ago at the American Bankers Association convention, I was invited to be one of the speakers at the main session. The subject--I've forgotten the precise wording, but it was "The Outlook for Banking" or something of that nature. My theme was there are too many banks and that it would be probably foolish to assume that economics could be held back. I got booed. All I can say is that I'll stand on the record.

But the little bankers have closer ties to the politicians than the bigger bankers. Bigger bankers have a polite relationship. They could always see the congressman or senator but it was always kind of a friendly but relatively austere relationship, whereas the small-town banker knew his congressman very well, knew the senator. They probably went to school together. So you had a situation where the votes were not there to give anything to the big banks and to break down the fences.

But they were still cracking. They were cracking simply because there were too many banks, and the technology was changing. Also, other people--which has always been a problem--other people got into finance through some other device. The Bank of America's experience was savings and loans from way back, and the unfairness, from the Bank of America's standpoint or any bank that was prevailing in that S&Ls [Savings & Loans] had certain advantages or privileges, certain tax advantages, certain permitted mortgage rates, and lots of other details--all of which gave a little extra push to the competition of the bankers.

That was understandable because these people were experts on the lobbying side. They were very close to the small bankers, and so they were a bloc. The big banks were always looked upon as the Rock of Gibraltar to keep things going, but, "Don't you get in my territory." Well, that ultimately broke down because it had to. But more particularly, individual banks began to figure out ways to overcome the competition. Part of that was to get a little loophole in the law which would say you can't set up a branch system, but if you have a bank that's close to the border, you can work something out across the border as long as you don't go too far.

The process was just slowly ebbing away. Then pretty soon it was more than just at the border; it was to the state as a whole, and then, once you get one state, then what do you do with the next door neighbor? And the NationsBank record is an absolute classic illustration of how you ultimately take over. But what helps you is the circumstances. If you have problems in a bank or a banking system and they need to be rescued, then the question is who's going to rescue them and where's the money coming from?

A lot of the changes that took place happened as a result of the tough times Tom mentioned in the banking business. Certain banks and, of course, the S&Ls were having all kinds of trouble. The insurance agencies and the government looked around to see where they could find some funds because if the funds were not there, then all the guarantees that were supposedly in place would have been a fraud.

In the compromises that came about, a lot of the old rules and regulations fell by the wayside simply because the authorities didn't have the resources or maybe the courage to carry on. People such as NationsBank took full advantage of that opportunity because they were able somehow to position themselves so with their resources they could save the FDIC [Federal Deposit Insurance Corporation] or some other organization from having to bail out or rescue some banks.

It was the pressure of successful banking that started the process, and it was the breakdown of the banking system in certain communities that afforded opportunities also to break down the traditional rules and regulations and above all, the geographical limitations as to where you could go and where you couldn't go. The Bank of America was in a position, with all of its branches, that it was able to sort of command attention in California, even though there were other banks and the Japanese banks in particular were coming in and so on, the bank was hard-hitting, fair, hopefully, and had a lot of public support because of the Giannini tradition and was driven in the direction of helping the little people.

But the problem was, How about the Pacific Northwest? What about Nevada? What about New Mexico? Arizona? And so you began to get regions that were forming, loosely to be sure. And then the legislatures in each of the states began to debate the issue of whether a decision should be made to open up the boundary and let somebody come in from the other side of the line.

And then the good old American competitive force comes into play. If Nevada does something or New York does something, then let's have reciprocity. If you'll let us into New York, we'll let you into California. We went through that stage. And there were just stages, little by little. And it has only been within the last year or two--and some people even say it isn't yet--that you can talk about nationwide banking.

In the middle of all this there were the players who were a part of that. There were those that wanted to play but didn't or couldn't do it. That meant that a lot of the banks were in a position where they had to be open to somebody coming and saying, "We'll buy you out." Then it gets to be a competitive battle as to who's got the resources.

But that's essentially the history of that era. My role in it was monitoring it, predicting it, trying somehow, some way to give it a little more direction. But because of my interest and my background in economics, I was looking at the forces that were forcing it to happen. I was not a privileged person to be

involved in a lot of the nitty-gritty negotiations. I knew, as a member of the managing committee, what was going on, but the line officers--in particular the CEO and the financial officer--were the ones that did the bargaining. The help I could give in terms of strategy or suggestions as to what is feasible and what isn't, was tossed into the pot.

But that's kind of the way the banking industry has moved, and the game isn't over yet because the excess capacity is now less in the United States but more international. The consolidation that's been taking place domestically simply fulfills the expectation of necessity for economic reasons.

But the interesting thing to me right now is that there are a lot of new banks being started, in exactly the same communities where they were closed. The explanation of that is that the public or enough of the public are disenchanted with big organizations and with electronic, impersonal functions. They will shift their business to a warm human smile and a personal, humane quality. And there's a lot of truth in that. So the niches that have been presumably passed over by the big banks have been slowly filled by new banks.

In Lafayette, where we have our home in the East Bay, I've lost count of the number of banks there, but right at the moment there are at least three new ones, and there were at least a half a dozen before that, within a reasonably short distance. And yet not too long before the banks closing and the S&Ls and so on, was a part of that community. Showing the dynamics of this. But it just meant that the larger banks, the Bank of America, can bring a lot of services that smaller banks can't, but if the people don't need the sophisticated services, what difference does it make?

So there's room for all of them, so long as you don't get too many institutions that are involved in things that they really can't compete. The financial system is infinitely more complicated than it used to be. Pretty simple.

LaBerge: That was, for me, one of the clearest explanations of what has happened that I've ever heard. When you see this, maybe you might want to publish it or write an article or something, if you haven't already.

Hoadley: Not really. As I say, that was just part of the job.

LaBerge: When you were forecasting all that time, what things did you look at so that you would know that, for instance, something had to

give, that there were too many banks, that there was going to have to be consolidation? What would say that?

Hoadley: I think the first thing is just simple observation. I did a Ph.D. thesis at Berkeley on the petroleum industry. I learned way back that when you get a gas station on each of the four corners of an intersection, they don't all last, simply because there's more capacity to serve than there are people to be served. So I kind of cut my teeth on the oil industry, and that gave me a sense of the whole earth.

Development of the Credit Card

Hoadley: I think secondarily I was looking at the new functions, the credit cards, for example, the new loan systems--

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LaBerge: Okay, the first time you saw a credit card.

Hoadley: Yes. It was fascinating to me because here was a piece of plastic, and it was the equivalent of money, and yet, I asked the question, why will this survive? I began talking to people in the consumer credit field, and I could see that whether the public wanted it or liked credit cards, they were going to have to live with them. The reason they had to live with them was economic. A credit card was necessary for small loans because every time somebody wanted to make a fifty-dollar loan or a \$500 loan under the old system, the bank had to check the credit of that individual. They had to do it every time that somebody wanted to borrow money.

The credit card made it possible to self-police the credit rating. If people paid their bills, it showed up on their record; if they didn't pay it, you spotted them pretty quickly. So there was an economic rationale for that. And then you can trace that record all the way down to the ATMs [automated teller machines] and all of the subsequent developments that--you couldn't be sure that you could predict precisely what would happen, but you could see that you were forced, for economic or cost reasons, to take the human touch away. That was difficult for many of the bankers.

And then the test came when you did your market research and found a lot of people were perfectly happy--not all, by any means--but perfectly happy not to go inside a bank. Then there

was a lot of local rivalry, a lot of bitterness because in a branch somewhere the people were very uptight and unhappy. But all in all, if you were in the business of observing these developments, you can just see one leads to another. You see the direction.

In this case, to try to make a loan to small business people, to small individuals and come out with profit, you can't have a lot of people handling that loan. And you can't afford to have it thoroughly researched for credit every time, so the people in the Bank of America in particular saw that and understood it. It was just happening when I joined the bank in '66. The credit card came in in that era. One of the first things I was delighted to do was to go out and sell the idea that companies should accept credit cards, because a lot of people didn't want to have any part of that.

I always remember one time--I think I'm right on this, but there's a restaurant close by here called Sam's.

LaBerge: I know it.

Hoadley: When I came as a brand new officer of the bank and the credit card was just being born, I was encouraged to spread the word, so I said, "Well, where do you suggest I start?" Somebody said, "Well"--and I didn't realize the implication--"Why don't you try Sam's? See if Sam will come across. He hasn't yet joined the Bank of America card." So Virginia and I went for a fish dinner at Sam's. We got all through, and I put the card down, like that [demonstrating]. And I don't know whether it was Sam or who it was said, "We don't accept that." I said, "You don't accept that? Why is that?"

Well, what I didn't realize is that Sam must have had a restaurant in the same general area that went out of business when the bank decided to build this building. So there was a lot of feeling on their part about the group that was going to come and spoil the business. There was no way that Sam was going to get involved in it. Every time we went to Sam's, it was a bit of a smiling game. I'd pull out the card. Eventually, and I can't tell you just when, Sam took the credit card. He couldn't afford not to.

But it was pretty primitive to start with because people looked at that piece of plastic and said, "That's not money." But there was no other way you could make small loans. I guess, just to wrap this up, is that you catch a trend after you catch a need; then you implement it. And it's amazing how things develop. Somebody has a plan, and the next thing, you

have Plan B, Plan C, Plan D because you're reaching in different directions.

And the credit card became a very important element, but in the very start, the BankAmericard was *the* card, to the extent that the regulators--I surmise from some conversations--were afraid the Bank of America was going to get a monopoly out of this to the extent that they would squeeze the whole credit industry. So we had to wait until Master Charge was born in order that we could have a credit card that would go across state boundaries and spread out. I can remember thoroughly when we were wondering where would our competition come from.

The BankAmericard was well known, but eventually the banks that worked with us got a little sick and tired of giving an advertisement for the Bank of America every time somebody had the card. So when Master Charge was born, within a matter of minutes we became nationwide because we had competition. It started, of course, in regions and fanned out.

My role in all that was to try to be a part of the coaching team. It worked out, and eventually had to pick out a generic word, the cleanest four-letter word we could find, VISA.

LaBerge: Did you travel the country talking about it? Or how did you sell it?

Hoadley: It became pretty quickly something that was part of the kit that practically any bank officer had. It wasn't anything that I did exclusively but, of course, gave the usual speeches at bankers conventions and so on.

John Wilson, Economist for Bank of America

LaBerge: How did you decide to retire and when to retire?

Hoadley: The calendar told me that on August 16, 1981, I had reached the end of my line: compulsory retirement.

Hoadley: Oh, okay. But you really haven't retired. Did you intend to--

Hoadley: Retired from what I was doing for the bank.

LaBerge: That's right, that's right.

Hoadley: I'm kidded about this all the time because people don't feel I retired, and yet I do because I'm not capable of charging across the economy the way I did some time before. What I did, I didn't even realize that it was work. It was fascinating, interesting, challenging, new, once in a while dangerous. But I retired in '81. That's a long time ago.

LaBerge: And you had your backup person in place--now, I'm trying to remember his name.

Hoadley: John Wilson. That was one of the conditions of being properly skilled to pass along the responsibility, to have somebody ready. You never prepare anybody to be a clone because it means they're not going to do anything better than what you've done. I think the most important thing is that the people who succeed you should be able to do all that you do but add something.

John was particularly outstanding as an analyst. He was up on the computer before I was. He filled in a lot of spots that needed to be filled, and I could anticipate that we needed them. John was more academically inclined than I. I was probably much more willing or able or foolish to spend time extracurricularly, supplementing what I was doing, without worrying about who did which or who got which credit or whether it was something that I did entirely myself or somebody else. It all fell into place.

I was much more interested in selling the services of the bank--not myself. That I happened to be a part of the bank was all that mattered, really. As I guess I observed, there were a lot of people who were trying to sell themselves. If they were the product, they better be pretty lucky. But if you were selling a lot of products with a lot of other people involved and part of the team, you get all the credit you need. You see the ultimate results.

Anyway, John succeeded me. Used a different approach, a little more, as I say, scholarly, but his economics proved to be outstandingly good, and he gained a lot of recognition for his economics so that there was no question about his ability. His extracurricular activities were more academic than social. But I think he became so enamored with the work that he was doing and doing such a fine job that when they excused him here recently, it broke his heart. I understand how that could happen, would happen, but I think he was pretty sure that nothing could ever happen.

And the Bank of America's economics department has persisted longer than most.

LaBerge: Than most banks.

Hoadley: Most banks, yes. So you've got to give him a lot of credit. He caught the significance of serving and tying his own staff and himself to certain senior officers on the basis of service to them--what they needed--and helped them, whereas the tradition in most bank economics departments had always been if you're going to move the economics department from university into a bank, you didn't change it too much--because you ended up composing journal articles and writing.

The top people in the corner office hardly knew you were there except when maybe a newspaper picked up a paragraph from something that was issued. That made most corporate economics departments extremely vulnerable. That's when I wrote my book.

The Economics Profession

LaBerge: The Crystal Ball.¹

Hoadley: Yes. And unfortunately, the economics profession right now is in shambles. It's not likely to be restored for some time. There's got to be a reworking of the professional function.

LaBerge: So what today would a young economist graduating be doing, do you think?

Hoadley: My guess is that he would be advised or she would be advised to first of all go to government, where you don't have to worry about the performance the way you do in the private sector. Or be an economist for a trade association or a union, as opposed to a production-oriented measurable function. In fact, it's kind of interesting--very recently over at Cal there was an opportunity afforded some of us to talk about our professions to the graduating seniors. I was glad to participate in that.

But in response to the same question you just raised, my answer was, "Do what you have to do to get your doctor's degree. Don't worry about anything else. Please the professor. Get the okay. But while you're doing that, remember that you're not getting a Ph.D. in the real world. If you're going to get a real world Ph.D., you're going to have to be able to understand the

¹ Walter Hoadley, Looking Behind the Crystal Ball or, How to Use a Business Economist Successfully (New York: Vantage Press, 1988).

problems of decision-makers, and you've got to offer something to help them so that you're linked to them, indispensable to them, and that you create something that they don't otherwise have. If you do that, then you can go into the private sector. But don't call yourself an economist."

That kind of hurts me to say that. "If you do, you're dead. You've got to call yourself an advisor, consultant, something that indicates you're a specialist in profits. Get the words in there that will give people an alert that here's somebody who's going to make a difference."

Unfortunately, the economics training that is seemingly available around the country doesn't put together people with graduate degrees that can step right in and make a contribution to profits. There's one other area: the accounting firms have picked up some needs to round out their teams. But in the old days, my days, you went maybe into government for a while or the Federal Reserve, which I was involved in, but you ultimately went to work for a corporation where you were dealing with production, with plants, with shipments, with real tangible things that people understood.

Anyway, I was very, very lucky to be born in 1916 because in 1916 there was only a glimmer of what was to come in economics. But after '29-'33, economics came out of nowhere. Became extremely important. We didn't have numbers; we didn't have any of the tools that we have today. When World War II came along, the government relied heavily upon economic brains, so there was a chance coming after the Depression, World War II and after that. Then in the rebuilding of the international world, the economics people were the people that seemingly understood what was going on. Whether we did or not was another question, but nobody else had any more skill, didn't quite know what was going on, and so by default many of us rode the crescent all the way up.

So, as I say, I'm extremely grateful that things happened so that I came on the scene when I did. But my doctorate degree from Berkeley was not a doctorate degree that by itself sold me, even in the early days, yet there were enough people who respected a Ph.D. in economics that you could find jobs because it was kind of the thing to do, have an economist. So luck plays some significant role.

VI OUTSIDE ACTIVITIES AND RETIREMENT

[Interview 1: February 17, 1998] ##¹

[Place: Bank of America World Headquarters, San Francisco, CA]

San Francisco Childhood and Education

LaBerge: We'd like to start with a brief personal background, so why don't you tell me when and where you were born and a little bit about your education.

Hoadley: I'm a San Franciscan, born on Seventh Avenue in a hospital which has long since disappeared.

LaBerge: Which one was it?

Hoadley: It was a lying-in. So my start was pretty modest and it was surrounded by a lot of sand dunes--close to the ocean, but in San Francisco. So I am a native, and it's our legal address today.

Education was through grammar school and Mission High School in San Francisco, which at that time was known as the roughest toughest school. Only eighteen of us went on to college out of a class of 300. The background was one of a lot of unemployed fathers. That sort of gave me a perspective which probably has influenced me the rest of my life.

LaBerge: So you grew up during the Depression.

Hoadley: I'm Depression-scarred, and now at age eighty-one I still have a hangover of that--my father out of work and lots of people suffering, although we found out later we were supposed to have suffered a lot more than we really did. Everybody was in

¹ This interview was recorded for a series of interviews on the University of California presidency from 1980-1995 and is also included here.

trouble, so singling out anybody was probably not terribly meaningful.

More background. I went to Cal, or there were opportunities to go, but that was twenty-six dollars a semester.

[tape interruption]

LaBerge: So how did you happen to be one of the eighteen to go on to college? What influenced you?

Hoadley: My mother, who didn't have a high school education, and my father, who didn't have a high school education, were determined. It was the main objective of their lives that I was going to go to college some place, somehow. The result was I had sort of a threat hanging over my head that I didn't have any choice.

As far as financing was concerned, it was a problem, but I managed to sell papers and do various things to get started in my high school years, saved my money for that.

As far as anything else, I'll simply say teachers. Teachers at Mission High School were a lot of the laid-off professors from local colleges, because the educational system was obviously not functioning very well in the Depression. The teachers singled out, I guess, the eighteen of us students to go to school at eight in the morning, then seven in the morning, then six in the morning, to get prepared for getting into Cal. Cal was the cheapest and--obviously, I knew it later more than I knew it at the time--the best.

My background is pretty modest, and yet it's been an asset through the years because it's given me a feeling of appreciation for a lot of things other people kind of take for granted.

My father was a New Deal Democrat, president of his railroad union when he had a job. My mother was a very strong Republican. [laughter] So I had a Ph.D. in finance [1946], and I have a master's degree from Cal in labor [1940].

LaBerge: Oh, okay.

Hoadley: So I had my education at school, but I also had it around the kitchen table, as such. These are things that obviously have influenced my life considerably. So, when people ask me about politics, I've been on both sides. I've been an economic advisor to both parties, locally and otherwise, and therefore, not to be cited as a purebred Republican or Democrat. It's kind of a mixed

up background, but I think it gives you a sense of my perspective, where I come from, and such.

LaBerge: I'd like to really go more into what you did at Cal, but we need to focus on becoming a regent and everything else, and then we'll just do a little bit of those in-between years.

World War II: UC Graduate Work Leads to Federal Reserve Bank in Chicago

LaBerge: During the war, were you sent to Chicago? Or how did you get to the Midwest in that part of your life?

Hoadley: The attitude of the leadership politically, financially, and businesswise in this area was part of a group nationwide anticipating World War II. My eyesight was not good enough to qualify for a commission, so I was kind of left out at the start of the activity, but became economic advisor and part of the economic leadership. The State Planning Board had a special project at Cal. [Robert] Bob Caulkins was dean of the College of Commerce there, and I was kind of the right arm for him as a graduate student.

What happened then was that they started building ships at Richmond, and I became a part of the educational wing of that group to develop the leadership. To build a ship a day was the goal. The relationship between the campus and the defense program was increasingly close, and I was caught in the middle of that.

Then the program after Pearl Harbor was developed into industrial war finance in connection with the Federal Reserve Banks. The question was how can specialists insure that the munitions businesses, particularly, would have proper finance in order to do what they had to do. I was called by the chairman of the Federal Reserve Bank of Chicago to come and supervise the financing of a machine tool industry and the paper industry in the seventh Federal Reserve District.

LaBerge: Who was the chairman?

Hoadley: Well, actually the person who was really instrumental was John Langum. John Langum is still alive and is in Tucson, Arizona. John was, interestingly enough, a professor--I guess, more accurately, an instructor--at Cal. Having finished his Ph.D. at the University of Minnesota, he was invited by somebody at

Berkeley to come to Berkeley. Then he was invited to be the first person to lead the war finance group at the Federal Reserve Bank of Chicago, and he became my boss.

The joke is that he couldn't remember my name, but he remembered my work. And when he couldn't remember my name, he remembered that my wife and he were partners in a bridge game on campus, and they did a grand slam, doubled, or something. [laughter] He remembered my wife, and he knew about me, but he couldn't remember my name. So he had to find out what my wife's name was and go through the procedure of locating me through her.

[tape interruption to listen to President Bill Clinton speak about situation in Iraq]

Hoadley: Well, I'm still practicing some forecasting analysis, so I had to listen to the president to be up-to-date.

LaBerge: Fine. I think that we're going to jump from what you did during World War II to when you came back to California in the sixties. Was it the sixties you came back?

Hoadley: Sixty-six.

Class of 1938 Life Membership in California Alumni Association

LaBerge: Sixty-six to the Bank of America. And how did you get involved in the California Alumni Association?

Hoadley: Well, Bob Sibley was the executive director when I was on campus.

LaBerge: When you were on campus as a student?

Hoadley: As a student. I got to know him and Mrs. [Carol] Sibley, so it wasn't a big leap to get involved more particularly. We organized the campaign--I had very little to do with it--to have graduates in the Class of '38 become life members of the California Alumni Association. So, digging deep into pockets that were not full, we still found a hundred bucks or whatever it was and became a life member. That meant we never lost connection with the campus.

LaBerge: That's a good idea. Did you stay active during those years that you were away?

Hoadley: Well, the Class of '38, we modestly say, is Cal's Greatest Class. [laughter] But whatever the judgment may be on that score, we had good fortune starting as a team on the day we arrived on the Cal campus in 1934. A lot of us had been student officers in our high schools. We were assembled by the YMCA Stiles Hall group, so we spent a week before classes started getting acquainted. And the Class of '38 has stayed together as well as any class. Because we started with essentially thirty-eight men, we later realized that we were chauvinists and males, and then women became a part of the class leadership. There was an annual reunion in one form or other of the Class of '38 that we formalized when we graduated--called ourselves the 38 Club, as it were: thirty-eight men and later thirty-eight women. So, every year since 1938, our class has had some kind of organized lunch or meeting or gathering of one type or another as well as a little bigger occasion on the five-year celebrations. We're going to celebrate our sixtieth, coming up soon.

LaBerge: That's right.

Hoadley: We've set a pledge to raise another \$60,000 by November of this year.

LaBerge: And haven't you been a spearhead of that campaign?

Hoadley: I guess I have. Anyway, being a part of the Alumni Association was just almost a natural event.

Then, by keeping the class together loosely during the war--we had all kinds of disruptions and what have you, but we managed to keep contact, and if you go back through the Cal Monthly you'll find that we never missed an issue to offer information about '38-ers. At least I don't think we did.

LaBerge: There's always a news note.

Hoadley: News note, and that's a tribute to the secretaries of our class.

LaBerge: And who is that?

Hoadley: Actually, Virginia Leach and Gordon Price. We lost one of our secretaries, Jean Emerson, within the last few years, and Gordon Price has taken over in a magnificent way and kept the class communications going.

Then we have, since our fiftieth, revved up the engine a little bit and had a little larger reunions, enlarged our programs to invite many campus dignitaries to come and be a part of our class gatherings. The most recent case is having the new

chancellor [Robert Berdahl] invited within, not an hour, but within a day of his election, to come to our reunion. He came.

But it's been continuing togetherness which has made it easier to keep going, because it's hard to build an organization and then let it drift and then try to build it up again. So we have had the benefit of momentum.

President of California Alumni Association, 1989-1990

LaBerge: Well, how did you get involved in being a counselor and then the president of the Alumni Association in 1989?

Hoadley: I didn't know I was being consciously considered.

LaBerge: I see. [laughter]

Hoadley: Actually, all I can say is that I was approached to become a member of the board and moved up the leadership ladder. Probably for no other reason than that I was the president of the Class of '38 since Chet Carlyle, our beloved All-American basketball player and longtime president of the class, had passed away. I was invited by the executive committee to take over, and, through, I hope, some diplomatic and democratic system, I was selected. [laughter]

Every few years--not systematically, I'm afraid--we try to pursue democracy. We're in a kind of a rut. It's hard for those that are officers of the class and the executive committee to step down, because our colleagues don't want to do anything more, and they figure as long we'll do it, that's fine.

Once you get onto the board of the Alumni Association, you are meeting and greeting a lot of people that you wouldn't otherwise, so you get to be known. Because of my background in finance, inevitably I always seem to end up as chairman of the investment committee or something else moneywise. So it was through the financial side of the Alumni Association that I had my entry. The process then moves you politically, I guess, step by step, and someday you find yourself vice president. So I was on the escalator going up with a lot of wonderful people touting my campaign without my really knowing what was going on. I eventually became Alumnus of the Year, so that--

LaBerge: There's a very nice article about you that year.¹

Well, I understand, both from Mr. [Richard] Heggie and from Mike Koll, that being the president of the Alumni Association is almost a full-time job for that term. So you must have had to decide, "Gee, am I going to do this?" or how to set aside the time.

Hoadley: Well, it certainly is a time-consuming job, but if you enjoy what you're doing and you've got a good team you never think about it until it's all over, and then you wonder how you got it done, but you get it done. And you never do it alone. We had a lot of good experiences with new programs in the Alumni Association, with new people coming in. The diversity issue was a challenging one.

Mentorship Program

LaBerge: Tell me about that, because I know that you were involved in the mentorship program and trying to maintain the diversity. Was that one of your goals coming in?

Hoadley: That's right, yes. I think the problem which we faced was a common problem. It was that you tend to get in touch with the people that you know, and unfortunately, you don't get to know a lot of people in a different culture unless you work at it. We found later, though, that if we had projects and invited people of all different cultures, we got to know each other through working together, rather than preaching at each other.

So our mentorship program was an action-oriented program. Our desire from the start was to look at the alumni change ahead, because the diversity on the campus was changing, and here we had a very large and substantial alumni group, overwhelmingly white. The campus was becoming increasingly diverse. Sooner or later, it would be through a natural process that the alumni of the years that we represented were not going to fairly represent change--we're all whatever we are--

LaBerge: That's right.

Hoadley: But the new ones coming in deserved, needed, and wanted some representation. We were concerned about the fact that quite a

¹ California Monthly, December 1993.

number of non-whites were struggling at Cal, not because they lacked the ability; simply, they were out of their own culture in a strange world. We still have to work hard to correct this.

We struggled to find more people who, of a different culture, could see value in what we were doing, which was predominantly reflecting our culture. The best way we thought to do that was through a mentorship program. The credibility of the mentors we thought would depend heavily on their ability to talk to people of their own culture and mentorship that way, rather than having cross-culture, at least at the outset. So we found opportunities among various diverse groups through the Alumni Association to help their own particular people of culture get through Cal, and it's grown considerably since.

LaBerge: How did you reach out and find the mentors?

Hoadley: Well, in the course of the Alumni Association activities we had literally hundreds if not thousands of people attending meetings in different parts of the state or the community or overseas or what have you. When you're president or one of the senior officers and traveling the world anyway, you have a good opportunity to gather with Cal people, and you can readily identify people without great difficulty who would catch fire with the mentorship idea, while others couldn't care less.

But, by and large, the Cal alumni--at least that I've known --have been real people who were proud of being a part of Cal, but also sensitive to the issues that the Cal Monthly and the Cal officers were telling you about happenings on campus. If you look at the mentorship program, it coincides with a lot of the questions of, "How is the campus doing and dealing with problems?" mirrors into the Alumni Association. Whether it leads or lags, it's hard to say, but it's in the spirit of enthusiastic alums who pick up and become a part of anything of real interest and then that attracts more people who have a similar interest and it feeds on itself.

LaBerge: And how did you find the students who wanted to have a mentor?

Hoadley: By simply advertising that the mentors were there.

LaBerge: Through the Daily Cal or--?

Hoadley: Whatever device available. Yes. But finally you'd have to say that it came down to personal contacts with the faculty, contacts with students who knew of other students, people in the dorms or what have you, and then it always becomes a tug of war as to whether you had more mentors or mentees. Matching them is a job.

I'm out of touch with it now, so I can't tell you, except that it was part of the helpful tradition of Cal that just fell into place naturally. It happened at Cal probably at least as soon and probably as profoundly as any campus that I know about.

Contact with Berkeley Chancellor

LaBerge: How much contact did you have with the chancellor?

Hoadley: Almost daily.

LaBerge: Really?

Hoadley: Yes. [Ira Michael] Mike Heyman was campus leader during my particular period. When I became president of the Alumni Association, I had many opportunities and I worked hard to generate alumni support for the chancellor's programs.

The background of this, I guess, was that I was one of the editors of the Daily Cal when I was on campus. So I got to know chancellors pretty readily through the years while I was on campus. Some of them were very supportive and others were pretty academic and less so.

But, as far as the chancellors are concerned, Mike Heyman and Chang-Lin [Tien] were the ones that I worked closely with. We knew each other well, but they're very different as such. But it was certainly part of my goal that the chancellor should know what is going on among alumni, and we should know, really, what the chancellor's problems are. So there was reason for a contact. And also simultaneously, we were putting together the '38 gift campaign for our fiftieth anniversary of the class's graduation. Mike Heyman had challenged classes to put together funding for chairs, and so it wasn't difficult to get a close relationship when you were talking with the chancellor about something that he wanted.

LaBerge: That's right. Raising the money? [laughs]

Hoadley: That's right. And we did, and we were in the early stages of the chair campaign, so we, off the record, would say that we had the cheap chairs. [laughter] They're now \$500,000 or whatever it is. But we did rev ours up from originally \$250,000 to \$400,000, and then we decided to go first class and go with \$500,000. So we started with modest amounts of money in mind and raised our sights as we progressed.

Mike Heyman, through the chair program, was a good contact. We had lots of other discussions because some of his ideas were right on, as far as I was concerned, and some were not. And because of my interest in economics and finance, we had a lot of conversations about things that were not alumni-related. We both seemed to enjoy it.

Search Committee for Chang-Lin Tien

Hoadley: Chang-Lin was a classic. I was on the committee that picked him. I really didn't know him until the committee began to function, and I remember so vividly how impressive he was to all of us, and he certainly proved to be a good choice.

LaBerge: How does that search committee work?

Hoadley: Well, the search committee is picked by the president of the university, and the representation is such that you draw in people from the faculty, people from the students--certainly a cross-representation of the campus. In the course of time, you go through the standard procedure of advertising nationally that there's a chancellorship open. You are particularly careful about not leaving somebody out who is a solid campus representative, because you don't want to be accused of neglecting some particular discipline or specialty. The search committee always has people who think very positively about some things and not so about others. So it's an ongoing process of narrowing priorities.

You start out with literally a hundred or more names that you get through the door and through the mail in response to ads and what have you. You kind of make a wide cut through possible candidates. People on the committee have different points of view. It's a standard procedure. You then try to winnow down and ultimately get down to some number like fifteen or twenty. Then you begin to look intensively at each of them in terms of their background and people's comments about them and so on. You ultimately get down to two or three, and then you bring them in, and they appear before the committee for interview.

I can remember so vividly, Chang-Lin came in for his interview--. As I say, people who already knew him, knew him well and were very pleased, but a lot of us really didn't know him all that well. He brought his wife Di-Hwa into the interview.

LaBerge: Oh really?

Hoadley: She is such a sweet and lovely person. She didn't say a word, but she was there, and you just could see the Asian culture of togetherness and support, that you were really getting clearly two people. I represented the alumni, so I asked all kinds of questions about alumni relations and he had the right answers. He even answered the alumni question positively and correctly, "Are you willing to sit on the bench with the team?" [laughter]

LaBerge: Was he ever!

Hoadley: Yes, he made good on that, because some of his predecessors were not of that same stripe.

LaBerge: Well, as the representative of the alumni, did you get feedback from your board before you would go, for instance, to the search committee?

Hoadley: We always did, but we tried to protect the individuality of the candidates, because there is nothing more embarrassing and sickening to have somebody rumored to be on the inside track and then later not getting it. But, insofar as you have in any organization, a handful of people who are in leadership positions of responsibility--you talk pretty frankly with them, and they, in turn--not because they're a member of the committee, but because they feel a part of the entourage and support group--would pass along a comment or two. I guess the best way to express it is, when you get down to the last two or three, you've got an outstanding selection pool. In the end, at least in my experiences, you make a soul-searching check and then close your eyes and visualize the person in the job, and, in my case, in the job dealing with the alumni. And the kind of questions that you ask in the interview heavily represents your own responsibility area. That simply means that you are feeding back to your confidence groups what kind of persons are available--without necessarily naming names--but comment generally, like Here's somebody who's strong, and This one's strong, and That one's strong. Then you find other ways--in many instances through contacts, but it was strictly a confidential basis.

But the process has a great way of taking time and eventually narrowing down candidates to the point where you can't narrow anymore, you've got to make a decision. At that point, you have a little prayer.

In many cases, it's been my experience, you always pick people because they're good, and they are good, but they later prove not to be so good. So, the older you are, the more you've selected people--. I always remember a mentor of mine said, "Hoadley, until you've had to fire somebody you've hired as

brilliant, you have not matured." So I'm modest about my thinking on selection, but if you have basically good people and you also have a group of people that are pledging their support to insure the success of the candidate--. It's one thing to select a candidate, it's quite another thing to select a candidate and help the candidate become the real person of success in the job. You learn that after you've been on a few search committees. We certainly have seen that at Cal. The alumni representative can do whatever he or she thinks is best, but that's the approach that I cling to. You have to have some consistent policy and response as you go along in the process, otherwise you're dealing with the blind. My desire was to select the candidate who would be most successful.

Regent-designate of the University of California, and then Regent
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LaBerge: Well then, as alumni president of just the Berkeley campus, what kind of contact did you have with the president of the university--before you became a regent, even?

Hoadley: Well, I guess the best way to approach that was that as president of the Alumni Association, in the rotation process, you become eligible to become a regent-designate and then a regent. You have, at least in the two-year term, one year of getting to know the president. Then you have a full voting position the second year, in the course of which, if the president is interested in you--and certainly the presidents that I've had contact with were interested in who I was and what I was--you see him frequently, but it's the year that you're a voting regent, where you make a difference on some issues, that the president cultivates you and you cultivate the president and so on.

Certainly, as far as David Gardner is concerned, I had known David in connection with various alumni functions and activities that brought us together, and he, being a specialist in higher education, was in demand in many alumni affairs. I knew him more casually, though, and I got to know him rather well as a regent.

LaBerge: Coming into your first Regents' meeting, what was your impression of the Regents as a whole and how that group worked? Just coming in fresh.

Hoadley: Well, keep in mind that the Alumni regents had been around for quite a number of years, and the Alumni regents have a way of staying in touch with each other.

LaBerge: Oh, okay.

Hoadley: It was a very fine relationship. When you come into that first Regents' meeting, there's always the reaction, "Here I am," and it's exciting and so on, but the truth of the matter is that you've heard other regents--former presidents [of the Alumni Association] and regents--talk about what goes on; one of the jobs of the regent representing the alumni is to feed back to the board of the Alumni Association what's going on with the Regents that you can talk about. The process gets you in touch with a lot of feedback. So I'd heard the previous presidents of the Alumni Association talk about what happened at the Regents' meetings for several years before I ever got to the Regents' meetings.

LaBerge: Okay.

Hoadley: It's kind of a network. Dick Heggie, as we mentioned--Dick was certainly one. Every president of the Cal Alumni Association feeds back to the board of directors information as to what is going on.

LaBerge: So you knew a little bit what to expect?

Hoadley: Yes. I think so.

LaBerge: And then you go for a full year to all the meetings without voting?

Hoadley: Yes.

LaBerge: So you really have kind of an introduction.

Hoadley: Exactly, that's right, yes--which is a good system because you see the board in action, and you can vote no without having to show your hand.

LaBerge: That's right.

Hoadley: But later it becomes helpful, because some sticky subjects come up. The point is that you can't hide when you have to vote and you have to show people that you are for or against them. Maybe one of your very closest friends is on that side and you're on this side, but that's where you test in any system what you really believe is best for the institution and so forth. You can argue about it.

Site Selection Committee for Tenth Campus

Hoadley: As a regent I was particularly involved in the selection of the site for the tenth campus.

LaBerge: Well, let's just pick that as our first issue to talk about. Tell me how that came about.

Staff Involvement

Hoadley: Well, there had been research going on by the president's office at the university and certainly on each campus--projections of student enrollment years ahead, lots of debate as to whether there was a need for more facilities. I suspect that some of the projections were probably wild. Nevertheless, there was a feeling--and I know that David Gardner was involved in this--that there was an eventual need for a new campus.

The criteria was growth in population, but also that the Central Valley of the state of California was serving the student potential less well than any other part of the state. So there was a general feeling that as the state population grows we need more facilities, then there was a specific regional concern. So the state was divided into three sections, and the Central Valley--the center of it--was considered to be the priority for the next campus when, as, and if, we have it. That was a major decision that you were already servicing the people better at the extremes of the state. So the tenth campus committee made its first decision to locate the campus in the central part of the state of California.

It took a fair amount of time to get the needed information, but the committee had a staff. One of the things about David Gardner was that he believed in--because of his capacity and experience--in doing policy thinking through use of staff, giving staff questions and saying, "Give us the answers." You know, having staff screen data and documents forces us to still spend a lot of time, but we were getting helpful input back regularly.

LaBerge: Were you on that committee?

Hoadley: Yes, I was on the committee. I was one of the members selected by the president. I'm sure the Regents agreed to the selections of those who were on the committee. I don't remember the specifics of that. But, anyway, I was invited, elected, or

selected, and was an active member of the committee, for several years actually.

LaBerge: And Vice President [William] Baker was on it, was that right?

Hoadley: He was a very important part of it, yes.

LaBerge: And who else?

Hoadley: Well, I'll have to scratch my memory. We had on the committee Regents Roy Brophy, Claire Burgener, Meredith Khachigian, Yori Wada, and Alice Gonzales; as well as annual chairs of the Academic Council and Vice President Ron Brady. The chairman of the Board of Regents was also involved.

LaBerge: And who was that, that year? Do you remember?

Hoadley: Roy Brophy. It was a great committee, a good committee.

I remember Chuck Young, as a chancellor, was on it. He had his own views, and they were not the same as some of the rest of us. There was a great deal of debate as to where in the Central Valley, whether Fresno versus Merced or what have you.

But, as far as members of the committee, I won't list them because I'm going to leave out somebody for sure.

The committee functioned with a considerable amount of help from the staff. The staff was out doing all of the leg work, and when they got a number of sites, they ultimately broke down the potential list to a limited number--oh, I suppose fifteen, ten, down to five. Somewhere along the line when there were between five and ten sites, the committee went out and looked personally at them. We actually did field trips to various places.

I think that the system worked well, from my perspective--because I happened to vote for the final selection of Merced--but my strong feeling was that any of these sites would have been all right. I had a feeling that the Fresno area was already developed, and we adopted a view that the university could service the Central Valley in the interim, by giving courses in different parts of the Central Valley, by having programs that bring faculty members to outposts so that we didn't have to wait fifty years for a campus before we could service that area.

There was a lot of local contact, and I think that was helpful for the university because we were talking to people about the university all over the Central Valley. That made the

project worthwhile, in addition to whatever it meant in terms of the ultimate campus decision.

Decision-making Process

Hoadley: But the problem was, do we or don't we need a campus? The fundamental issue was, if we don't need it now, when will we need it? Then, if you felt that we needed the campus, you had to face the question, Where is the money going to come from? So a lot of people just bailed out and said, "There is no money," and so why bother further.

I was certainly very strongly of the view that [pounding table] we should make a decision. We spent two or three years finding the best place. If you stop the decision and don't actually pick the site, you're going to have to start all over again. Fortunately, that view prevailed and the decision to select Merced was made. Members of the committee--I think with a lot of influence from other regents--sort of decided that, well, there isn't going to be money. So before they finally decided to go ahead, they gave the impression they were going to table the whole project. But the Central Valley legislators in Sacramento overrode that point of view and kept it alive, which I thought was important. Now I understand some modest amount of money for planning purposes was appropriated in the state budget being recommended to the governor.

Anyway, that was a great experience because we got to know each other as members of the committee, and the staff, of course, was there. A problem which arises in any organization when you have a strong staff is that they ultimately want to take over--not because they're trying to be vicious about it, but simply because they feel they know more about it than the committee. In many respects, that's true. They don't have to vote. So, the staff was pulling in one direction, and maybe that made a difference--I don't know--but we were aware of staff feelings.

LaBerge: Which direction was the staff pulling in?

Hoadley: Not necessarily in the direction of the ultimate decision.

LaBerge: I see. Not for Merced.

Hoadley: I'm giving you my candid appraisal.

LaBerge: Right.

- Hoadley: All I know is it was a close vote. I think there was a lot of chagrin, because when you're a staffer, you are out in the community, people are going to ask you, how is the committee going to vote, how are they going to do it? And if you are not terribly careful, you will give an impression it's going this way; then it turns out it's going another way. This makes it awfully tough for the staffers. I understand that.
- LaBerge: The committee came up with a decision and then took that to the Regents? Or how does that work?
- Hoadley: The process is the committee first was set up by the Regents, and the president had a major influence on the selection of who was there. The assignment was, essentially, Do we or don't we need a tenth campus? But, the feeling was that you wouldn't have picked a committee if you didn't think that we really did need it.
- LaBerge: That's right.
- Hoadley: Therefore, having made that decision, the next step was to say where? Then as I say, the first step was to divide the state into three sections, pick the one that you were going to work on, which was the middle part of the state, then the staff had to look for sites. Once you look for sites, they're beautiful and they're wonderful, but somebody owns them and they aren't necessarily going to sell or make a donation, although as it turned out, there was a major land gift.
- LaBerge: Right.
- Hoadley: The process was one of a lot of meetings, conference calls and so on. I recall that every member of the committee took it very seriously, and I think, made a great decision. We'll find out.
- LaBerge: So then you bring this back to the full Board of Regents, and there's a vote on it?
- Hoadley: That's right. Yes. Because, ultimately, that's where the power lies. All I can say is that I don't know how you could have done it more thoroughly. You're out walking through fields and being terribly sensitive to Indian burial grounds and all sorts of things that you never probably anticipated when you got on the committee. So it was exhaustive. I think people particularly associated with an academic institution instinctively are research-minded. They're going to be thorough. Building contacts was an interesting experience, and after I was through my official term as a regent, they still kept me on the committee until the disposition was made in the final decision.

Contacts with the Legislature and the Governor

LaBerge: Well, this issue brings up other issues on the Regents, and one that you mentioned is the impact of the legislators. How much contact did you, as a regent, have with legislators, and how does that work as part of what a regent does?

Hoadley: Well, the governor, of course, is a regent.

LaBerge: That's right.

Hoadley: So you start at the top. The governor doesn't attend all of the Regents' meetings, but certainly he appears when there's an important vote or other times for whatever reason.

The contact, as I understood and saw it function, was not very strong between the run of the mill regents and the state legislature. I think that's for two reasons. One is that the chairman's prerogative is to keep in contact with the governor or else you get people who are of lower status running around right or left end of the chair. It's permissive and certainly okay, but it isn't helpful in trying to get some agreement-- particularly if you're dealing with a major issue at the university. When you see something about a regent speaking out publicly, you can almost be sure that the Regents generally are not going to do that. But certain regents pick public comment as a style, or as a way of publicity, or as a way of, I guess, using political power to help get a decision made.

A second reason, I think, is that many of the regents like to look at all the official information--the same information that the legislators are looking at--and discuss that kind of information, rather than get into a situation where you try to get a vote by a legislator directly. That may happen, but it doesn't happen often as a regent to the extent that I saw it. I had contacts and occasionally went to lunch or to breakfast with some officials, but I wasn't in the direct political process. Nobody asked me to be; nobody asked me not to be. The legislature, I would say, values the Regents.

Over the years that I've been connected with it, the Regents became subject to a lot of critiquing--either because they were not representing somebody who happened to have a strong feeling or because others said their term was so long that they were no longer relevant. For example, members of an out-of-power political party during the regime of [Governor] Jerry Brown. So you're always dealing with sensitive issues, but as long as you're candid and as long as you're telling what you really

think, nobody stops you. I found being a regent not only is interesting but an open system. I didn't feel anybody was trying to con me to get my vote. Maybe they were and I didn't know it. [laughter]

Responding to the Economic Downturn

LaBerge: Well, one of the other things you brought up in searching for the tenth campus and one reason of it not going ahead right then was the budget. Because you were there right when the state was in an economic crisis, and you, above all, could talk about that.

Hoadley: Well, that's a very important point, influencing what went on and how I reacted to it. You're right, my years of involvement were the years of economic crisis. I think anything I would say about what went on would be colored by exactly that issue.

Everybody was conscious that there wasn't money, that the revenues were shrinking, and that the attitude of the public was towards stringency and austerity. I think that helps explain a lot of the things that went on in the campus. The whole budget process was such that the Regents were getting daily intelligence from Sacramento as to whether the governor was reviewing and smiling or upset section by section of the budget, and how many votes were going to be for or against each item of the budget, or, "So-and-so has just changed his vote somewhere, and that will change this." I guess, with credit to the leadership, they had some real tough compromise decisions to make, and I think on the whole they made good ones.

LaBerge: Which leadership? The legislature or the university?

Hoadley: The university living within the limits of which the severity was imposed by the governor and by the state legislature. A lot of the programs I had nothing to do with in detail, such as early retirements of faculty and cutbacks in structures and benefits. All of the changes that take place when you're in a period of recession color every decision.

But the leadership--particularly Chang-Lin and David [Gardner], and then, later, Jack [Peltason]--managed to keep the relationships with the legislature positive. They accepted austerity regularly, but they also indicated what they would be forced to do if certain budget reductions were to be made. It was not antagonistic; there may have been some infighting somewhere, but my impression was that there was enough

information flowing to the Regents to convince them that they were getting hurt no more and no less than other branches of the state educational system. That wasn't unanimous, but there was an acceptance.

But the point I want to make is the leadership always was trying hard to save the core of the university, without trying to ignore the economic reality that the state legislature faced and the governor faced. They wanted to live in a working relationship, and the amount of commuting between Berkeley or Oakland and Sacramento by the leadership was tremendous, because they were trying every way they could to be constructive. Go back and look at the decisions that were made about five years earlier. You would never have predicted the severity of those things which would have to happen in terms of cutbacks, austerity, faculty retirements, and so on.

So, just to repeat, in the background of everything I saw the Regents do was always the question: Where's the money? What can we cut out? Where can we cut it out? And, How will we treat Berkeley the same way as UCLA and the others? A lot of decisions were made with close calls. There was a lot of stress, and I guess I would say, without being able to defend it completely, that the budget process was so good that even though it hurt a lot of people, the university overall has emerged stronger. That's my view because of my economics training and experience.

But, that's a common experience: if you defer reaching decisions because they're going to hurt somebody, then later you have to do it and you find that the result is that you're better off because you got rid of some problems earlier. That's the American system. It's painful, but it would have been more painful later not to have done them early on. That's a bit of philosophy and my economic view with an historical perspective.

That's what's going on in Asia right now. You live it up and have a great time, and then, unfortunately, you run out of what you thought was going to be there forever. Then you get by on a lot less, and it forces you to introduce new ideas and new creativity. One of the elements that provides greatness for America is we reluctantly, belatedly, face the tough issues and do something about them, whereas most countries cover up, cover up, cover up, and then explode: Japan right now, Malaysia, Indonesia.

So I don't mean to be a Pollyanna about it, but when we're going through that kind of a period, I try to force myself and anybody else who will listen to me to look at the consequences, positively as well as negatively. I think there is a good case

to be made that adversity is not all bad, but it doesn't sell very well.

Committee Work of the Regents

LaBerge: Right. [laughs] Well, how hands on were you and the other individual regents when these decisions had to be made about the budget--for instance, the early retirements, or whether to increase student fees, or defer maintenance? Did you vote on each of those things? Or did you discuss each of those things?

Hoadley: They were all discussed--no question about it--and to the extent that they required, legally or otherwise, a formal vote--as a regent, you vote.

But I think the process, which is hard to describe, is that the committees of the Regents that have responsibility will spend all kinds of time in special meetings and so on. Then they convey to the general body their recommendations. In the course of that discussion, then, it's picked up at the Regents' general meeting, as opposed to the committee.

A lot of effort is involved in the committee structure as such. You are given information, in fact, paper like this [motioning several inches]--report after report. If you're conscientious--and I think the regents were conscientious--you couldn't possibly read all this stuff, but you read a lot. You're not left out. I felt that, whatever was going on, I knew enough, at least as much as I could digest. Then, the final point would be the chairman of a committee--obviously looking for your support--would come to you or call you and say, "This is the situation, and here's an additional piece of information," or, "Here's what Sacramento thinks," and what have you. But if you were close to the chairman of the Regents, you might have gotten more information than somebody who wasn't. That's human nature.

LaBerge: So it would depend on who was the chairman, possibly.

Hoadley: That's right, yes.

LaBerge: How often did the board as a whole not approve what a committee recommended?

Hoadley: Not very often, and for a good reason, which is that if a committee is really functioning, you never take on an issue unless you're sure you've got the votes for a decision. Defeat

is not only a source of embarrassment, but it also may block something that can't be brought up again for a long time. It's better to let it sleep until the time is right to win the necessary approvals for action.

Now, that's the political process: if you can't count the required votes, don't take the vote. But that can be interpreted as the chairman of the committee has far too much power because he can stop debate, and there are other ways it can be abused. But certainly, whenever I chair a committee, I never bring a cold issue into a board for decision. I find out early which way the water is flowing--not only because I want to win, but I want to be sure we haven't forgotten something or made a bad decision.

LaBerge: How involved was the president in this voting and in the committee work?

Hoadley: I would say that if the issue was of campuswide, statewide significance, then he was deeply involved, and should be as such.

Then again, it depends on the president. If the chairman of the Board of Regents is a person of strong personality, and the president is a person of strong personality, there is always the danger that you're going to have some real differences. But, if they are working together and have commonality, and have good communications, the president has the power as president of the university, as the seated executive, to develop the basic strategy, to develop the concepts, and sell them to the Regents. I would say that the president, at least in my time, has demonstrated leadership which is more significant than the leadership of the chairman. I think one is an active online operating day-to-day person, and the chairman is more a policy-maker person who is guiding decisions. But the president has to live with him on a day-to-day basis.

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LaBerge: Well, we're talking a little bit about the president with the Regents. You were there both when David Gardner was president and Jack Peltason was president? Because you were still on the board?

Hoadley: Jack Peltason sort of went in when I was going out.

LaBerge: Okay, so did you observe him with the Regents or not?

Hoadley: I observed him as a regent.

LaBerge: And as a chancellor?

Hoadley: As a chancellor, yes.

LaBerge: Well, then let's just talk about David Gardner. How do you think that he performed his role with the Regents?

Hoadley: Well, I would say two or three things quickly. As far as David is concerned, I got to know him well, and I admired him tremendously as a very able person. Certainly his record of whatever he did, he did well from the standpoint of ability. I think that he was particularly adept at handling the political issues. He built a lot of friendships in Sacramento, and he was admired and respected as a true leader. Particularly, with an academic background and degrees and all that he did in higher education, he was Mr. Higher Education in the world, as far as I was concerned.

I guess the only concern that I had is that as a leader he showed at times what a good leader has to show--a sort of do-or-die attitude on issues. Some people felt that he was a little strong on that. I guess to wrap it up I'd say where David had problems it was because he was a little less sensitive to the feelings of other people about what he was doing and the consequences of it as such.

But, as far as overall presidency--sort of forget the tail end of his regime--I would say he was absolutely outstanding, and what ultimately shook him up was the fact that he lost his wife, who was a lovely person. I think that changed some of his perspective and he was sort of awash with concerns related to his loss.

The Mormon influence in his life, I think, was a very significant factor or force. I'm not a Mormon, so I don't know--but I think that there is some indication that people who are of that particular faith tend to have a very strong view toward that faith. Consequently, they are more likely to be a driving force, to do it their way. That is interpreted as a strong leader by some people and as overly aggressive by others.

I remember when the announcement was made that he was leaving. We had lunch together. I admired him so much. I felt that his regime had made a lot of progress, but the one problem that he had was the lack of sensitivity to other people's reactions to things that he might do or want to do.

So the sad part for me is that I have lost contact with him. I don't know his second wife at all. I haven't seen David in two or three years. Here is somebody at the pinnacle of education who sort of disappeared. I think that's sad, because I looked to

him, certainly in the years that I was close to him, as the man who could redo education, not only in the United States but worldwide, but he lost that opportunity, and I don't really understand why.

So David and I--David was a good friend. He showed up at meetings of the Alumni Association where I needed him and wanted him. He was there when I retired from the presidency. He made a very generous talk. So, all my prejudices were positive. I guess I'm floundering a bit in saying that he has drifted away from me, and I'm not particularly aware of why that's true. I really don't know. But I couldn't have had a higher impression of a person than David when he was at the peak of his career.

LaBerge: Now, I know that your time is sort of up. Could we make another appointment for maybe an hour?

Hoadley: Sure, sure.

LaBerge: Because I think there are still a lot of issues that you could comment on.

Hoadley: Okay.

Role of the Alumni Regent

[Interview 2: March 30, 1998] ##

LaBerge: Well, we talked about how you got involved with the Alumni Association and a little bit about the role of the Regents. In general, how is the Alumni Association regent different from the appointed regent?

Hoadley: I can say that while I was an alumni regent there was an evolution. I was obviously coached by the previous alumni regents as to what went on, but I kind of got the impression that they were there without any great mandate. No one was really terribly interested in what they had to say. In effect, they were second-rated regents, as opposed to those that were duly selected by the governor and so on.

I can understand why that would be the case, but I remember personally getting annoyed when subject after subject would come up in which the alumni had knowledge and were deeply involved, and nobody asked any questions. I remember in particular when reference was being made by some of the university officials

along the lines of, "We want to be sure that state officials know what we're doing, and we want to make sure that the various and sundry professionals know what we're doing, and we need them to support the university."

So some of us said, "Wait a minute. The big problem is that the public at large doesn't realize that the University of California is really doing a great job. You're not telling that story. The alumni have been trying really hard to do that."

So, in essence, the alumni were respected and certainly not denigrated in an obvious way, but we were largely considered to be an unnecessary appendage.

In the course of the time certainly some of us were involved and subsequently, the alumni regents have had first the courage to speak up and say something, because they were not actually silenced, but the general discussion would hardly include them. While I was there some little change took place which has later been escalated to the extent that the regents now who are alumni regents seem to speak up and to be respected and considered more on the team than was apparently true previously. Of course, I can't judge that, it was just as it was handed down, but I know that from the time I was a regent there was some change, and I think it was for the better.

LaBerge: Was part of it the fact that you were only going to be there for a year or some other reason?

Hoadley: Well, the fact that you are a short-termer as opposed to a long-termer means by definition that you're not going to have the same effectiveness. But that's part of the system. The fact that you have a short term probably, in the final analysis, turned out to be a plus, because if you've only got one or two years, one year of voting, you had better make something of it.

LaBerge: Right.

Hoadley: I think that's what's happened in recent years. Regent alumni--the Dave Flinn-type--are very different from what probably was the case some time before. It was more ceremonious, then, in terms of some contribution to policy and in perhaps trying to influence the other regents to do something they might not have been instinctively interested in doing. But I would comment that the alumni regents, as I've watched, have made some important contributions to policy, more so in recent years. Of course, that's a judgement call, but I think that's the case.

LaBerge: Does it make a difference, do you think, that you have a UC connection, and maybe some of the regents don't? For instance, maybe you have more loyalty to the university versus someone who's appointed.

Hoadley: I think that's an element that undoubtedly was there, but I don't think it was a major consideration. Your credibility as a regent or anything else on the Berkeley campus is helped by the fact that you can say, "I graduated in," whatever year it was. But you're not speaking with a different tone, you're speaking of something that's close to your heart, and you believe it. So there's an element in there, but I'm not sure how many votes were swung over by that.

LaBerge: Right. Well, do you remember what committees you were on?

Hoadley: You can almost guess that when Hoadley's name is spoken, it's always investment and finance, the economically-related issues. [laughter] Of course, in the system of the Regents there are many committees, so you're not only on one committee, you're on several. The chair of the committee would differ from time to time. It was on a rotation [basis]. But I think probably the important point is that the alumni regents were assigned, certainly in some respect, to reflect their background, the sort of things that they would bring to the table, something that someone else might not be able to do. But the committees that I would be on would almost entirely deal with something related to finance, economics, and business.

LaBerge: Well, and the years you were there were bad budget years.

Hoadley: Yes, and they got worse.

Need for Positive Publicity

LaBerge: Right. How did you think that the university dealt with that and with the shortfall?

Hoadley: Well, I think the university did a marvelous job, because it was a whole new territory, a whole new issue. The budgets were always a matter of constraint and planning. There was never enough money, so it was not a case of something brand new, but the ominous part was that it seemed like there was no light at the end of the tunnel. And they might in previous years have felt, well, if we don't do it this year, we'll do it next year. But the prolonged recession and the revenue shortfalls at the

state level and so on, meant the budget became a chronic problem, more than a cyclically acute problem.

David Gardner's great strength was his ability to convey to the legislature and governor and others in Sacramento the importance of the university and higher education. Of course, he was best known, I guess it was, for his visibility and interest in higher education, which politically is not necessarily the most popular of subjects. Higher education to many always means the favored rich who have benefitted by education as opposed to somebody else who didn't have it. It's a hard sell, and it's the people that are in the university system as alumni that come out of the pool of the top presumed cream of the graduates of the high schools, go on to college at Berkeley, in this case, and succeed more often than not, in the course of which they tend to be leaders and tend to be conspicuous. That issue was smoldering in those days, for sure. "Why should we take money away from the poor and give it to those who are going to be rich?"

Our argument, of course, was that the university was serving all "the people," indirectly as well as directly. That was an issue that I think has now been articulated to a considerable degree. Many of us pled for the university to tell its story as to what it was doing for the public, even though most citizens didn't go to the university--don't forget the indirect benefits: research and community service. Now I think that [UC President Richard] Dick Atkinson has picked this theme up even more. But the university made a turn on that issue somewhere along in the time when I was involved. You've got to tell the story, you've got to sell the university to the public, that you need votes for the university as much as you need them for political office, not because you're looking to generate power, but you're simply trying really hard to tell the story as it is, namely, without the University of California the people of California would not have the benefits that they have to a considerable degree.

LaBerge: Did you do that through the alumni clubs yourself?

Hoadley: We were doing that to the degree that Alumni Club programs were in a relationship that was already positive. You're talking to the choir, in a sense.

LaBerge: That's right.

Hoadley: And so the problem was to reach, not only the people that were duly-elected selected Cal alums, but to try to get to their constituents and their uninformed friends, so that the public at large felt that the university was not just a bright star up on somebody else's hill.

Student Fees and VERIP

LaBerge: Well, back to the budget crisis. What was the discussion like around the VERIPs and making that decision to do that and to increase student fees? How much input did you all have?

Hoadley: The issues that you're talking about were just emerging at that point. They were not hot to the degree that they became later. So those of us in our particular generation were conscious that the problems were real, but we didn't have much to say about the policy responses of the university, except in general discussion. The VERIP and so on came a little bit later. I guess all I can say on that is that there were lots of general discussions, but it was not a policy issue that required a vote at that stage, but in the next two or three years it became that.

LaBerge: And what about student fees? Did you discuss that?

Hoadley: That was always a matter to be discussed. Every year the budget came up, we debated the fees, and, instinctively, many of us who went to Cal when the fees were much lower (\$26 per semester for me) were reluctant to go along with anybody's idea that was going to boost the fees. On the other hand, we knew the economic reality--certainly as an economist I knew that if you didn't adjust your fees in a limited extent as you went along, you ended up with a big increase that you had to put through later. So the little dribs and drabs which seemed big to many people were encouraged as a policy, as opposed to stonewalling.

But it was clear that the issue was highly charged by differences in terms of constituents. The chancellors had different views in degree. They were all unhappy about how the fees would have to be increased. And, of course, the students would be picketing and doing lots of negative things later. They were not that conspicuous on that issue at the time that we were there, but you didn't have to be a genius to know it was coming; and that it would come at any time in the future that you started to deal openly with that subject. It was a sensitive political issue. Again, the rich versus the poor issue came up.

Contacts Among Regents and Chancellors

LaBerge: Well, on that note about the chancellors, how much contact did you have with the chancellors as a regent?

Hoadley: We got to know each other pretty well. I think that was one of the regent system strengths. It varied and depended upon interest or personality or something of that nature, but it was an education, and a very good one for me to get to know the regents, of course. But, to get to know the chancellors was different. You could see their more campus-localized problems. If Berkeley got something, other chancellors didn't want to give up anything. All along you had the issue of Berkeley versus the other campuses, not in a vicious sense, but in a very significant competitive and political sense. Berkeley is the mother. At least that was what Berkeley said.

LaBerge: Right.

Hoadley: But UCLA had some different views on that. [laughter] But I think you have to say that the chancellors were doing what you would expect them to do--mainly, to fight hard for their own budgets, and try real hard to get credit for what they considered they were doing which was equal to or better than Berkeley. I mean, discussion was never at that level at the table, but in the background you would almost always know how one of the chancellors in particular was going to vote. And pretty soon you could tell or you could almost guess how they were all going to vote--to protect their campus.

By and large they realized that they were part of the University of California system, but competition was an important issue, that the president of the university had to hold the chancellors together. The nine chancellors, left alone, could go out in nine different directions. I think that's where the stature of the president officially makes a difference, the ability to reconcile differences and horsetrade. David was particularly good at that. He had a background of being fair, or at least trying really hard to be perceived as fair. He was highly respected for that. But you don't win political issues only on respect, you win on managing dollars.

LaBerge: That's right.

Hoadley: As long as David could get enough dollars coming out of Sacramento, the issues didn't explode, but when it became tighter, then the faculty and others got into the act, fighting for their own turfs.

LaBerge: Do you have any anecdotes about that? Either things that chancellors would be fighting for and David Gardner would come in and get a consensus, or when faculty came to a Regents' meeting?

Hoadley: Well, for me most of it was on the tenth campus committee. Because the greatest single fear of the chancellors was that with a tenth campus, one-tenth of all the money would go there that they wouldn't get. Time and time again, that issue would break out subtly, never right on the table. But you could just see that there was going to be very little support among most of the chancellors for anything that resembled a tenth campus, not because they didn't see a need or an interest--they just figured it was going to come out of their economic budget.

LaBerge: Right, another part of the pie.

Hoadley: That's exactly right. Unless the pie is growing, no way. But as far as resolving any particular issue, that was always in the background. As I have already indicated, almost any issue, whatever it may be, had a versus-Berkeley dimension.

But probably the most interesting development was the competition across the different chancellors' domain on Nobel Prize winners and other major honors and awards. They were continuously keeping the box score. It was perceived generally that Berkeley was right up in the front, but there was a constant reference of what happened on a given campus versus what happened at Berkeley. Believe me, if Berkeley was playing second at any time, it was announced. [laughter] There was no hesitancy about beating Berkeley. And a good deal of it was perfectly healthy, it was good, because there was a certain degree of smugness on the part of the Berkeley leadership, and maybe I was a part of that myself. [laughs]

I would have to generalize that the chancellors were all good University of California supporters, but left alone, they were very provincial and made the most of that perspective whenever they could. In the side bar conversations, when we would be in committee meetings or before they had started or after they had adjourned, little competitive comments would come up. I would also get it from the staff members, because the staff members were in the audience, watching what was going on. They, more often than not, took sides as well without showing it too visibly.

LaBerge: You mean, for different campuses?

Hoadley: Yes. What I'm saying is that the staff in the president's office presumably serve everybody alike, but they had their favorites. That's not, again, surprising, but on the other hand, it was real. You had to be careful that you didn't become labeled as pro something--other than those of us from Berkeley were pro-Berkeley and were seen wearing a sign or a flag whether we had it

actually with us. But the staff were counting votes all the time. I guess that's part of their job.

The president has to have a staff. You could always argue as to whether it was too good or too bad or too something else, but the staff's function was to carry out what the president wanted. So they were involved, and depending on their own personality, either spoke up or lobbied or did something to guide the president's thinking. Not in any way that you could ever accuse them of doing something that wasn't proper. They didn't hide the fact that they were more than casually interested in what was going on and believed they had a fair amount of influence.

Staff of the Office of the President

LaBerge: How effective did you think David Gardner's staff was?

Hoadley: Well, it was a strong staff in the sense that they were essentially do-ers. They, more often than not, were pushers. They had certain assignments that I'm sure that David gave them, to achieve what he wanted. They were probably less sensitive to the impact of policies that were evolving on campuses or for faculty and so on. Their top-down attitude was, "This is the right thing to do, let's get it done." And if you questioned something, it wasn't resisted, but it was not always expected or welcomed.

LaBerge: Meaning if the regent questioned a staff member at a meeting, for instance?

Hoadley: Yes.

LaBerge: Do you want to give me an example?

Hoadley: Well, whether you were dealing with the budget or with the issues of laboratories or almost any issue, you would find that the staff had been actively doing research for some time and had reached certain conclusions which were passed along to the president. There were very few things that came on that table cold, and they shouldn't. But the staff seemed to be under considerable pressure from the president to get across his concept of what were the right answers. When the information on an issue of importance to the president was pretty well debated and packaged and it seemed that a consensus was forming, David was the kind of person who could pull it all together and resolve

differences to reach a decision he favored. Even though a lot of people didn't necessarily agree, they figured that basically he had done a good job of researching the issue. Ultimately, the issue would be tabled if it was going to be a loser, or, we might find at the last minute two or three votes would show up and the issue would be carried.

I guess all I'm saying is that under presidential direction the staff was aggressive, a little pushy, a little demanding. Sometimes the staff might comment, "Well, that isn't what the president wants," in response to questions. In any organization you don't feel that you have to win every issue, but there were hardened positions taken, simply because it looked like that we had been given a mandate, "do it," "don't question us."

I remember in one particular case, back on the issue of the alumni regent, using the strength of the alumni. Alumni were--I kept track--never really quoted by anybody on the staff.

LaBerge: They hadn't consulted?

Hoadley: They hadn't asked or they somehow overlooked or didn't think it was important to listen to the alumni. I would keep informal polls for how many times the word "alumni" might be used in policy discussions, not very often in our meetings. But it changed, as such.

LaBerge: Because you spoke up?

Hoadley: Yes, some of us did, yes.

LaBerge: Who else besides you would speak up?

Hoadley: Well, in due course the other alumni regents were involved. As time went on, the alumni regents, those that were voting regents particularly, caucused before meetings and spoke up. So if you go back and check the record of alumni voting regents, you can pick the names pretty broadly. As my term went on it got to be much more so. After my term was over, I understand still much more. But the non-voting regents didn't have too much stature, so it's the voting regents that spoke up.

The fact that it takes a certain while for an alumni regent to get acclimated to the procedures and the protocol gives the sitting regents, the official regents, obviously, a different, higher status, to be sure. They've been around longer, and consequently, they will make statements that younger--in seniority, at least--alumni regents wouldn't be able to make. They can refer back to what had happened, or something of that

nature. So I don't think anybody, certainly in my time, was expecting the alumni regents to take the lead on issues, but to take a strong position on a key issue was what was happening.

Vice Presidents William Baker and Ronald Brady

LaBerge: Well, now, when you were talking about the budget, I assume you would have heard from Vice President [William] Baker and maybe Larry Hershman?

Hoadley: On a continual basis, yes, with Baker in particular, because Bill was always very forthright and very determined, took everything personally, and felt--with some basis, for sure--that he was the real university pipeline to Sacramento. He was the person who knew almost everybody. He was encouraged to venture an ongoing judgment as to how the money was going to flow to the university from Sacramento. If he had good news, he told it; if he had bad news, he also told it. But, as I say, it's hard to judge somebody like Baker unless you have someone to judge in comparison. Bill reflected the tone and the spirit of the university, as well as being a hard-nosed guy who could count votes as well as anybody else. A lobbyist of a cruder nature might have been more threatening.

I think the way that David handled Sacramento relations, from my limited perspective--I was not in the inner sanctum discussions in Sacramento--was commendable. He was working Sacramento from a top-level policy basis, and Bill was working it in the trenches. Bill met with the staff people and whatever legislators he could. On several occasions there would be a dinner or a little snack or informal social gathering with various members of the state assembly. Many of us had some casual relationships, but we were not in the direct negotiations, at least I wasn't.

LaBerge: What about Vice President [Ronald] Brady? What was the reaction in the Regents to his role?

Hoadley: Very mixed, very mixed. I think he was an individual who felt the power of the president was behind him very strongly, and he used it. And by the time you heard what Brady had to say, he thought the issue was over. So I would say that Brady was very pro-Gardner, maybe too much, to the extent that he ran his part of the operation as an assistant president or with an official stature that technically he didn't have. He used whatever power

he could to get things done the way he thought and David thought was the way to go.

But he was not the most popular guy, and I'm not sure exactly why, but I think it was more his style. Many of the things he did were probably necessary and meant to be in the best interest of the university, but it was *how* he did things. There was much room for listening on his part. When you deal with people who've settled issues before you really caught up with them, it's not a way to win popularity. Also, over a period of time, one got the impression that Brady was so close to the president that he was later judged as maybe being overly generous in arranging retirement and other benefits. The way it was handled, it looked like conniving. I think it damaged David's image, as well as his own.

Retirement Package ##

LaBerge: You were just saying that there was a sadness with--. Well, we hadn't finished the sentence, but we were talking about the retirement package and how that damaged David Gardner in some way.

Hoadley: Yes. Well, I think that the publicity in connection with it was unfortunate, because people who were knowledgeable--not many--but people who were knowledgeable knew what was going on. Many of us did not, because the arrangements for the retirement in particular had been made either before we were involved on the board or under some circumstances that somebody had the power to do something and they went ahead and did it. But it was unfortunate because--as I have said--I always considered that David was the leader of higher education worldwide and a tremendously able individual. I could find very little ever to debate as to whether what he was doing was right or wrong. I was an admirer as such, therefore I'm not in a position to say that what was done was underhanded and wrong or something of that nature. It damaged a reputation to the extent that it's rare that you hear or see about David in subsequent years.

I remember I had lunch with him when this retirement package issue was just beginning to break. I had a feeling that what was happening was most unfortunate, because I don't think he was aware that his image was on the line. Consequently, he probably underestimated the extent to which people had admired him, and were in shock when something was revealed which presumably was legal but was perhaps something that either shouldn't have

happened the way it did, or he might very well have taken some steps--that he didn't take--in order to back away from accepting some of the deemed excessive benefits in the interest of restoring his image.

I hesitate to make one comment, but I feel that his background--and I'll just leave it that way--gave him a perspective of doing things pretty close to himself in the interest of furthering what he considered to be right, even though other people might have questions as to whether that was the case.

Anyone who has reviewed his career knows that he's had a brilliant record. By chance--after several years--I saw him the other night at the Berkeley Fellows dinner. Anyone that knew David couldn't help but respect him, but by the time the media and his critics and so on had whipped up the negative froth about him, it hurt. I don't think he realized that danger as soon as he might have.

LaBerge: Yes. It sounds like you did realize. Well, of course, you were a little removed, so you could see what was happening, too.

Hoadley: Maybe so. At least we had some--one extended conversation in particular on this issue that I remember.

The Lab Contracts

LaBerge: Well, other staff members--and this is another issue--Vice President [William] Frazer--

Hoadley: Yes.

LaBerge: I think that you had a lab contract to renew at that time, too. Could you comment on that?

Hoadley: I knew much less about that. All I knew is that the leadership, Frazer in particular, but certainly the president and basically the Regents, felt that those labs were an integral part of the University of California. They felt that for political reasons somebody might want to take them away, and the politically critical people were obviously trying to get something out of Berkeley that would enhance their situation. It was a question of who was the national research winner and who was the loser.

The bigger issue was were those labs doing something for mankind? Many of us, and certainly I was one, felt that those labs--although I didn't know a great deal about them--were doing important research for national defense and at least convinced me that they were also moving in the direction of doing something more for mankind under more peaceful circumstances. Consequently, I felt strongly that the university had built a good record and had carried things out well on the negative (e.g., defense) side. Why not continue it on the positive side to help people generally resolve health and other living problems? That influenced my vote for the labs.

The problem politically was essentially that the faculty hadn't really made up its mind what it wanted, because from the research standpoint there were great opportunities, but basically, many of the faculty, at least that I knew, weren't terribly inspired with the mission of those labs. Consequently, there was an intra-university split, and then there were some later problems about the administration of the labs, the budget money use, cost controls, and so on. Once you get a crack in the dike, it's pretty hard not to have that crack widen before it gets closed.

So, from the time that I was there, the labs issue was smoldering again and again. It hadn't reached an acute stage in my term, but the votes in Congress, and whoever else made the ultimate decision, turned out the way that I was hoping they would turn out. So whatever happened, as far as I could tell, I respected the leadership of the labs. These were good people, although I learned somewhat later that at least one official was removed, as I recall, but not while I was there.

It opened my eyes to be a regent and to visit with this security clearance at the labs. Therefore, I guess I was in awe to some degree to be that close to what was going on.

LaBerge: So, did you go up and visit the labs or go to Los Alamos?

Hoadley: Yes.

LaBerge: Did all the regents?

Hoadley: It was a practice that was done periodically by the regents who were in office at that time. I happened to be in office at the time that they were visiting, particularly Los Alamos. I think it was very important for all the regents to see it firsthand, otherwise, it's a theoretical academic exercise going on somewhere yonder. My feeling is that if you're going to vote on

something important, you'd better at least taste it or smell it or see it. That's the way I reacted to lab visits.

But there was a lot of debate as to whether our university should be involved in that type of research, and why shouldn't it be somebody else. There was the longstanding East/West U.S. problem; the University of California always has to battle against the East Coast universities and powerful Eastern leadership in the Congress and committees, and so on.

All that's human reality, and times have long been that way, but changing in degree. You've got to fight for what you want, you've got to have the votes to win. If you don't fight, you're licked; if you don't have the votes, you're licked. If you fight hard with selling skills and basically get the votes, you're a winner. You can always pride yourself in believing that in the end the right decision will happen. It will, but you may not live long enough. You've got to win some victories as you go along.

Some Personal Philosophy

LaBerge: Did the Regents take advantage of your government connections or service in any of these areas?

Hoadley: I would say to a limited degree, yes, but limited by some personal constraints. Some regents made an issue out of speaking up repeatedly. Go back and look over the votes of the Regents, you'll find that some of them were much more interested in establishing relations on their own as an independent rather than being team players. Time after time some regents will speak out on most issues. There was never a rule that I ever read that said you shouldn't do that. Under the statutes and legal interpretation you should be able, especially as an appointee, to speak--you're selected and/or elected to present whatever you believe. But that isn't the way that it works best in the real political arena. It pays to be selective in subject matter comments and to note who is voting for versus against your views. If you don't look around and see who is voting in what direction, the next time you want something approved you may not have a chance because of your earlier lack of support for someone else. That's just the way the political process works--you need many friends.

But I guess my answer would be that I was often more involved indirectly than directly on many of those points. That

was either what I deemed appropriate as an alumni regent or it was the way I chose to behave on different issues relevant to my knowledge and experience. I used my economics and finance whenever I had a worthwhile opportunity to do so.

I'm a great believer in not bringing up issues until you get some assurance that people know what the problem is. If people know what the problem is, then what are the alternative solutions. I want to know what they are. Then, after I know what the alternatives are, I want to know the consequences of each. I'll pick the one that looks best to me from my perspective and then test it with people whose judgment I respect who happen to differ. That's a thought process that I've tried to pursue. If I have some problem in mind that strikes me as extremely important, I will take the lead, but I don't have to lead everything, that's for sure. I don't do that.

Right now, for example, my concern is social unrest worldwide. And as a retired individual, of course, I'm free to say anything in good taste. I'm still speaking up forcefully, going to New York and Philadelphia in the next couple weeks to explore the issue of corporate responsibility with top-level executives. I think that too many business leaders have become lulled into believing that good times go on indefinitely, and so have shareholders and others. The next recession, look out, because a have versus have-not issue will break out, far more than it is at the moment, on a worldwide basis. But this is a diversion.

LaBerge: Oh, no. Go on a little, because--

Hoadley: Well, I really believe that those of us who have had a business or an economic background are inclined to think that's what the world is all about. But, now it's the noneconomic considerations, forces and powers, that are gaining power. Basically, most of us have been brought up focused on a quantitative economic life. That's fine. But it's the quality of life that's now coming into higher priority in the minds of more people. So we've got most business people talking exclusively about quantity and earning profits--good--but unfortunately while the constituency here today that happens to benefit agrees, that's not everybody. There are a lot of other people at the lower end of the scale; and you can also find a growing division between those that are computer literate and those that aren't. All across our society you've got the haves and the have nots in issue after issue. Because the economy is behaving well on the whole--although a lot of people don't even believe that--but because the general economy is behaving well, that sets a framework for things that are not really right. Many

problems are covered up by the momentum of the economy. Moreover, who's going to question many an issue of future development when, after all, things are now pretty good.

The greatest danger at the moment, in my judgment, is in Southeast Asia with serious economic and financial problems. When you try to correct the problems, the standard procedures that are used in correction are to lay off workers, raise interest rates, tighten the financial markets, and who gets hurt? The little people. So the correction answers that we have now are inadequate, because we go from wild boom to austerity. The boom is great, the austerity is tough. And yet that's the only therapeutic answer that we have. The best action plan that we can pull together now is cleaning up the messes, but cleaning up could almost be as fatal as not cleaning up, because either is an invitation to social unrest. However, there's a possibility of at least some policy changes ahead.

LaBerge: Oh, yes. I wish we had time to just find out more about you, as opposed to the Regents, and your thoughts.

Hoadley: That's not the mission.

LaBerge: No, it isn't. So I guess we'll go on, but I'd like to hear it.

Other Regents

LaBerge: Okay, back to the university. Do you have any specific leaders from the Regents when you were there? Were there certain people who could bring up an issue or could talk about a certain side and get people to vote with them?

Hoadley: I wish I had a list here of all the regents.

LaBerge: Oh, you know what, I have a list of some, so that--

Hoadley: Certain names pop out in my mind.

LaBerge: Yes.

Hoadley: Yes, okay.

LaBerge: And, at the same point, while you're looking at that, which committees were the most important or influential?

Hoadley: [pause while looking at list] Well, let's just see. Here we are. We saw very little of the governor and lieutenant governor. Practically never. For the annual photograph or something. I can't say that they were inactive, because I don't know what they did outside our meetings.

As far as regents are concerned, you're talking about official regents, rather than--?

LaBerge: Well, anybody who is a voting regent.

Hoadley: Okay. Well, I see here a listing of quite a number of people.

You could always be sure that [William] Bill Bagley would have something to say. Bill had been a member of the assembly and had the inside track point of view, and that made quite a difference in his participation.

Claire Burgener was always a very thoughtful person, reflecting again his congressional background as such.

Yvonne Burke spoke for the women and usually with a socially sensitive perspective, and would speak out at times.

Glenn Campbell would always have some comment that was either provocative, inappropriate, or thoughtful, but you couldn't always tell which was which. But you knew where he was going to come out. And certainly he would speak up.

Occasionally, [Tirso] del Junco would make some comments, but usually in reference to health and Hispanic issues.

Alice Gonzales was a really nice person with a dedication to the job, took things seriously. And when she spoke, people stopped to listen, because they felt that she was a person who was telling what she really believed.

[Jeremiah] Hallisey was certainly a person who made comments from time to time.

LaBerge: Is Roy Brophy on that list? I don't think he is.

Hoadley: I was looking for him. I would certainly single him out as a strong leader, yes. In fact, I was assuming he was listed on the next page. Roy was a strong leader. Yes.

LaBerge: Who was the chairman when you were there?

Hoadley: Brophy.

Well, I hardly got to know John Henning. He represented the labor unions.

Leo Kolligian was, again, a speaker, a forceful speaker.

Howard Leach was thoughtful, instructive leader.

[Stephen] Steve Nakashima didn't have much to say, but, again, when he had something that he really felt strongly about-- he was not a grab-the-podium kind of guy, perhaps hesitant to open his mouth often, but a very solid regent.

Dean Watkins, Harold Williams--. I'm looking for somebody, Yori Wada, who died recently. He was on campus when I was on campus.

LaBerge: Oh, was he?

Hoadley: Yes.

LaBerge: Were you in the same class?

Hoadley: We were within a year of each other, yes. He was involved in the Daily Cal when I was also on the roster.

Jacques Yeager--another strong person.

I hardly knew [William French] Smith, but he was considered to be one of the most distinguished lawyers. [pause]

Claude Hutchison's name I noticed when I passed over him. Claude's a person in any organization where he's a voting member who asks questions and offers comments extensively.

Dick Heggie--a dedicated alumnus always doing some good for the university.

Sue Johnson later became an official regent.

LaBerge: Yes.

Hoadley: Yes. And she was a contributor to policy, for sure. Martha Newkirk was a very lovely person, deeply interested and committed, but usually didn't have too many questions.

LaBerge: Was she an alumni regent?

Hoadley: Yes. Yes, we were voting regents at the same time.

Ralph Ochoa was the UCLA voting regent right after me--an active member.

Gail Anderson was an educator in Piedmont, and as time went on, became more active, reflecting her classroom and administrative experience.

LaBerge: Yes, I think maybe she's even superintendent of schools or something. She's still something in Piedmont, I think.

Hoadley: She was well respected, yes.

LaBerge: How much contact did you have with each other outside of the meetings?

Hoadley: Some of these people, a lot of contact. Martha and I, as voting contemporaries, had many phone calls and a lot of ongoing discussion. But of the people I have mentioned, just running down the list again, contacts were frequent with Claude Hutchison, Dick Heggie, Martha Newkirk, Gail Anderson. Bagley at meetings, but not in between too much. Burgener, periodic conversations.

LaBerge: For instance, would you call somebody up to see how they were thinking about a certain issue?

Hoadley: Yes, among the alumni regents that was considered, at least by me, important, particularly with the concern that we'd be overlooked if we didn't get our act together before meetings. We organized the alumni regents a little more effectively by our caucus conversations. The caucus type organization system still functions, but I can't say precisely what it is now, but that's how a lot of issues were well aired during my term.

Every once in a while we would shock the official voting regents by walking out of the regular Regents' meeting to hold a caucus. That was not the way it had been done, I gathered. [laughter] There was later a feeling that when we alumni regents went out, the other regents should prepare for a blast of some kind. [laughter] I'm not sure whether we were the first to use caucus action, but it worked. Okay.

Infrequent--Meredith Khachigian--she was chair. Many contacts--I guess more friendship than official with Steve Nakashima. Dean Watkins, occasionally. Harold Williams, occasionally. It depended a lot on the issue. There was overall a limited amount--we weren't buddies on a daily basis, but commonly in anticipation of a Regents' meeting in particular.

Preparation for Regents' Meetings

LaBerge: How well prepared did you think the regents were for meetings? I understand there is a lot of material that you're given.

Hoadley: Well, I can only say that there wasn't time--it's probably a confession--to read all the material received before each meeting. [motioning one foot high]

LaBerge: Well, people have told me that. That it was so thick.

Hoadley: I think that's probably one of the weaker aspects of the administration when I was there. Instead of having staff go through all of the material and give us regents a summary--we could refer back to the bulk documents if we needed it, they--maybe this is too blunt--snowed us with all kinds of detailed material not essential for policy formulation. Presumably they knew, or somebody with legal responsibilities knew what was being sent to regents. I'm not a great speed reader, but I don't read slowly, and I couldn't keep up with it. On every plane trip, I had a briefcase of Regents material. Most of it was operational report, report, report, some of it needed close attention, but not all. I don't know which of us complained the most, but we used to protest. Some of us did continuously. We were told we had legal responsibilities, but we needed more screening and other help to cope.

LaBerge: See, it's good for you to say this, because people will read this for research, and someone needs to know that.

Hoadley: Yes. Well, there was no question about they were trying to give us information.

LaBerge: Right.

Hoadley: What the ulterior motive was, I'm not sure. I had the tendency long before to tell authors to, "Put it on one page, or you haven't thought it through." Find the core issue and tell me what it is in a very few words. We always complained about useless information for our policymaking tasks, and I'm sure I did at the time.

LaBerge: Were most regents pretty ready to discuss an issue and vote? I mean, they've done some of the reading?

Hoadley: Yes, I'd say most of them, and all on certain key matters. You could ask the same question of somebody who is a corporate director. If you really know something about the "prepare the

board" process, you might ask the question directly, "Did you read this material on the plane?" The answer commonly would be yes. Very few people either have the time or the opportunity to say, "Today, all day or all week, I'm going to study to be a regent." [laughter] We've got a few other things to do and serving is not a full-time duty.

LaBerge: That's right.

Hoadley: So, consequently, I don't remember any significant case where somebody made, shall we say, a very unfortunate, ill-phrased, ambiguous cover-up comment.

##

LaBerge: Okay, the best way to handle it if you haven't done your homework--

Hoadley: Is to keep your mouth shut and learn what you can from the discussion. Then, if you're really concerned about voting properly, confess at the table: "I'm sorry, I can't respond now, let's defer this issue until I get a chance to study it more." That may be in part cover up, but the alternative is not to vote. On the other hand, it is perfectly forthright to do, otherwise you risk a bad vote and a bad decision. You may get away with being not fully prepared from time to time, particularly if you know something generally about the subject, but I did not feel the regents took their duties lightly.

But there are accountant detail-minded people and there are big picture people. I guess I fall in the category of the big picture. I want to find out what the overall framework is, and then I'll worry about the details of the frame later.

I think that the committee system--with all of its shortcomings of meeting after meeting after meeting--that the Regents have is an educational process. Each chairman is certainly going to be well informed, up to speed and coached by the staff. The chair person does the best job that he or she is capable. They usually provide an outline for the discussion which will draw on the expertise around the table.

If somebody's quiet and I'm chair, after a while I say, "Well, what do you think?" You can tell pretty quickly whether it's an issue that they're interested in or not interested in. If they're interested and they don't have the full preparation, they're going to tell you so. If they've had limited time to study, they may beg off. Many a meeting is simply deferred because members feel more investigation is needed.

It's a matter of your honesty and integrity. One other thing, namely, is the relevance of how important an issue is. If a pending decision affects a faculty member on one remote campus, and I don't have any knowledge or expertise on the issue, and I don't know what incident happened, really, I should not vote. Frankly, I don't know enough to vote. So I'll just abstain. And that may be a confession that I haven't done all the homework, but I hope I didn't respond that way too often. [laughter]

LaBerge: Well, I know that you were asked to stay on the tenth campus committee after you were a regent.

Hoadley: Yes.

Presidents Jack Peltason and Richard Atkinson

LaBerge: In that process, did you get to know either Jack Peltason or Richard Atkinson as president? Or could you compare the different presidencies?

Hoadley: I knew Jack because he had been a chancellor when I was a regent.

LaBerge: That's right, a chancellor, yes.

Hoadley: And Atkinson similarly.

LaBerge: Yes, that's right.

Hoadley: So, in the time that I was a regent, I had the opportunity to get to know both of them rather well. That's one of the advantages of having the chancellors and the regents--particularly alumni regents--know each other in an informal sense as well as officially.

I was not as close to Jack. Certainly I knew him because we'd been in countless meetings. I knew him certainly as an effective leader. He had a less formal style, and he was academically rated very high. In terms of his credentials academically, he was highly qualified. He wasn't the dynamic individual that might attract a lot of attention. His perspective on an issue would not be phrased to catch the headlines. It wasn't his style, but he did his job very well. In terms of integrity, basic ability, loyalty to the university, and interest in the quality of the education on campus, he certainly had a fine reputation. But he was also markedly different in style from David, because Jack was more of a "Hail

fellow, well met. Let's get it done. What can we do," rather than, "This is the way to go."

Atkinson I wouldn't say I know well, but I've had many contacts with him. He has a record of doing a lot of things well certainly as far as education is concerned. He took the campus at San Diego from good status to an excellent status, and you've got to give him a lot of credit for that. And when he became the UC president, through the years I was part of the Bank of America, he worked hard to enhance the relationships between the president of the Bank of America and the president of the University of California. Atkinson joined [Richard] Dick Rosenberg, [A.W.] Tom Clausen, and I, got to know many other business executives, not on a buddy-buddy basis, but in a very constructive way to tie the leadership together on common interests--so that they would know each other for the future.

Atkinson, as far as I can see in my knowledge, has picked up a number of themes that have helped. Jack had the problem of going through the depressed budget cutback era and was the right person for that because he was comfortable and accepted in the trenches. Atkinson is a different individual. He's more on the creative side. He's the one who's picked up, as Jack did to a degree, the importance of the University of California to the people of California, the outward public relations. I notice a marked increase in the extent to which not only the president but the chancellors and others are talking with and to the people of the state, beyond students and academics, as opposed to ignoring them or assuming every fool knows that the University of California is a great institution.

Atkinson is well known but has not stolen all the headlines in higher education. He's a quieter type of person. I don't know the staff around him, but I would guess that it would be a fine group. I know a few of the people in it.

LaBerge: Yes. Actually, the staff has changed in that time.

Hoadley: I understand it has, but I don't know in detail.

LaBerge: Bill Baker retired last year. All the vice presidents are different. I know that.

Hoadley: Yes. Well, the person who has the responsibility of the president of the University of California, frankly has to have a very good staff that he or she believes can get the job done. Almost inevitably, inherited staff people are not the ones that a new officer wants to put on his or her own team forever. So,

changing staff is not a negative sign--it's the normal human touch for top executives to build their own team.

LaBerge: Is there anything that you haven't covered that you would just like to state for the record about your experience as a regent or your assessment of David Gardner's presidency?

Hoadley: I think we've covered it.

LaBerge: I kind of think we have, too.

Hoadley: I don't see any particular reason to add anything to it. All I can say is I'm a great admirer of David. I'm sorry that the image problem has taken away a lot of the luster. He fought and did well to make the university what it is and set standards that his successors have had to live up to and try to do better. Certainly, the university was in strong hands under his leadership.

##

LaBerge: Okay, thank you very much.

Boards of Directors¹

LaBerge: Let's talk about some of your outside activities, like the organizations you belong to. I mean, it's too much to name them all, but, for instance, boards of directors. Were there any that were highlights for you, or that were somewhat unusual?

Hoadley: We mentioned Armstrong. That was my first experience, introduction. As far as profit organizations, being a director, I think at one time I had eight or ten. The boards that I was on were not the big companies. I was in the big league, but not in the super league. I wasn't on the U.S. Steel or the oil companies, but if you look at the list, you'll see that--

LaBerge: Levolor [Corporation], Lucky [Stores, Inc.].

Hoadley: Yes. Lucky was probably as interesting as any that I had because it gave me something that I could bite into because we were dealing with food; food was close to people, and you could work with the management and experiment all the time. Also, as these things happen, the chairman of Lucky was a neighbor of mine. These things happen occasionally, surprisingly.

¹End of inserted interview.

LaBerge: Yes. Who was that?

Hoadley: That was Gerry Awes. As far as Soule Steel, that was one. Well, there, you've got the list.

LaBerge: Yes, I have the list. I'm just interested in this Robert [A.] McNeil Corp. Is that Robert McNeil of the McNeil-Lehrer News Hour?

Hoadley: No, that was a short-lived situation. I have to phrase this in a way that you'll understand. There are times when you become a part of an organization and you don't know quite what you're getting into.

LaBerge: I understand that.

Hoadley: I think there was a mutual interesting enthusiasm, getting into the McNeil organization, but there was also a reason to get out of it. I wasn't comfortable.

The Commonwealth Club of California

LaBerge: What about other groups you belong to? I know you've been really active with the Commonwealth Club of California. How did you get involved in that?

Hoadley: Well, Dr. Ira B. Cross of many years ago, my old UC mentor, made the comment one time in graduate school that if you really want to catch up with what's going on, there are very few places that you would do as well or do better than attending some meetings. His first love, and I'm sure he was hired was part of the Graduate School of Banking. He would encourage me and others to attend lectures as a supplement to the courses he was giving. Money, finance was part of his expertise.

But the Commonwealth Club was the one he ultimately came down as the best, on the grounds that if you take the time, select the subjects that you're interested in, you will not only get information but you'll see the people that are behind the information. That was back when I was in graduate school.

Then there was a long gap when I wasn't here in the Bay Area, but when I came back to California, somebody passed my name around to be a speaker. I said yes, and was invited and for twenty-five years gave the January kick-off speech at the Commonwealth Club. Still active as a member of the executive

committee, but I'm not attending three hundred meetings a year or anything like that as I did when I was president in 1987.

The club is an organization that deserves support because, as far as I can tell, it's made up of people who really want to get at the truth. You do not always get it from every speaker, but the audiences are interested in real issues; they're interested in talking about real issues, getting people to stop their speeches when they're trying to nail somebody--to come up with better ideas than somebody else, and don't rest on your laurels on the grounds that whatever somebody else says is wrong, terrible. If you can't accept it, you've got to replace it. If you can't replace it, shut up.

But the Commonwealth Club has given me, again, one other great asset. There are hundreds of people who come through, speaking. You're involved in that. Certainly, as the president, you're talking with them, before, after; you're keeping in touch with them. So here's a parade in the course of a year of conservatively two hundred people that are passing by you. If you take the time, you've got two hundred potential friends. You follow up and keep those contacts alive.

So the Commonwealth Club is one that I hold very highly. It has good leadership; it has people that are certainly willing to do a lot for the community, and also interested in this region. Particularly the current leadership, they're reaching down into the South Bay. The Commonwealth Club is now rendering a full program in San Jose in that area, also in the East Bay. These were dreams that some of us had a long time ago. It's now happening.

But it's a tough business because the first thing you're competing with are the professional speakers who demand and get \$50,000 for a speech or \$20,000 or something of that nature. The Commonwealth Club doesn't pay.

LaBerge: Oh, I didn't realize that.

Hoadley: So that you've got to compete on the grounds of the prestige of giving the speech. And not to let the fact bother you that somebody else is getting paid across the street. It's a challenge. And the experts who are around all have their agents. The agents don't believe in giving away anything, so if the potential speaker has an agent, it's almost a straightforward indication that you're not going to be able to get him or her to speak.

Professional singers, for example, musicians are not very readily available. So it's a struggle to find people that are able to do something that you really want, and get them to do it. But with amazing results, it happens. Of course, there is enough prestige that there's always somebody who wants to give a speech. If you don't have trouble getting a speech, you still must make sure the speaker will discuss something that the people enjoy, otherwise they never come back.

So it's a struggle, but it's changing dramatically and is going to require a lot of adaptation for all the new communication systems. Also, ways for people to make personal contact, discuss issues in an Open Sesame field, must continue to be provided. It's tough because you're dealing with limited money. But so far, so good.

LaBerge: How about the World Affairs Council?

Hoadley: I have been less involved with the World Affairs Council. When I first came back to California, I was more active, and a lot of my friends were active in the World Affairs Council. I chaired the Asilomar conference one year. That indicated that I had some responsibility to help with the program. And I've given a dozen or two or three speeches for them. But once I got involved in the Commonwealth Club, I didn't feel comfortable trying to get caught in a cross-fire between the two organizations, so I made a decision that I would try, as president of the Commonwealth Club, to bring the two clubs together, and that's still a process which is underway--Tom Clausen worked on it. Someday they'll come together, I'm sure. There is a compatibility which is there, but I decided that I would give my primary attention and my contribution to the Commonwealth Club.

That was a decision which was not an either-or so much as it was more or less. I haven't given a speech for a year or maybe it's two years now for the World Affairs Council, but it's a fine organization. It's a competitor of the Commonwealth Club and renders a good service to the community.

Conference of Business Economists

LaBerge: How about any of your economics associations?

Hoadley: I got in Friday night from Washington, D.C., where I was involved in a meeting of the Conference of Business Economists [CBE]. That's another organization which is undergoing a lot of change,

too. Presumably, these are the private-sector economic brains of the country. There are approximately fifty members.

LaBerge: Do you have to be invited to belong?

Hoadley: You have to be invited, and you have to make a presentation twice before possible membership. You are voted on. But the sad situation is that there aren't as many corporate economists as there used to be, and so that tends to cause some backup of needs for good people and inability to find who they are. I think the other point, too, is that the profession that used to be called the National Association of Business Economists, is now the National Association for Business Economics [NABE]--because of the question of who is an economist, and the economist's stature isn't what it used to be. It's a dramatic illustration of a process of change which continues but doesn't have the enlightenment or the participation or the availability of people.

We can still attend the Conference of Business Economists, which is not affiliated with the NABE that I just mentioned, but there's a lot of overlapping, dual memberships. I belong to both of them. We can expect when we want to see Alan Greenspan, a positive response--because Alan was one of us at one point. We also have good ongoing relations with the President's Council of Economic Advisors. But the sad situation is that more and more economists that are out of employment, victims of cut backs, commonly as the aftermath of mergers and acquisitions

Family

LaBerge: Is this something that you go home and discuss with your wife? Do you talk economics?

Hoadley: Very little, very little--not that Virginia is anti as such; it's that she has a lot of interests and I have a lot of interests, and we both give a lot of attention to those interests. We know which interests are mine, which are hers. And the result is that it's sort of off limits to get involved in too much detail unless for some particular reason I need to know or she needs to know. Every once in a while she will raise a question, "What's going on in China?" at which time all bets are off and we'll talk about it. But I don't come home tonight or any other time and say, "Sit down, I'm going to preach to you."

LaBerge: Or "What shall I say in my next speech?"

Hoadley: No. I will do this, though--not too often. I will say, "If you're interested, I'd like you to look at my notes." There's always an invitation. But most of the time she'll raise questions that indicate that what I've said isn't clear, and that's pretty deadly if you give a speech and people don't understand what you're saying. So at her particular stage in life, if she doesn't think much of it, she will always tell me--politely, kindly. But I get a review. Most of it is not something that she's really interested in, but she knows enough about the economy to know that she's eating well because of what we've done with the economy through a couple of centuries. But no, we don't dwell on economics.

But what I will say is interesting is that I have some grandchildren now that are in college, and I'm getting e-mail questions on economics coming from Colby College in Maine, coming from Texas, coming from North Carolina. These are the grandchildren. So we skipped a generation or two. They're taking economics. I'm not sure why.

LaBerge: But isn't that a great way to keep in touch and to have a relationship across the miles?

Hoadley: It really is, because I can ask them--and I do. I ask them, "What does this mean to you?" Or "What are the people your age saying about it?" I preach every so often in an e-mail about the fact that there are an awful lot of very smart people around the world that you're going to compete with. You know it. And they get interested.

And in this festive week ahead of us here [sixtieth wedding anniversary], they'll all, with one exception, be with us. I can predict almost directly which ones will be interested in both subjects. Half of them will be interested to tell me what interests them; the other half will want to know why something is going on, and I can try to explain it to them. They're just different--night and day. That's the way they are.

Anyway, I'm always conscious--as you've heard me say too many times, unless I know somebody who's in his or her twenties or thirties, I'm out of touch. The people that will be at our wedding anniversary party that are our age are not generally up to speed. They're not up to speed. They either say, "I knew you when--or..." [laughter] I don't want to hear it. Or there's somebody who feels that I've given some advice at some point in time they thought was useful. They always want to know which stock to pick--the lawyers always ask and never render a judgment without a bill, so we laugh about that.

There's a certain amount of humility of being my age. I learned this in church on Sunday. The pastor made mention that our sixtieth wedding anniversary was coming up, and the congregation was very kind and giving applause. So on the way out, I ran into an older person, whom I know as a fellow member of the congregation. He said, "You're having your sixtieth?" "Yes." He said, "We were pretty young when we had our sixtieth. Well, yes," he said, "we're having sixty-seven." So I learned, don't think you have won too soon, or, don't try to upstage people--at least until you are sure no one is going to come out of the bushes and put you in your place. So you can't win them all.

LaBerge: No.

Ethics in Business

LaBerge: One thing you mentioned several times was wanting to make sure--and you talked about the bank and I assume in other things--wanting to make sure that the bank was doing things right or correctly. I get the sense that in some ways you were like a moral barometer for the bank, or maybe you felt that kind of responsibility for wherever you were.

Hoadley: I think it was more an attitude that prevailed through the organization. Clausen would be a classic illustration. I've watched him. I've seen him in all kinds of circumstances, and he's just as honest and straightforward a person as you'd want to know. You might not like what he says to you sometimes, but you can be sure he's not going to say anything that he couldn't put before the Supreme Court.

Surprisingly to many people, my experience is that truthfulness has been much more common than the opposite. I've had very few illustrations in my life where somebody asked me to do something that I wouldn't do because--

LaBerge: You couldn't.

Hoadley: I couldn't, that's right. And yet the newspapers and other media are filled with all kinds of scandal stories and what have you. But I've been very fortunate. The leadership at Armstrong, for example, the Federal Reserve and Bank of America--all good people. I saw them under all kinds of circumstances. Not every one of them, I guess, was pure, but I didn't feel that I was

under any pressure to do things that I wouldn't instinctively think were not right.

I think the danger in being labeled or known or identified with being a moralist is that people somehow feel you're living in a world of unreality. I believe--try to convince myself continuously--that you can play it straight and still do well. I know that there are a lot of other people who agree with me, but there are a lot of people in business who feel that if your competitor is cheating, you better cheat because you can't win against a cheater. That may be true for some, but you don't have to win that way. At least, that's my rule and hope for the future.

Thoughts on Religion

LaBerge: What about your membership or your involvement with some of the religious groups--either the seminaries or--

Hoadley: I'm not actively involved in the seminaries at the moment, but I was at American University in Washington and GTU [Graduate Theological Union] in Berkeley. What happened is that I retired because they had statutory retirements. But, I'm still active in the Methodist Church. I am the economic advisor on the investments of the Methodist Church in the California/Nevada region, but not on a scale anything like what I used to do. I was on those organization boards and chaired a lot of them. But I meet several times a year with Methodist financial people.

Always try to look at the church as an institution that has a lot of positive things to offer. Many times, those offerings get clouded or become overbearing, but my religious faith is rooted in the belief that there is an Almighty--Father, Son and Holy Spirit--that we've got to deal with on our journey of life. That doesn't mean that you want to hide what you believe, but I think if you believe something, it has to show. Hopefully, it shows, well, it's what you believe.

I'm not an evangelist in the sense that a lot of people are. Perhaps that's a much better position to be in. I sometimes have a little extra concern or compassion for pastors because I've known a lot of them through the years. That's a tough job. I was talking to our pastor yesterday and I asked him in the opening prayer to include a prayer for the little party of ours. He didn't say anything other than "Sure." But it's a lonely job. So I've always--I guess maybe my grandmother is speaking--but

I've always tried to cultivate spiritual leaders in order to try to help them, in the course of which I get infinitely helped--because their lonely job foundation is hope. Sometimes I think it's nothing but sadness and heartbreak. But, for my purposes, if you don't have a faith, there's a big hole in life--that in some way you've got to fill to face the future with any degree of confidence.

That's the end of my sermon.

LaBerge: I asked you for it, though.

Hoadley: Well, I didn't reject your request.

Parting Words

LaBerge: Anything else you'd like to comment on, in your career, that you think we haven't covered?

Hoadley: I think we saturated the world with it.

LaBerge: When you get this transcript back, if you'd like to add something--like, I know we didn't talk about your talking to Congress or advising--if you'd like to say something about that. That's the only--

Hoadley: I'll put some of those things in.

LaBerge: Okay.

Hoadley: I've reached a point where I wonder what anybody would ever do with this.

LaBerge: Oh, it's going to be a great resource, I think, particularly for business--like, at the business school.

Hoadley: Well, I'm fascinated by the job that you're doing because you do it well. You certainly do. And the fact that you enjoy it and you're actively involved in it makes it important to me. Otherwise, it's another six or eight inches of paper.

LaBerge: Yes, right.

Hoadley: I guess you can tell that I'm allergic to that per se. Maybe it's just because I'm a slow reader, or whatever. I'm always

asking the question, "What do I do with this?" When I meet people like you, it keeps me going.

LaBerge: Oh, good. Me too. It's meeting people like you that keeps me going.

Hoadley: If something pops into my mind--

LaBerge: That you'd like to add, you can add to it.

Hoadley: Yes. There are an awful lot of words in there.

LaBerge: But it's not too wordy.

Hoadley: I'll take your word.

LaBerge: Okay.

Hoadley: Your word unofficially.

LaBerge: We're going to incorporate the short one that we did before, just on being a regent.

Hoadley: Oh, yes. Okay. Well, I'll look forward to it with mixed emotions. But I'll recall more than anything else just your smile.

LaBerge: Oh, thank you.

Hoadley: Just the interest you have, because this could be extremely boring.

LaBerge: Oh, no--just how you were talking about having the opportunity of meeting people through the Commonwealth Club--it's a great opportunity for me to meet--there would be no way that I would get to meet you if I didn't have this dropped in my lap.

Hoadley: I'm glad you feel that way. You better, because you'd pay a high price if you didn't! But it intrigues me that you would take the time and somebody would care enough to do it. It has the advantage for me that it has forced me to think a lot of things through that I probably haven't or wouldn't.

LaBerge: Yes, yes. A lot of people say that.

Hoadley: I'm sure it's true. You also are a very adept at trying to guide people without guiding them. The questions, particularly the first two or three times, you very astutely picked out themes and

trends, in the course of which things either fit or they don't fit. And if they don't fit, it's pretty hard to fake it.

LaBerge: Yes.

Hoadley: But you're guided in such a way that you think of things that you might have forgotten. It's very helpful. Well, anyway, I can only say thanks.

LaBerge: Well, me too.

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What's Wrong with the Economy?

Walter E. Hoadley

Author; Economist; Senior Fellow, Hoover Institution; 1987 Commonwealth Club President

FRIDAY JANUARY 10

HERE WE GO again. For the 24th consecutive year the Commonwealth Club of California has asked me to stick out my neck with a forecast of the economy. That's long enough for several of our grandchildren to be born, reach voting age, and get well along in their university studies. Also, long enough for inflation to push up the luncheon cost for members to hear me from \$3.75 to \$27 and non-members considerably more. My zero honorarium—the same for all Commonwealth Club speakers—has remained unchanged, helping to offset inflation. This is pretty good evidence of on-

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Walter and Virginia Hoadley

going mutual respect.

A year ago we faced the question: "Which way are we heading?" My quick answer was "nowhere—at best sideways."

Today we ask a related question: "What's wrong with the economy?" My quick answer is "plenty, but prevailing deep gloom is being overdone." The need now is for far greater understanding of what's really going on and the personal stake each of us

what lies ahead.

4. Far more is going right in America than wrong, certainly compared with the rest of the world.

5. The economy cannot count on government, with its current modest credibility and limited economic power, to generate vigorous economic recovery soon; the outlook for 1992-93 depends heavily upon the leadership and contribution of the private sector and private citizens in particular.

In retrospect the Hoadley Hotline for 1991 reveals some bull's-eyes and near bull's-eyes but also at least one miss.

The "0" real growth prediction looks like a bull's-eye. Inflation was closer to 4 percent than the predicted 5.5 percent; war induced oil price hikes were short lived; food prices were soft and expected widespread tax increases came late in the year. Unemployment was nearly a bull's-eye, slightly above 6.5 percent.

Long-term interest rates dropped less than 1 percent—within my target range—but short-term rates dropped at least 1.5 percent more than I forecast. The Federal Reserve feared inflation too long and belatedly cut interest rates sharply in near desperation toward the end of the year.

Economic Crisis

The economy is in crisis. This is no ordinary business cycle. Confidence has dropped dramatically, especially among younger adults. The psychological recession is deeper than the economic recession, an unstable development which cannot persist. Without minimizing weaknesses in the economy, the recessionary problem is aggravated by the questionable power of pollsters and the media. In combination they are now a dominating negative force across our nation. Political leaders hardly make a decision without consulting the lat-

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Our enemy is no longer communism, but inertia and protectionism.

has to help improve the outlook.

Quick Review

My long standing practice, as many of you know, is to present my conclusions at the outset. Thereby, suspense is eliminated and you have a road map in case you drift off and need to get back on track.

1. The economy is in crisis, sorely lacking vision and consensus; we must be prepared for several more years of fundamental change, challenge, correction, and sub-par growth.

2. The Hoadley Hotline economic numbers for 1992 are: 1-4-7-1, which means real growth of one percent; inflation around four percent; unemployment at seven percent; and interest rates within one percent of current levels—only slightly better overall than 1991—but with more hopeful signs for 1993.

3. Ominous clouds of regional and global economic wars seem to be forming; such outbreaks would dramatically worsen

Hoadley

est polls.

It's high time for American leaders really to lead America. We are allowing this great nation to drift via public opinion polls.

How well did our leadership prepare the public for what's happening? Not very well. No wonder the public is confused and scared. The average American fully realizes that something is wrong, wants to know what it is, and who is going to do something about it. The same American expects someone else to offer a quick fix. That just isn't going to happen.

The media have little or no interest in helping to find positive public consensus. News emphasis is continually on the discomfort levels of individuals and less than perfect performance in a world of human imperfection.

What is now going on across America is a series of powerful overlapping waves of fundamental correction: 1) the economy is widely out of balance; 2) unprecedented scientific, technological, political, social, and many other changes are shaking the status quo to its roots; 3) economic and financial excesses and policy obsolescence are being eliminated and new systems emerging; 4) the Gulf War has left some major legacies; and 5) the looming presidential and other important elections later this year are generating new uncertainties and altering some public and private policy decisions.

Out of Balance

A casual look will quickly confirm that our economy is significantly out of balance. Public expectations, encouraged by political promises, are well ahead of economic resources and reality.

For more than 50 years economic policy and goals have stressed consumption at the expense of savings and investment essential to increase productivity and insure a better tomorrow. American living standards have been flat for at least five years and promise to decline more until a better balance is achieved.

Quality of life has moved into the forefront of public desires, with little or no consideration for the economic costs and jobs. Domestic and international developments and interests are seen too often as antagonistic. Personal rights are being pressed with almost no attention to personal responsibilities.

Wasteful, costly, and contrived litigation is undermining risk-taking and the ability of leaders in all sectors to focus full attention on the major tasks at hand. Separation of church and state has been pushed to the point where youth are growing up with no

sense of right or wrong, undermining the moral and spiritual immune system, not unlike what AIDS does to health.

Correction Process

As always, it takes a crisis to get the correction process going. Now that the economy is in crisis, I already find more willingness among adversarial leaders to discuss pressing problems openly with less emotion and more flexible positions.

Massive change is occurring almost everywhere: The speed of technological innovation is at record pace, causing obsolescence to accelerate similarly. Many prevailing policies and programs were launched to resolve vastly different problems in vastly different times, forcing basic changes.

Downsizing at present is a common occurrence to eliminate excess capacity and duplication. Even well established and accepted economic theories of the past, stressing quantitative measures and priorities, now fall far short in explaining current quality of life goals and influences.

Slow real economic growth aggravates adjustment to change. But those who are able to capitalize on the opportunities afforded by fundamental change are emerging stronger with a cumulative positive impact on the nation over the years ahead.

The boom of the 1980s—during which services added over 20 million jobs—clearly was reinforced by enormous debt creation. Much of this debt is a severe burden and is being worked down or restructured often through the bankruptcy courts. Moreover, the financial system which helped to fuel the expansion subsequently has come under well publicized stress. Simultaneously, regulators across the Western world have tightened capital requirements of banks and other financial institutions.

The heavy drain on the U.S. treasury, the federal budget, and ultimately the taxpayers have placed further strain on the economic system. A much needed new and stronger financial system is now gradually emerging, but political impediments will slow finalizing until later in the decade. The financial system, vital to recovery and future growth, will continue to be more a source of concern than comfort for the next two to five years.

The Gulf War is having a lasting impact on the economy. The swift allied military victory, plus the demise of the Soviet system, have placed a deep cloud over the future of the defense industry and a large fraction of the military, with negative overtones for many communities and families.

More than 75 million Americans in the 25-45 age bracket (Baby Boomers) have had their fairly complacent lives jolted

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abruptly for the first time by the actuality of war and the reality of recession, especially in combination. As many as 25 percent of U.S. families now seem deeply concerned about job cutbacks or impending unemployment.

Debt-prone spenders from the past are rapidly becoming more prudent, with some permanent effects on the economy.

Winds of Change

In presidential election years, voters generally expect a more vigorous economy. Some decisions are deferred pending clarification of tax and other regulatory issues under a new or continuing administration.

So long as President Bush's popularity remained at very high levels following great success in the Gulf War and the breakup of the Soviet system, his reelection was pretty much taken for granted. The weakening domestic economy, despite assurances to the contrary, and some disenchantment with the administration's priority for foreign affairs, has raised the possibility that our country could have a change in leadership. This adds further uncertainty and potential instability to the national and international economic outlook.

These strong winds of change are whipping up economic whitecaps and breakers. The economy is indeed in crisis with a spinning compass. A resurgence is coming, but not soon or painlessly.

The public must be made far more aware of the challenging dynamics of corrective change. Up to now they have been mainly fed bits and pieces of bad economic news with dangerous cumulative effects. Many feel helpless with no vision of how tomorrow can ever be better. America is in a major correction mood which assures better times ahead.

Defining Depression

I can't recall any previous forecast which was more challenging than for 1992. Recessions typically end in 13 months. This one has already lasted 16. Forecasters everywhere have been scaling back earlier predictions for the year. Nations generally face severe fiscal problems which preclude traditional recession-inspired expansionary policies.

Public confidence measures are showing consistent weakness. The "R" word for "recession" is being used daily in this country, Europe, Asia, and elsewhere. Even the "D" word for "depression" creeps occasionally into conversation. This is usually mentioned by a younger person lacking experience of the depression of the 1930s (my definition is two or more years of severe—5

percent or more—decline in real domestic product).

In 1992 we face another fairly flat, frustrating year—not depression. To complicate the forecast, the U.S. government has recently revised its national economic measurement system, with more changes to come. We will have trouble for a while understanding where we have been, where we are, and certainly where we are going.

The principal change to date is to shift from gross national product to gross domestic product as most other industrial nations have done earlier. U.S. product data will now be confined to output from U.S. facilities regardless of ownership in contrast with the earlier measure which included what Americans accomplished overseas.

The net effect is small, but causes this recession, as now measured technically, to be deeper and shorter. An update in the inflation base from 1982 to 1987 is in progress. This will probably also confirm that economic growth in the United States has been slower than earlier reported.

1992 Hotline

Real Growth—1 percent: This small number reflects continued fundamental correction; expect surges and setbacks quarter by quarter; at least one negative quarter is likely.

Inflation—4 percent: Core inflation will mirror recession and rising unemployment, which dampen wage and price advances; energy and food prices will remain volatile.

Unemployment—7 percent: Joblessness tends to be a lagging economic measure; initial recovery will not provide new employment rapidly enough to absorb the laid off, especially middle management plus newcomers, into the labor force.

Interest Rates—within 1 percent: Monetary policy will push nominal rates down slightly, but effective interest reduction will occur when real (inflation corrected) longer maturity interest rates fall further.

The stock market seems to be moving in a world of its own. Eventually the speculative element must be weeded out. Perhaps half the rise in recent years can be traced to diminished supply of equities, revised measures, foreign buying, and anticipated debt service cuts.

Clouds of War

The end of the Cold War has lifted long-standing clouds of war between the East and the West. In the aftermath of the Gulf War, calls for reduced defense spending are loud. Yet global peace as an achievable goal remains illusory. There are more than 50 nations at war, either with their neighbors or within their borders.

History reminds us that economic differences are all too often at the roots of shoot-

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Hoadley

ing wars. The years just ahead will merit close attention because recession and slow economic growth provide the environment in which economic conflicts arise and accelerate.

After five years of discussion, more than 100 participating nations have failed to reach agreement in the current Uruguay Round of trade negotiations under the aegis of the General Agreement on Tariffs and Trade. Strenuous efforts are being made to preserve the multilateral trading system, but the outlook is not encouraging.

These developments are symptomatic of strong and often rising nationalism involving trade, investment, intellectual property, and services, along with long-standing problems in agriculture and transportation. Tensions over economic matters are very evident between Japan, Europe, and the United States. Threats of new protectionist restrictions on international transactions are common, despite general statements of firm support for the open-market system.

Protectionist Environment

Recent visits to foreign capitals as well as Washington, D.C., give me cause for real concern about growing protectionist sentiment. Clashes over fairness, national treatment, and environment and regulatory issues seem to be escalating. I have been told by informed people that protectionism is unstoppable in 1992. If so, we should expect trade and investment disruptions.

The issue of impending economic wars transcends which nation is right or wrong. For far too long, international economic relations, particularly trade, have been looked upon as a zero-sum game—one nation wins and another loses. This perspective must change to make international relations a win-win game.

More emphasis must be placed on how much individual nations gain overall through global exchanges—what each nation contributes to the well-being of another. Tensions are building over essentially one economic measure: the net balance of trade. As a very minimum the overall impact on the economy of gross trade—total exports and imports—should be stressed in public and private reports and discussions.

I am asking foreign friends to outline for Americans, for example, what specific retaliation we should expect from their nations should some of the protectionist bills now before the U.S. Congress be enacted into law. I offer my views on what U.S. counter-action to expect if restrictions on our goods and services are intensified or deemed to be beyond compromise.

If our nation and much of the rest of the world are headed for economic war, let's at least try to use our intelligence promptly to anticipate what the "enemy" is going to do, weigh the consequences, perhaps decide compromise is better than battle, and not be shocked and unprepared for retaliation from competitor nations when it occurs.

More Right Than Wrong In America

Too much of the time only bad news is considered news in America. In large part this is merely the exercise of freedom of expression carried to extreme. The cumulative effect, however, inside as well as outside our nation is to convey the impression that positive occurrences are rare or exceptional in the United States.

The opposite is true. Too many professional and official Americans are living in a partial dream world of perfection expectations. The inevitable result is ongoing public disappointment. We certainly need more reality in our expectations, at least until each one of us performs perfectly.

Admittedly, our system is far from perfect. But something—many things—must be going right today in the United States. Americans seem to have much or most of what others are striving for and often risking their lives to obtain. Which way is migration going—into or from the U.S.?

Where else can all of the following be found:

- Democracy and a voice in government (if we will use it).
- Freedom of mind and mouth.
- Political stability—checks and balance system at work.
- Strong defense capability.
- Strong basic research system—university related.
- Established, integrated, and accepted state and local governments.
- Enormous resources—including food and essential energy.
- Workable market system and convertible currency. Widespread opportunity for the motivated to succeed.
- Leadership with courage to step out ahead.
- Ideology rooted in ethnic and moral standards.
- Massive volunteer service without compensation.
- Compassion without expectation of return favors.
- Ability to cope quickly and responsively to crisis.

Many more positive dimensions of the American system could be cited, ranging from well above average quantity and quality of life and human talent to racial, cultural, and geographical diversity.

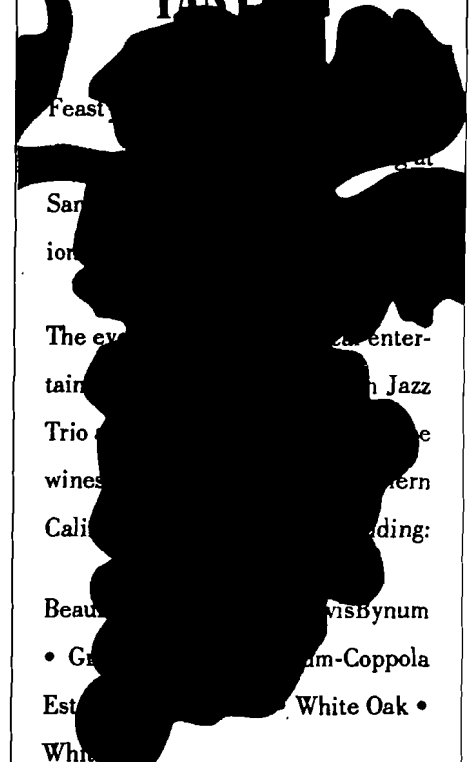
What is wrong in America also can be found in most other parts of the world, but

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Fashion Center

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Hoadley

what is right in America is far less readily duplicated elsewhere.

America definitely cannot rest on its laurels. But neither should we let current gloom move us to despair. Our system has stood the test of crisis many times. That's when our people really come together and demand long overdue steps be taken to resolve critical problems.

This corrective process is beginning to work. Patience, persistence, productivity, prudence, and personal involvement will get the job done.

I fear that persistent sluggishness in the economy over the months and quarters ahead will cause many business executives and individuals to become even more sullen and depressed, compounding economic problems rather than contributing to recovery.

Prepare for Confusion

We must prepare for a parade of more confusing developments—intermittent boomlets and bustlets—with no clear-cut surge of renewed and sustained growth. The pressure for government to "do something" about the recession, already substantial, seems certain to increase. What can government really do to stimulate recovery?

Government is now a negative force in the economy. It must turn positive. Conventional monetary and fiscal policy weapons can still be used to fight recession, but alone are widely judged inadequate to jump-start the economy soon.

The Federal Reserve has already driven down rates considerably with little response. A further drop in real interest rates is needed to stimulate major project investments. Such action is not without controversy, however, because simultaneously the income and purchasing power of savers, especially senior citizens, are also lowered. Moreover, stimulation of the economy via monetary policy takes a good deal of time, particularly when potential borrowers as now are reluctant to take risks.

Fiscal tax and spending policy options are limited by the enormous federal budget deficit. Some targeted tax cuts, including limited capital gains reductions over longer holding periods, will be enacted by spring. But traditional massive federal economic assistance during recession, funnelled through state and local governments to deserving people, is essentially precluded.

If convincing recovery is long delayed, political pressure to pour more money across the economy may prove irresistible. The consequence would be new fears of inflation, an upward surge in interest rates,

and further weakness in the value of the U.S. dollar—new deterrents to recovery. Governments can make many specific changes to help the economy, but the near-term overall impact is likely to be small.

Taking Responsibility

The economy in 1992 and 1993 is going to be more and more in the hands of the private sector. What should the private sector do now?

Most private sector leaders seem rather speechless when this question is raised. They haven't felt any responsibility.

America needs to balance short-term fixes with some long-term fixes rooted in a new vision to build a still better America together: better trained, better equipped, better financed, better measured, better rewarded, and bringing still better living standards. The private sector must take the lead to achieve this vision. This means all of us must become more involved in promoting recovery.

First, outpour all the complaints against government bureaucracy heard in business cocktail parties. Time and time again I hear executives complain that they are prevented from taking actions which would help their organizations and the economy by some government red tape, lack of understanding, or indifference. Why not flood the capitals with specific illustrations and firm commitments on what would happen if some roadblock was reduced or eliminated? This will explode some cocktail party myths and/or set in motion a major wave of opportunity for new public-private sector cooperation.

Public-Private Reward System

Second, initiate a new joint public-private reward system. Government is already the silent negative partner-claimant on business profits through the tax system.

Why can't the private sector take the initiative to devise some way for government to play a more open, positive role to support profitable growth across the economy? Why shouldn't government legally get credit for helping profits to be made? Sustained recovery absolutely requires a change in the public sector attitude that a key responsibility is to keep someone from getting rich.

I have no respect for greed, fast buck artistry, or socialism, but our system is simply not competitive in today's and tomorrow's world with government and the private sector working against each other and the nation's economic interests.

It must be at least 10 times harder to launch a project or product idea in America than to stop it from coming on the market. I am appalled at the inertia which must be overcome to move projects ahead, particularly because of excessive litigation. The

leadership of the legal profession knows well that our system for resolving disputes is inefficient, wasteful, costly, and rife with greed and conflict of interest.

The private sector is paying most of the bills and taking less and less risk. It's time for non-lawyers as well as lawyers to speak up and get the system changed.

Challenge and Pursue

Third, challenge the destructive public and private policies and institutions which give short-term decisions and rewards a much higher priority than long-term. This long-standing issue contributes to the current economic crisis.

Government has a shorter fuse than business, if that is possible. We are living for today and not building for tomorrow. America's problems have been aggravated by too many quick-fixes without attention to their consequences. Recession is a time to strengthen our nation's economic foundations.

Fourth, pursue a policy to adjust incentives and rewards to favor profitable "contributions to the economy." Projects and programs which add to the longer term revenues of government should be especially rewarded.

Fifth, urge the president to turn more to the private sector for help. He must speak out in this time of economic crisis and say that our economic living standards are on the line. He must take steps to bring all Americans into the economic recovery process.

Bottom Up Solutions

The appeal must be for far more solutions from the bottom up rather than waiting for government to pass them from the top down. The more people are personally involved, the more they will understand the nature and complexity of our problems.

We have already waited too long for government to correct what is wrong. Many of our problems have gotten worse. Let's take a fresh look at what we can do working together in our neighborhoods, communities, and regions. Matters which are beyond our reach can then be referred to higher authorities, but never without a recommended solution. How about a tax saving for qualified voters who go to the polls and vote?

Sixth, advocate government spending for entitlements and other programs to be more immediately linked to projected government revenues. This strategic goal will help reduce budget deficits and also provide an effective means for legislators at times to resist expenditure demands from constituents.

Seventh, request, if necessary demand, that foreign owners of significant American

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properties file periodic reports indicating what they are really contributing to the U.S. economy. This should reveal the extent to which we are benefitting from foreign investments. Also, it will remind foreign owners that they have economic responsibilities to help our nation beyond their own narrow interests.

Question, Focus, and Confront

Eighth, ask repeatedly the question in our increasingly diversified America—How are we going to live together? A summit of leaders of all racial, ethnic, cultural, religious, and other groups needs to face this question openly, constructively, and regularly to work together for recovery.

Diversity can and should be America's unique and foremost economic strength. If divisiveness grows relentlessly, our nation will fall far short of its economic potential. The private sector again must take the lead.

Ninth, focus more attention on what the private sector can do to join forces with nonprofit groups and government to find a more acceptable answer to the alarming homelessness problem.

Should those who are incapable of caring for themselves openly become permanent wards of the state? What are the practical limits of economic support which can be financed without blocking recovery for the public as a whole?

Tenth, face squarely the challenging issue of the eroding ethical-moral fiber of our nation.

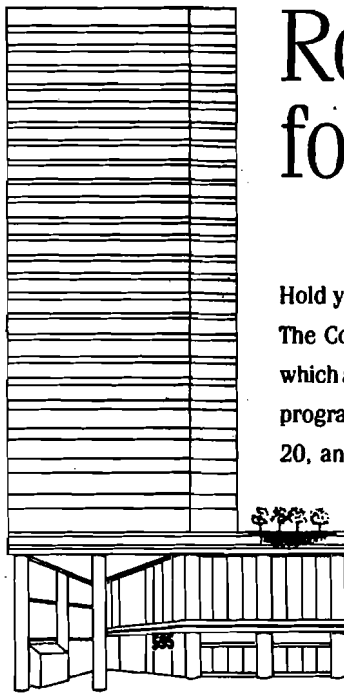
Has the well accepted principle of separating church and state now proceeded to the point where we have lost all standards of right and wrong? How can substantial recovery and progressively higher living standards be achieved without trust and faith? Communism failed for many reasons, including Godlessness, as many authorities now believe. What will be the future of a Godless America?

Summary and Conclusions

Some of my recommendations no doubt may seem impractical and even wild. But this recession crisis offers an opportunity to convert the unthinkable into reality.

Too many younger Americans and their parents tell me they have no hopes for a better tomorrow. I tell them "nonsense—the future is largely up to us and you." No nation has a greater potential for a better tomorrow than the United States. But time is wasting away.

America will be better with moderate sustained growth; a well educated and healthy population; a contributing participating electorate; a positive environment



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for business; a safe environment for the public; creative, risk-taking leadership in business, science, and all other major sectors; a secure financial system; unquestioned competitiveness; a public ready to support our nation's major role in international affairs; and a responsive government working with the private sector to build new strength in the economy. We have the potential to meet all these requirements, but they require action beginning now.

The United States is slowly and painfully going through a period of economic housecleaning. Positive results are beginning to show. An economic spring is certain after the economic winter storms of 1991 and 1992 have cleared away. Our enemy is no longer communism, but inertia and protectionism. The time for waiting for someone else to make things better is long gone. The time for each of us to do something better to make America still better is now. Don't you agree? ♦

Answers to Written Questions from the Floor:

Q. How is consumer confidence measured? Is this measure something that economists are using more and more today?

A. Most of the measuring techniques are polls, but there are also such indirect measures as watching people's spending pat-

terns; they don't buy big items when they're scared. There are six levels of confidence: euphoria, when things are booming, everything looks simple, and you can't make a mistake; optimism, which is simple and solid, based on things like hard work; doubt, which is when things are still all right, but we're not sure that they will continue to be; caution, which means we begin to change our patterns of expenditures or investments; disillusionment, when the things we've counted on begin to shake; and panic, when we turn in the whole thing for whatever we can get. When we met a year ago, we were somewhere in the doubt level. We are now moving into the caution level. This needs watching. But the answer has to come not in speeches but in people—80 percent of whom haven't been touched by this recession—acting normally. Let's get at it.

Q. The index of leading economic indicators dropped 0.3 percent in November, its fourth consecutive decline. But the stock market has gone up significantly since then. Is there any explanation for this?

A. Probably not. The stock market is living in a world of its own. From a technical standpoint, only about half of the stock market's rise in the last decade can be traced to something tangible—profits, changes in interest rates, the fundamentals that are usually associated with the wisdom of the market. So either the analysis is

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wrong or there is wind and water in that market that has to come out. But before you panic, remember that several things have changed. First, a very substantial portion of the securities that were in the market 10 years ago are not there today because of mergers and takeovers. The result is that the supply is eroded. Also, 80 percent of the buying in the market comes from institutional investors, particularly pensioners, and that is a sort of built in demand side. Also the Dow Jones measure has been changed; the weak sisters have been weeded out and some strong companies put in their place. It's not the same measure. If you have had a reduction in the supply, obviously the Dow at 3200 is not the same Dow that it would have been some time ago. You can make a correction and say it is probably closer to 2200. There isn't a perfect explanation, but there is an economic force to think about here. The market reflects confidence when two things happen: when Congress is not in session and when interest rates are down because inflation is down. That's where we are.

Q. What are your observations on President Bush's trip to Japan? Did we gain anything?

A. Not having been there, I can only speculate. The trip itself had very strong political overtones. The administration has given a lot of attention to international affairs. The polls have said the public doesn't understand this. The administration unhappily and unfortunately hasn't tried to explain until recently the inseparable link between domestic and international affairs. The public at large is not as cognizant as it ought to be that domestic and foreign economic issues are inseparable to a degree. Half of the products made in America have foreign components. This is no longer a situation of "foreign" and "domestic" in the narrow sense. So the president's emphasis on the international situation is a credible position. But I would have to fault somebody for not explaining to the public long ago the relationship between the two. As far as the trip to Japan is concerned, it is what you want to make it. The president claims it has been a very successful trip. The Japanese are very unhappy with the presence of the American business leadership, there on a bashing basis. That goes back to the protectionism problem. America is going into protectionism in 1992; I've been told that by people on both sides of the aisle in Congress. Protectionism is going to be an issue in the presidential election for the first time in modern history. The president is caught in a situation

in which he is considered almost the only person who can block protectionism, but he'll have to judge it from a political standpoint. There is no way that the Japanese are going to suddenly change and become American, and it is a mistake to assume they will. There is a fundamental truth: We can go to France but we can't become French; we can go to Japan but we can't become Japanese; but almost anybody can come to America and become an American. This is a very significant difference. We are living in a society in which we want things to work out. Today there is one dead number, an important dead number, and that is that we have an unfavorable balance of trade. We should look at the gross, look at all the products that are moving out. It sometimes sounds like we are not exporting anything. But we are certainly at least the number two trading nation in the world. But people expect Bush to go to Japan and tell the Japanese to do this or that and that they will do it. Well, they are very deft people. They have ways and means of accomplishing what they want; they have a strategy. The last thing they are likely to do is be pushed around. Negotiation must proceed from strength on our side. And our strength comes from our quality of production and for what we do and what the private sector does. If we pay attention to that, it will take care of itself.

Q. Will the U.S. economy suffer as a result of the formation of the 12-nation European Community? Do you favor the trade agreement with Mexico as proposed by President Bush?

A. Both of those are important questions, and the answer to them is the same. Do you want short-term accommodation of belligerency or do you want economic war? The Europeans are far from having a common market that is intact. They are making considerable progress, but they have a lot of alligators to swallow. There are cultural differences; Germany is on the edge of recession; the problems of Western Europe are acute. 1992—the magic year—is here and it has brought the Europeans into the world market with great enthusiasm. But they are well aware that they face many problems. The easy thing to do is to fight with the Europeans. But if we can't find accommodation with people of essentially the same culture, what chance do we have with people with whom we hold no culture in common? As far as Mexico is concerned, remember that the economic issue is that Mexico makes available outside of its borders a potential 1 million people per year. The North American Free Trade Agreement (NAFTA) is not a great agreement, but it is dialogue; it is movement in the direction of integrating North America. Blocs are forming—European blocs, Asian groupings,

Latin-American blocs. The bloc system means that people are pulling together mostly for defense. The motivation behind NAFTA is partly defense, but I also like to see it as offense. We have to convince the American people that it is in our interest for the Mexicans to succeed. If they succeed, we will be able to work both sides of the border; if they don't, we have nothing but conflict. So I am in favor of the trade agreement, but it is not a panacea.

Q. Would a cut in the capital gains tax help bring us out of the recession?

A. Capital gains tax reduction always comes up when we are in trouble. Both it and the investment tax credit will probably be enacted in some form within the next six months, even though that was considered to be ridiculous as recently as six months ago. There is a concept in America that the rich people are the people to be hit. Remember Congress now defines the rich as those who earn close to \$200,000 a year—because they got a pay raise. The result is that we have this terrible phenomenon in America in which we flat out associate the rich and greed. I have no brief for greed or for socialism. But you apparently get elected by socking the rich. The capital gains tax will come but in a targeted form; it will come over a longer period of time; and the offset will be to increase something on the income tax. It will not answer the recovery—the people who are proposing it know that is the case—but it will be a help.

Q. What is the most significant step the president and Congress could take to improve the economy?

A. First, tell it like it is. We haven't been doing that. Second, address short-term considerations; make whatever tax adjustments are politically necessary, but don't try to kid anybody by saying it's a panacea. Third, get long-term interest rates down a couple of percentage points more. That will not turn the economy quickly, but it will set in motion a lot of positive views. Fourth, be extremely concerned about the ridiculous tendency of blanketing all financial investments and all types of assets in a way that says if they are not in perfect shape, they must be written down. Today we have situations in which regulators are coming in where the rent is being paid and things are moving along, but the value of the property has gone down and therefore they are thought to be in trouble. I can vividly recall back at the end of World War II—which we financed with low interest rates—that when the interest rates began to rise, the entire banking industry was underwater. I sat in the Federal Reserve wondering what we were going to do. We spent

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hours trying to decide how to handle this problem. Then somebody—I wish I could remember who—said we should tell the bank examiners to put those government securities out in the examinations and audits at par. We said, "Those bonds are good, the country is good, why not?" I'm stressing this because of the fear today. People in the financial system are afraid for their jobs; people in the regulatory system are afraid for their jobs. The taxpayers are screaming about the money for the bailout. The whole process is slowing down the economy. But the worst thing that is happening is the tendency to mark it today as if a piece of property would not have any value in the future. I'm not for taking bad loans or assuming properties are worth more than they are, but for heaven's sake let's have a little strategy in the field of finance.

Q. With interest rates so low, isn't there a danger of much higher inflation in 1992?

A. My inflation number for 1992 is four. The common forecast is closer to three. The Federal Reserve, understandably because of the experience with inflation in the last decade and the decade before, has frightened all of us; we don't like inflation; we don't want it. Consequently there is a great danger that if the powers that decide to quick-fix and expenditures are moved up despite the deficit, then the whole financial community worldwide will assume that inflation is going to take off, at which point interest rates will rise. The Federal Reserve knows that and was terribly concerned and overstayed the problem, assuming that wages and prices would explode. They didn't. That's an understandable forecasting error. The upshot is that inflation is "under control." But it is not any different from a diet: you get your weight down, then you relax, and then you're right back in trouble. That is the kind of problem inflation is. We should always be worried about inflation, but not to the point that we are compounding the confidence curve and reinforcing a deteriorating situation. Let's keep an eye on inflation, but let's not worry about it too much in 1992.

Q. How did you develop your interest in economics?

A. My interest in economics was born of the times in which I grew up. When I was young, I knew nothing about economics except that I had a father who was unemployed in the Depression. One morning in a civics class in Mission High School here in

San Francisco, the teacher, who turned out to be a very wise and astute individual, polled the class, asking, "How many of you have fathers who are working very little or are unemployed?" Twenty-seven of the 30 members of the class put their hands up. That, ladies and gentlemen, is depression. The teacher told us we were now changing the course from civics to economics. She said, "I don't know what that is. I'm going to buy a book, and we're going to work our way through." So I was interested in economics because of my dad's unemployment, because of a poll taken in a classroom, and because of a teacher who said "Let's get on with it." I'm still trying to find the answers.

Q. With our banks in a weakened position, are manufacturing companies having difficulties getting the loans they need to recover from the recession?

A. There is a lot of debate right now all over the world as to whether there is or is not a credit crunch. It's difficult to generalize. But we have a problem in financial markets of a concern about stability and financial strength. There is great pressure on lending institutions to put more capital into their organizations, conveying the view of weakness. That in itself has negative overtones. But what has appalled me is the extent to which we are wrapped up in regulations, particularly litigation associated with losses. We are tying ourselves in knots over legal protections. Loan agreements used to be a quarter of an inch or at most a half inch thick. Have you looked recently at the thickness of the papers that have to be negotiated? Page after page after page, with everybody protecting everybody—from what? From nothing. If the situation is such that you can't operate under those agreements, what good are they going to do, except tie the hands of the businesses? There is not a credit crunch in terms of money availability, but rather in terms of rising standards due to rising fear that somebody is going to make a mistake. That's the attitude that says, "don't borrow," and the attitude that says, "I have to be extremely cautious before I lend." We've been through this before. We'll get out of it. But it will require a lot of thinking positively about a little bit more risk-taking. A lot of astute bankers are now well aware of this and are doing something about it.

Q. What was the biggest surprise to you on the economic front in 1991?

A. There were lots of surprises, but the biggest one was where I blew it. I didn't anticipate that short-term interest rates would go down as far as they did. The only answer I have is that the Federal Reserve was a little late and then panicked.



U.S.S. Macon: Lost and Found

Did you know that the colossal hangar at Moffett Field was built in 1933 to house the world's largest dirigible, the *U.S.S. Macon*? Local residents at the time called the hangar and the airship "the ninth and tenth wonders of the world."

Used by the Navy as a floating aircraft carrier, the *Macon* was two and half football fields long and over 150 feet high. It survived 54 missions before encountering a violent storm in 1934 and crashing into the sea off the Monterey coast. The *Macon* was discovered by the Monterey Bay Research Institute in 1990 with several vintage aircraft still aboard.

Saturday February 22

Naval Air Station, Moffett Field
Mountain View

11 a.m. - Tour of Hangar One
led by Aviation Historical Society
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The Daily Review



BUSINESS DAY

Page A-16
Monday
May 16, 1999



NICK LAMMERS — Staff

Walter E. Hoadley says Wall Street applauds managers who lay off workers but companies fail to address the human problems of unemployment.

The cost of downsizing

Hoover research fellow says layoffs threaten to erode our economy

THE ISSUE: The quickening pace of corporate downsizing has raised concerns that corporate re-engineering has gone too far, that businesses are in danger of treating workers as disposable commodities and that economists are underestimating the human factor in their forecasts for the future.

THE PERSON: Walter E. Hoadley, a senior research fellow at the Hoover Institute at Stanford University and former chief economist at Bank of America.

Q: How serious is this problem of the decline of living standards?

A: The nine-county Bay Area hit a peak in real terms of standard of living in 1989. Since then, the decline has been in the magnitude of 2 to 5 percent. There's some improvement now, but there's evidence that living standards are not only flat, but for many people in our society are eroding ever so slowly.

The average person has not done well

in standard of living. Many of those that lost their jobs are barely holding their own. Middle-management people are struggling too.

Q: Why is this happening?

A: The real problem is we're putting together high technology and cheap labor. In Germany, workers earn \$26 per hour, and next door in Poland it's \$2 per hour. The technology is going to slip over the border to take advantage of the \$2. We can't stop this.

Q: We keep hearing that productivity is improving. But is it really? Aren't we just laying people off as fewer workers are needed to produce products in low demand?

A: Productivity measures are showing positive signs because of downsizing. If you can't get productivity when you're eliminating weak products, cleaning the fat out and cutting your

work force, when are you ever going to get it?

Q: Have companies gone too far in downsizing?

A: One of the tragedies, and I think a serious challenge to business, is that the downsizing is becoming an end in itself. We have the danger of making human beings commodities, treated as if they are a barrel of oil or something else. And the repercussion could be very far-reaching over the next five to 10 years.

The point I'm making is the stock market is applauding companies for laying off 10,000, but with that comes a social-human problem, and it's not being linked to the downsizing or addressed by business. There are very few business leaders I know who have the courage or insight to realize the environment they're operating in is a very dangerous one.

Q: In what way is the downsizing

getting out of hand?

A: What concerns me is they're making a profession out of downsizing. These managers come in, and they get stock options. They look at the financial dimensions and they feel like they're doing a good job. But they've adopted a callous view. So they alert their managers to cut out 10 percent of their costs, and people are easiest to cut. So they're cut, and the managers think they've done a great job.

But in half the layoffs, there is potential for rehiring. Some customers are complaining about lousy service. A lot of things that looked good on paper are not looking well as we move forward.

Q: What could be the social repercussions of all of this restructuring and treatment of human

Please see **Hoadley, A-18**

Hoadley: Downsizing threatens economic base

Continued from A-16

beings as if they're expendable commodities?

A: If left alone without any counter moves, it can only erode the whole economic basis of the industrial nations. We have to consider that our living standards are under siege.

The question is whether our system, without addressing this issue, will be able to confront possible social unrest that could be forthcoming. This unrest could feed on crime, disturbance and divisiveness. God forbid you divide the country into enclaves.

Q: Specifically, how could this play out? Could you see the potential for revolt in the streets by displaced and underemployed workers like we see in other countries?

A: It'll be tough running a business. There won't be any loyalty. People are losing faith in the system. I think the dissatisfaction will be more orderly here than in other countries.

But it could result in worker unrest and dividing the rich and poor even further, sending the political system into turmoil.

Q: People have taken a back seat in forecasts. Why are living standards so easily swept under the table? Why isn't there more emphasis on the human side of government reports?

A: Typical economists today are

mathematicians. They're sitting down at computers, maneuvering numbers.

There's nothing in the training process that encourages them to take the human dimension. A lot of what they find is superficial. They never get behind the numbers.

Q: Don't these numbers people see a need to create more comprehensive forecasts?

A: There are two worlds: the real world of people, production and goods, and the world of finance. They're related, but the relation has gotten further and further apart.

That's why there's a stock market boom, (and) at the same time the economy is not working too well.

Q: What can be done to bring these two worlds together?

A: Our system needs to be looked at for a fresh recharge of the batteries for some sensitivity. We have to have a process that enables people to go back to school.

Laid-off workers need to be cared for, not left to be basket cases. We haven't focused on this because it costs money.

This interview was conducted by staff writer Tim Simmers.

1994 Economy: Help Wanted!!!

Walter E. Hoadley

Economist; Author; 1987 Commonwealth Club President; Senior Research Fellow, Hoover Institution

FRIDAY JANUARY 7

A YEAR AGO we offered the prospect of a "Rolling Recovery," and subsequent events have confirmed the rolling ups and downs of the economy. Most important, there has been measurable recovery across much of the nation. However, California, as most analysts expected, has lagged the country, with recovery still fairly illusive.

If the general tone and direction of last year's forecast turned out to be more or less on target, how did we do on the specific "Hoadley Hot Line" numbers? They were: 2.5, 3.5, 7, and 1.

Two and one-half percent real growth promises to be very close to the actual final number when it becomes available;



Dr. Hoadley

1993 started out very slowly but picked up momentum from pent-up consumer buying plus exports during the second half of the year.

Once again, inflation has proved to be less than expected, but a little less than 3 percent would have been more accurate than my 3.5 percent.

Seven percent unemployment looks about right for the 1993 yearly average. At the end of the year, the rate dropped close to 6.5 percent. Unemployment data will

*1994 looms as
a slightly better
year, but far
from calm.*

soon be revised, likely upward, to reflect more accurately adult women, multi-job holders, and discouraged workers.

My forecast was that yearly interest rate change would stay within 1 percent. The expectation was that rates would bottom out and begin to rise. This has been the general pattern.

In contrast, lessened inflationary expectations have dropped long-term rates close to 1 percent compared with the level a year ago. The Hoadley Hot Line numbers indicated that 1993 would end up better than it began, as it fortunately did. With this history behind us, let's turn our attention to 1994.

Slightly Better Year

Today's discussion is entitled: "1994 Economy: Help Wanted!!!" This "Help Wanted" theme has at least two distinct meanings: one, a job opening to be filled, and two, an emergency call for assistance.

Both are relevant. Unemployment is chronically high in most communities, and there is an urgent need for more employers to hang out "help wanted" signs. Simultaneously, the economy requires a substantial amount of help from all sides.

Current Concerns

Among many current concerns, four stand out. Question number one is: Will 1994 really be a better year? Question two is: Why must we spend so much time and money on foreign people's problems when we have so many needs at home? Question three is: Can there be any solid basis for optimism as we confront the formidable social, economic, and political problems before us now and on the horizon? Question four is: How can I help myself and my family get through these difficult times?

The evidence is compelling that the U.S. economy has hit bottom and is well on the recovery road, although much less than after earlier recessions. Many underlying strengths are reasserting themselves, e.g., accumulated backlogs of demand, existing wealth and spending power, productivity, improved cash flows and balance sheets, record securities markets, strong exports, rising outlays for homes and capital expenditures, and much more. Nevertheless, some caution is in order. We shouldn't count too heavily on a quick return to a totally vigorous economy.

The current recovery reflects mainly cyclical improvements in sectors which respond favorably to low interest rates, e.g., housing, automobiles, appliances, furniture, and similar consumer-oriented goods and related services. Such sectors comprise about 35 percent to 40 percent of the economy; much of the remaining sectors will continue to lag.

Simultaneous structural corrections also are having an uneven and still depressing influence on the economy. This process sometimes is called America's once in about 30 years "economic house cleaning." At least half of American industry and related organizations have completed downsizing; the worst is over.

Cleaning House

The negative impact of the Clinton tax increase, especially during the first half of 1994, has been widely debated. Estimates place the added revenue at about \$20 billion to \$25 billion. Compared with a more than \$6 trillion economy annually, the tax bite seems small indeed. But the economic drain is concentrated on upper-bracket investment decision people, who can have a disproportionate effect. I expect the first half economic performance to be reduced from the reportedly strong fourth quarter of the year just closed which contained

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Hoadley

several unsustainable elements.

President Clinton's domestic economic policies to date do not seem to have contributed directly or substantially to recovery. From a technical point of view, they have dampened the economy. The key programs include: budget deficit reduction, health reform, investment, including human development, trade expansion through opening foreign markets, and high technology. Progress on these policy fronts thus far has been limited, but the Clinton administration has only been in office one year.

The president has established himself as a world leader through his successes with the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), and other policy accords. Weak political leadership in most major nations almost by default has given Bill Clinton many opportunities to initiate international policies and employ his persuasive personal style in global negotiations.

The world economy is struggling with slow growth and numerous pockets of recession. Real economic growth, currently at 2 percent or less, is below the minimum 3 percent growth necessary to stimulate global trade. Only Asia is achieving above-average growth, but conditions in several industrial countries now look more promising. Sub-par international economic conditions obviously have a cumulatively depressing effect upon internal growth within most countries, including the United States. These prevailing waves and trends underlie my selection of the Hoadley Hot Line numbers for 1994.

Hot Line Numbers

Real growth: 3 percent, a number which reflects modest improvement. Low interest rates will be less stimulative, exports more constrained, government spending held in check and tax increases deterring some investments and consumer purchases.

Inflation: 3 percent. Inflation will remain subdued because of excess capacity, intense competition, higher productivity, and only limited increases in consumer purchasing power. The current surplus of petroleum and weakened prices cannot be expected to persist, so some rise from this source is to be expected in 1994.

Unemployment: 6.5 percent. Unemployment will remain a political and economic challenge. Downsizing and layoffs will continue to make daily headlines on a diminishing scale. Smaller increases in the labor force, because of fewer births

HOADLEY'S HOT LINE, STILL A HIT AFTER 25 YEARS

Chairman of the Federal Reserve Bank of Philadelphia. Senior Vice President and Chief Economist for Bank of America. Senior Research Fellow, Hoover Institution. UC Berkeley Alumnus of the Year. Walter Hoadley has spent a lifetime earning distinctions, and this year was no different. The 77-year-old globally renowned economist earned the distinction of appearing for the 25th time before a Friday luncheon audience to kick off the Commonwealth Club's new program year. Dr. Hoadley's annual economic address is the longest-running speaking series in the Club's historical archives. His January 7 speech, attended by over 600 Club members and guests, was entitled, "1994 Economy: Help Wanted!!!"

"I don't know whether members plan their home budgets, shuffle their stock market investments, decide whether or not to buy or not buy a house, adjust their business plans, or reassess corporate expenditures on the basis of Walter Hoadley's forecasts," said 1994 Club President Vic Revenko. "But we have members who attend the Hoadley forecast program religiously, and the speech is reported on widely across the nation. His views are not taken lightly."

In a quarter century of economic forecasting, Dr. Hoadley has given Commonwealth Club members more than just predictions of real growth, inflation, unemployment, and interest rates. His broad, incisive remarks on the national economy have identified key trends and fundamental, structural shifts. For example, when Hoadley started the series on January 3, 1969, he discussed the impact of the Nixon administration's proposed spending program, touching upon factors like the Vietnam War. Members who paid the \$3.75 price for the lunch and program heard Dr. Hoadley warn of future economic ills such as inflation and the decline of U.S. manufacturing.

By 1992, when many Americans were frightened by the prospect of a prolonged recession and perplexed by debates over fiscal policy, deficit reduction plans, and government regulation, Walter Hoadley afforded much clarification and even some comfort. Without the notes, pie-charts, or graphs employed by the likes of Ross Perot, Dr. Hoadley forecasted a "rolling" recovery—slow, painful, full of ups and downs, but ultimately sound. Using a characteristically folksy turn of phrase, Hoadley referred to a "popping popcorn era" of recovery: "Every so often, when a local, regional, or national emergency arises, the pent-up citizenry pops or explodes into constructive action," he said. Once again, Hoadley's Hot Line numbers of 2.5, 3.5, 7, and 1 were more right than wrong.

While the numbers may change annually, what has remained constant—year after year—is Dr. Hoadley's unwavering faith in America and the ability of Americans to prevail. "The strongest basis for American optimism always is our flexibility in meeting crises," he told this year's audience. "No other nation has this basic strength to the same degree."

Born in San Francisco, Walter Hoadley received his bachelor's, master's, and doctorate degrees from the University of California at Berkeley, where he was elected to Phi Beta Kappa and chosen as class valedictorian. Widely recognized as the "dean" of business economists, Dr. Hoadley holds honorary degrees from several U.S. and foreign universities.



The "Dean of Business Economists" shakes hands with Club members and guests



The Presidents: 1987 Commonwealth Club President Walter Hoadley and 1994 President Victor Revenko



One-on-one after the luncheon

Photo Credit: Paul Felder



Two Economists: Walter Hoadley and Paul Erdman



(Right) Chairman of the Club's Program Committee Joe Epstein and Dr. Hoadley

Hoadley

a generation ago, will help keep the unemployment rate from rising sharply. Some employers will reach the limit of using overtime and step up new hiring.

Interest rates: plus or minus .5 percent. Interest rates are expected to change relatively little. Recovery usually is accompanied by higher interest rates, but this time increases should remain modest as long as inflation does not advance significantly. The monetary authorities seem poised to tighten credit conditions

Only productive employment generates income, wealth, and tax revenues.

whenever prices and wages begin to move upward. We cannot overlook the vulnerability of the economy, financial markets, and the federal budget deficit to any marked upsurge in interest rates.

All in all, 1994 looms as a slightly better year, but far from calm. In 1994, an important Congressional election year, we will

witness some political action designed to help incumbents. President Clinton will get his first major report card from the voters. Slow growth will offer ready opportunities for critics. After the polls are closed and the political rhetoric subsides, the underlying positive trend in the economy will become clearer.

Why is there so much U.S. concern about foreign problems? This question is very persistent, reflecting voter worry about

many formidable problems here in the U.S. Available fiscal resources to deal with them are known to be limited. Moreover, there is considerable doubt that U.S. assistance really reaches needy people.

My answer is that we really have no choice. Trying to live comfortably behind a wall of isolation really can't work in today's globalized world. The international community cannot be expected to favor Americans unless we continue to earn foreign respect that is beyond our own narrow interests and reflective of our economic power.

U.S. Leadership

At the heart of the issue lies U.S. leadership. This includes military strength to protect ourselves and our allies, as well as a demonstrated ability and willingness to undertake global initiatives which enhance general well-being.

Traditional national political boundaries are steadily losing importance. Globalization is rapidly accelerating, particularly as communication technology is bringing the peoples and economies of the world much closer. Familiarity with foreign markets is increasingly common. The world certainly knows much more now about what is going on in the U.S.—good or bad—than only a few years ago, and vice versa.

More and more American business executives think of global continents as they formerly considered U.S. states, regions, or some communities. In turn, more consumers think or care less about where a product is made. Many have difficulty determining origin because parts are assembled in many international localities.



Virginia and Walter Hoadley



Barbara Pivnicka, Quarterly Chairwoman and Co-chair of the Club's Arts Study Section, and Dr. Hoadley



Dr. Hoadley greets Dan Geller



(L to R): Charles Travers, 1967 Club President and Walter Hoadley (left)



Dr. Hoadley chats with a few of the 600-plus Club members and guests who came to hear his 25th annual economic forecast

Hoadley

The concept of "One World" surfaced prematurely in the 1930s and is still far off, but many economic and political trends reflect this direction. Meanwhile, major blocs of nations are forming. Not only are economic forces at work, but also cultures, religions, ethnic groups, and other significant linkages are consolidating peoples and power.

We can't forget that the U.S. population of 250 million comprises less than 5 percent of the world total of 5.5 billion. Disparity between the rich and poor is becoming more apparent. Most Americans are generous and compassionate, but they are wary of long-term foreign assistance programs.

Accordingly, it is a tough sell to convince skeptics that it is in the U.S. interest to provide resources abroad to help others live better. Overlooked is the synergism which occurs whenever markets are open and profitable exchanges occur regularly.

Paper Tiger

Probably the best reason for the U.S. to play a leadership and helping role in the world is to contemplate the consequences for our nation and ourselves of refusing to do so. Political agreements in our interest would become much more difficult to arrange, and a likely "paper tiger" image no doubt would tempt others to test our nation on many fronts. Business would be constrained by more and more protectionism and retaliation, personal travel would be restricted, and probably, increasingly dangerous. Ab-

sence of U.S. leadership would create more political instability and global migration, including more border crossings into the U.S.

The time is here to take the opportunity story directly and forcefully to the people across our nation. Every community should study its two-way impact of foreign trade and investment on local jobs and income.

Only in this way will voters be able to grasp the importance of foreign participation in the economy. Nationally and in many localities, at least one job in five results from offshore policies and decisions. Wishing away international challenges will not make them go away; they are here to stay.

Disaster or Opportunity?

Tough problems always seem to outnumber positive breakthroughs. Therefore, it is almost inevitable that pessimists outnumber optimists. Few people admit to being optimists, yet the prevailing degree of optimism typically determines whether problems are seen as manageable or doomsday. There is a great need for more confidence and optimism.

Short-term confidence is rising at the moment, but most Americans see the longer road ahead strewn with disasters. Young people across the nation are being warned not to expect opportunities like their forebears had. Obviously, the opportunities can't be the same, but if only a fraction materializes of what my scientist friends tell me is in research, a very different and better world lies in the offing. Different and exciting opportunities lie ahead for those who are prepared to adjust and pursue them.

Think of a world in which most individuals through cellular de-

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The Current Affairs Forum invites you to celebrate Valentine's Day in style.

Step out for an evening of dancing and dining — for those less experienced hoofers, lessons will be offered covering the basics — while swinging to the sounds of The Royal Society Jazz Orchestra.

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For information and reservations call

Club office: 415/
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Hoadley

vices will be able directly to communicate with each other, or have eye or hearing replacements, crash-proof traffic controls, or dust-free homes.

In my lifetime I've watched dreaded diseases, such as polio, virtually disappear. I've enjoyed innovations such as air conditioning, refrigerators, TVs, and answering machines. I've witnessed the fall of mighty public and private institutions and companies and been impressed as unknown organizations have risen up to replace them. We are living in a dynamic world in which little stands still for long, but we know that insightful leaders can help foresee, guide, and cushion many changes.

There is one emerging acute economic problem which overshadows others and demands urgent national and global attention: unemployment. Can our system provide work opportunities and rewards in sufficient quantity to meet the needs of an expanding labor force?

Idle people and peace are not compatible. The number of jobless among the Western industrial nations is now more than 30 million and rising. This level is well above the 10 percent which often has been held to be the peril point for social unrest. Worldwide unemployment roughly defined and estimated, is probably as high as 30 percent or more and worsening.

Joblessness and the Bottom Line

Few leaders in our Western democratic capitalistic society, whose ideals are sweeping much of the world, seem to appreciate the basic conflict between all-out pursuit of the "bottom line" and increasing joblessness.

Current financial goals and principles, reinforced by the insistent demands of shareholders and financial analysts, seem to be making reduction of employment almost an end in itself.

The greater the application of high technology and the higher the drive for productivity, the smaller the need for workers. Many companies now have more computers than people. Here is a potentially explosive situation as more and more humans feel that they are being treated as just another commodity, such as a bushel of grain or barrel of oil.

Economic survival, of course, must be the first responsibility and priority of business executives. Stock performance obviously is an important measure of success. But questions are now being raised when downsizing layoffs continue after profits have returned to record or near-record levels.

Experienced, loyal, and competent em-

ployees are being widely terminated, often to be replaced by less costly and less trained personnel. Whatever the meritorious reasons, the business-financial-investment community must soon be prepared to give the public a more satisfying explanation for massive layoffs than "competition dictates" or "financial ratios are below what analysts expect."

The record should show that many, perhaps most, downsizing companies have provided short-term severance pay and benefit packages. But finding new jobs—almost inevitably at lower pay—is now a long and exhausting experience for even the most skilled and experienced.

Third Wave

In the past, unemployment in the U.S. for the most part was temporary until the economy improved; most workers could expect to be recalled back to their old jobs. Not so this time. Commonly both the worker and the job have lost out permanently.

To compound the unemployment challenge is a "third economic wave," in addition to cyclical and competitive restructuring. Beginning to work its way through the Western industrial nations is a new powerful combination of high technology and low-cost labor in many developing countries.

Until recently high technology had been concentrated in the leading industrial nations. However, globalization, instant communications, and intellectual property leakage have made much, if not most, high technology quickly available to developing countries. This trend can only be expected to accelerate.

At issue now is a marked shift in the basic foundation of the Western industrial world economies which have been built for decades on a fairly exclusive combination of high technology, high productivity, high wages, and high social benefit entitlements. This economic combination is eroding.

Unemployment is becoming more permanent in every Western industrial nation, and long-standing, politically well-entrenched social benefits are starting to be cut back on fiscal as well as personal responsibility grounds. Only productive employment generates income, wealth, and tax revenues. The challenge ahead is to create more such jobs, or else living standards must decline across the Western world.

Reason for optimism is found in the increasing interest in the jobless and related issues in several parts of the world. The U.N. has called for a World Summit in 1995, with significant private sector partici-

continued on page 151

Hoadley

pation as advisers. Other groups are being formed or redirecting attention to chronic unemployment and job creation.

Fresh Approaches

Thoughtful people are striving hard to find fresh approaches to reduce unemployment. In early discussion stages are such long range global programs of hope and economic potential as a goal to bring electricity to every one on earth in 50 years—financed possibly by 50- or 100-year bonds. If feasible, it could create untold jobs and markets.

A host of other ideas include linking mandatory training and service to unemployment compensation, regular sabbaticals for training, job sharing, national service as a prerequisite to careers, more home-family qualified positions, neighborhood crime-drug surveillance jobs, and more volunteer incentives. Obviously, money is required, but fear of the social consequences of chronic unemployment and the need to protect living standards are being projected to bring Western communities and nations together in their mutual interest with more funds forthcoming.

These activities and ideas offer encouragement. The first step in resolving any problem is to understand what is involved. This first step is being taken on the unemployment issue in many places. The second step is to develop and discuss the alternatives or choices for action, inasmuch as inaction will not be possible. Here again, some progress is being made.

The third step is to take action on a pilot scale and spread the word whenever successes are achieved. The strongest basis for American optimism always is our flexibility in meeting crises. No other nation has this basic strength to the same degree.

Keep an eye on Generation X, American young men and women in their 20s and early 30s. I find them eager to lead, anxious for change, and ready to prove there is a better America ahead. They possess a healthy mixture of personal ambition and compassion for others, with less interest in money. I'm betting on them!!

New Vision

America's Cold War vision for destiny lost its meaning several years ago. We urgently need a new one. But any new vision must help meet the strong public desire for improved, safer, and less stressful quality of life in an unsettled competing world.

We need a national revival of teamwork and togetherness. For several decades

FEBRUARY 8

Revitalizing California's Economy

Tapan Munroe

Chief Economist, Pacific Gas & Electric Company

Gloria Rose Ott

President, GO Strategies

TUESDAY

4:45 p.m., Wine Reception

5:30 p.m., Program Begins

6:30 p.m., Program Adjourns

Club Office

Admission—\$7 for members, \$10 for guests. Call Club office for reservations, (415) 597-6705.

Americans have turned to the self, saying, "What's in it for me?" Now they're finding that wanting. Can our vision be to build a better America, make America better, together, help America today?

Despite our differences, we Americans still have much in common. Let's therefore consider what each of us can do to help ourselves and our families.

First, strive to develop a positive mind set that anticipates and tries to welcome change. Not all change, of course, is good. But, we're living in history's greatest period of overall change. We must make the best of it. We can't afford to become bitter and miserable fighting change.

Second, see crises as opportunities for each one of us to make changes which previously might have been impossible.

Third, prioritize and build on our strengths; weaknesses are usually tougher to handle.

Fourth, expect the economy to be helpful but not to bail out faulty situations.

Fifth, recheck the business ethics and spiritual principles upon which our transactions and living depend; focus on trust, for without it, real progress will be difficult, if not impossible.

Sixth, stress team efforts rather than go it alone.

Seventh, look for the international dimension in most of what we do.

Eighth, keep personal investments well

diversified and fairly short-term.

Ninth, acquire a new skill every decade or less.

Tenth, never lose confidence in America, there is no better place.

We Americans must strive to be the best in our highest priority endeavors and join the best elsewhere to achieve other objectives.

Rebuilding Confidence

Our goal must be to rebuild confidence in ourselves and in so doing renew confidence across the nation and in due course the world. Confident people are action people. Only action people help create jobs, so urgently needed.

My "third wave," i.e., combining high technology and low cost developing nation labor obviously poses a threat, but also a great opportunity to bring the Western industrial nations into more mutual synergistic relations. Let's help other nations prosper through enlarged home employment, greater purchasing power, and wider markets for advanced quality U.S. and Western goods and services. By helping others, we help ourselves.

Business managements, through financially driven downsizing, have alienated a whole generation of workers. They have some urgent fence-building to do in enhancing peoples' skills, and must look beyond their own organizations to the to-



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With a strong start so far, the San Jose Sharks' third season—the first in their new state-of-the-art \$164 million San Jose Arena—promises to be their best yet. Come watch the team go up against last year's Stanley Cup finalists, the L.A. Kings, with star forward Wayne Gretzky.

The evening will include an exclusive pre-game address by Sharks President Art Savage, a delicious three-course dinner served at the top of the arena with a view of the team warm-up, and prime group seating for the game.

SATURDAY FEBRUARY 19

5 p.m., Address by Sharks President

Art Savage

6 p.m., Dinner

7:30 p.m., Game

San Jose Arena

525 West Santa Clara Street, San Jose

\$55 for members, \$60 for guests (including dinner and game). Tickets must be purchased in advance, and seating will be assigned on a first-paid, first-served basis. Call (415) 597-6705 to charge tickets by phone.

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Hoadley

tal job market. The Western countries have much to lose if they ignore or downplay the rising jobs challenge.

I look ahead with considerable personal optimism. Unemployment is certain to get increasing U.S. and global attention. Remedial action will be forthcoming slowly, but the U.S. will find answers as soon or sooner than others. Let's all try harder to hang up more "help wanted" signs.

Answers to Written Questions from the Floor:

Q. Looking for a prediction of the future, you've mentioned some numbers — 3, 3, 6.5, and 6.5. For people looking for a "411" or "911" response, what does it look like four to five years in the future?

A. We'll have slow growth; it will be in the 3 percent range on average. If it's better, good luck. If it happens to be less, it shouldn't be much less, because we've got a lot going for us. Germany hasn't hit bottom but will be turning up sometime in the next year or so. Japan has been struggling and will have a more positive attitude in the future. The strong have become weak too often. We can't let that happen to America. If we look ahead and don't expect miracles or boons, but work our way through, then it will be okay.

Q. You've been credited with a theory of structural analysis of the national and world economy. What is structural analysis, and how does it differ from other economic forecasts?

A. "Structural" means that it doesn't come in rhythms. It comes irregularly, from sources that are different. Cycles are tied to money or inventories or something that is reasonably predictable. About every 30 years, you have an economic house-cleaning. We had it in America at the turn of the century, again in the 1930s, again in the middle of the post-war period, and we're in one now. It happens when conditions are no longer sustainable because whatever institution, law, or regulation that had worked for a while no longer works and has to be changed. We saw that with the demise of the Soviet Union. Structural means that it is part of the basic foundation. To be even more explicit, structural means that it won't come back and make you well again; you've got to change.

Q. Will the job market in 1994 be more promising for college graduates?

A. Yes. But it's not going to be sufficiently better that finding jobs will be automatic. The problem is that you have two groups of people in the market. You have a lot of very hard-working, traditional, loyal, well-educated people who are trying to find a job. Those who have been laid off are finding jobs only after six to 18 months of looking for work because most employers are fearful of hiring anyone that they might have to lay off again. It's more costly to have somebody on a permanent payroll rather than on a part-time basis. Employers are using overtime—every device they can think of to avoid hiring people permanently. We're beginning to see that that won't work. Downsizing has been overdone in many places. The younger people coming into the job market should recognize that they are competing with seasoned people that they previously would not have had to face. That means that they must be willing to start at a lower base, learn the fundamentals, and take whatever they can in the way of knowledge, information, and skills from older people who can help them get started. They should go where the crowd is not going. They should go international, get languages, understand cultures, and do all of the things that are going to be part of this globalization process. If you've been laid off and have severance pay, try offering your services for free for a month just to prove how good you are. It works for some people.

Q. Does the Clinton administration's position on social programs such as health care run counter to the trends in the rest of the world?

A. America doesn't follow; it usually leads. Because of the problems with financing, entitlements are a real challenge to any national leader. The Clinton administration obviously has a motivation to complete the New Deal and use the health program as a way of linking more voters to the government. But whatever the motivation, the Clinton administration has at least put on the table many of the problems that in the past have not been faced. That doesn't mean that the answers are there, but it does mean that at least America is being subjected to a discussion. What you're finding now, on both sides of the aisle in Congress, is a willingness to talk about excesses. We as Americans have always felt we could do everything and never have to set priorities. The toughest thing for any political person to do is to say "yes" to one person and "no" to somebody else. But the important point is that we can't afford to do all the things that we'd like to do, and that's what economics is all about. Human wants are insatiable, but the ability to fulfill them obviously is

Hoadley

limited. The Clinton administration is struggling. Many of the things that they're doing are designed to continue social programs, but it's more a reassessment and a redirection of money than additions.

Q. How will the Clinton health plan affect business and the economy?

A. We don't know, but the presumption across America is that it will be costly and cumbersome. The reactions from business people are mixed, because they basically don't know. Those who are on one side or the other are taking extreme positions. You can predict flatly that we're not going to have a health plan that everybody is going to be happy with. We're not going to have a health program that doesn't have to be revised and updated for the next 10 years. The problem is to bite off a piece of it, then we can test it and proceed. The medical profession is spending as much time as it can possibly spare fighting many of the programs. You go to a doctor or a dentist, and you'll get a sermon about it. The main point is that America is talking about a problem that is real. If we do it the way America usually does it, then we'll go too far and have to correct. Keep your seat belt fastened.

Q. The Clinton administration has suggested combining several agencies that monitor our banking system, but the Federal Reserve is resisting. What is your opinion?

A. Coming out of banking, I can hardly be anything other than prejudiced on this issue. The U.S. banking system has been phenomenally successful over the years, but it has built-in checks and balances. Smaller banks have had a considerable amount of local and congressional power. The larger banks, being the money changers, have always been subject to lots of criticism and comments. The downsizing that's taking place in banking is a classic illustration of economic housecleaning. We simply don't need all of the banks that we have; we haven't needed them for a long time. They're kept alive by political considerations and by a great many local prejudices and preferences. That again is America. The trouble is that we refer so frequently to level playing fields. From a commercial banking standpoint, two things have happened. One is that the commercial banking business has changed dramatically. The amount of borrowing from banks by businesses is very small. The banks have more opportunity to do things elsewhere, and they're getting into everybody else's business. The sooner we

FEBRUARY 18

The Honorable

Nancy Kassebaum

U.S. Senator (R-Kansas)

A Senator's View From Washington

11:45 A.M., FRIDAY

Gold Ballroom, Sheraton Palace Hotel

Tickets—\$29 for members, **\$38** for guests. **Tickets must be purchased in advance.**
See Advance Ticket Sale Procedure, back page.

can shake the system down, give the successful financial organizations a chance to do what they do best, and phase out some of the political turf, then we'll have a better system. But remember, it's still better than any other system in the world.

Q. What is the outlook for California's economy?

A. California's economy is really three economies—Southern California, the Central Valley, and Northern California. They're all different. The best that you can say in terms of numbers would be in the zero range as far as the next year is concerned on the growth side. The inflation

number is probably no different than the national number, although it may be a little bit slower, particularly in Southern California. Unemployment is high—well over 8 percent. We still have several hundred thousand job lay-offs to come because of defense closings. Unemployment will be in the 8 percent range. Interest rates should be no different from the national picture.

Q. America's public education has been in crisis for years. What will it take for the U.S. to respond, and how can we improve education?

A. Some of the best minds in the coun-

FEBRUARY 22

Han Suyin

Author, Zhou Enlai

China: Neither Capitalist Nor Communist— A Model for Developing Countries?

TUESDAY

4:45 p.m., Wine Reception
5:30 p.m., Program Begins
6:30 p.m., Program Adjourns

Club Office

Admission—\$7 for members, **\$10** for guests. Call Club office for reservations,
(415) 597-6705.

8th Annual Wine Fair

To Celebrate the Opening of The Mystery of the Dead Sea Scrolls



Our annual wine tasting features many new spectacular wineries as well as familiar names and splendid flavors from our past tastings.

This year, we are proud to include a private viewing of The Mystery of the Dead Sea Scrolls exhibition on its opening day. Join us to view the only West Coast presentation of the scrolls, arguably the most important manuscripts found in this century.

The evening, which will be accompanied by fine wine and hors d'oeuvres at the de Young, is reserved exclusively for Club members and their guests.

Saturday February 26
6 p.m. to 9 p.m.

**M.H. de Young Memorial
Museum, Golden Gate Park**

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• Callaway • Clos du Bois • Davis Bynum •
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Limerick Lane • Matanzas Creek • Mazzocco
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vations call Club office 451/597-6705.

Hoadley

try are working on this. There are 1000 different reform ideas or plans in operation somewhere in America. Last year, I said that America is in the "popping popcorn" stage, which was my crude way of saying that America has given up on getting reform from the top down and has decided it's going to get reform from the bottom up. Our system makes it possible for people to try almost anything, anywhere if it doesn't run into a federal regulation or lawsuit. The educational reform that is taking place is awfully hard to monitor. But the elements are such that we can't expect any single group of people to write the reform and do it in such a way that everybody is going to be happy. We've got problems in the home, in terms of motivation and money, and these only come out of crisis. So we're on the down side as far as the money that is being spent. But we've also pretty widely reached the view that throwing money at education is not the answer. We've been throwing money at it for a long time. There are problems associated with unionization and obstruction of teaching techniques, and these are problems which much be dealt with one by one. I'm hopeful that California, which had the lead in education, will have the lead again. But it's going to take some time.

Q. What is the source of Europe's current economic difficulties, and what are the prospects for overcoming them?

A. Europe is made up of cultures and differences, and a great deal of progress has been made over the last 40 years toward reaching some common ground. In the midst of this, the Soviet Union fell apart, and Germany tried to absorb Eastern Germany. Germany is the linchpin for Europe. With the German problems still far from settled, the whole specter in Europe has reached all sorts of old issues again. You have to look at history to realize that changing cultures, ideas, philosophies, magnitudes, and priorities among nations is a very slow and painful process. The difference this time is that we're not fighting each other in wars. The cohesiveness that was referred to in the question was a strong, motivating force that brought Europe together far more in terms of image, emotion, and psychology than in terms of economic reality. But this progress is still remarkable, and we don't want to downplay it. As long as the Europeans felt that they could be a bigger world than the northern part of America, and that they were not going to need

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America, they were pulling together and doing well. But when they began to falter, low growth and slow growth brought out the worst in people. Don't write off the Europeans, but they've got a lot of things to overcome culturally that we don't have, so we should be able to hold our own.

Q. Is the widening gap between the haves and the have-nots creating injuries in our society and elsewhere? With the fall of communism, can capitalism provide a more humanistic option?

A. The basic question is, "How much longer can you anticipate that people who know what's going on in the rest of the world will accept it without trying to move to it?" There are estimates from reliable sources that at least 100 million to 300 million people are poised to migrate across borders of the world. That's what young people do when they don't see a future. The problem is that the average unemployment rate worldwide is at least 30 percent. There are problems of excess births, of religions, and of cultures that complicate the whole thing. But it is important to watch the Third Wave, because if it succeeds in bringing better living standards to the developing world, and in so doing challenges the developed world, then we can stay in a mood that gives us good hope. But if we don't, then the underprivileged are going to be socially distressed and are going to challenge almost everything wherever they can. We need them politically as well as economically. That's why globalizing and doing things across boundaries is the way of the future.

Q. The stock market is at new highs, in part due to a large amount of money being diverted from other, low-yielding investment opportunities. What will happen once interest rates begin to rise?

A. High interest rates are going to hurt financial markets. A little change here and there won't. There's been so much discussion about the threat of higher interest rates that there isn't as much of a risk now as there might have been a year or two ago, because everybody's got a mental feeling that there's trouble ahead. We have to remember that people who five years ago said exactly the same thing missed the whole rise. I made a prediction some three years ago that we'd see 4000 on the Dow. We've crossed 3800, but that doesn't necessarily mean that we're going to hit 4000 without a hiccup of some kind. Essentially, money is chasing yield. We've had an out-

UNDERSTANDING OPTIONS A SPECIAL, FULL-DAY PROGRAM

The Commonwealth Club announces a special, full-day program on options. You will learn the what, why, when, how, and more from an expert in the field. This program is organized by the Business & Economics Study Section coordinator, Gary Wollin, and will be repeated in its entirety on Saturday, February 12. The featured speaker is Alex Jacobson, vice president of the Chicago Board Options Exchange.

Some of the topics that will be covered are:

- option pricing theory
- fact determinants of an option price
- the importance of factors such as volatility, time, and interest rates
- reasons for buying options—why? and when?
- selling options, covered writing, and put selling
- long-dated options
- options as a stock substitute
- trading index options
- "damage control"—managing an existing options position and strategic alternatives to inaction.

Both the Friday and the Saturday seminars will begin at 8 a.m., with coffee and pastries, and end at 4 p.m. Admission is \$39, and includes continental breakfast and lunch. Space is limited; please reserve early. For information and reservations call Club office: 415/597-6705.

pouring from the banks and CDs into the mutual funds. Basically, that's been fine, but the Achilles heel is there. Money can move in one direction, and it can move in another. The real issue is that we have a big part of our economy in the hands of people who are interested much more in financial results than they are in real economic results. Therefore, we've got to recognize that the money has to be a part of the process that brings jobs and people some satisfaction, not simply capital gains, as important as they are.

Q. By past standards, the stock market is very high. Is there any danger that the 1929 market crash could be repeated in 1994?

A. The stock market in the U.S., while it's been performing at a record level, is not by any means the stock market of the world. It is only a fraction of it. Furthermore, there are 17 major stock markets that are also setting or nearly setting records in various parts of the world. This is a worldwide phenomenon. As far as 1929 is concerned, history seldom repeats itself in any direct sense, so I don't worry about it. As far as 1994 is concerned, the fact that the economies of the world are making some progress toward pulling out of recession gives me encouragement that we will not have that kind of a problem.

Q. Are executives overpaid? Should there be a difference between the pri-

vate and the public sector?

A. Anybody who is receiving an income knows by definition that he or she is not being overpaid. The quick answer is no. The problem is, what are you getting for the money? I'd like to see a way that the private and public sectors could come closer together, and more particularly, to get some entrepreneurship into the bureaucracy. There is nothing I can see that encourages a government, however well-intentioned the people in it are, to work any harder today than yesterday or tomorrow. We simply cannot tolerate a system which doesn't provide some incentive to people in the bureaucracy. Here and there around the country experiments are going on. The result is that we're going to see a lot of changes. Public and private sector compensation for comparable jobs should be comparable.

Q. What sustains your multi-decade interest in The Commonwealth Club?

A. After 25 years, I think the time has come for me to yield this particular spot to other people. I remember as a young person being told always to be very kind to older people. Give them your seat; help them with their luggage. In the last six months, I've been given a lot of seats and a lot of help with luggage. I think the time has come to say thank you very much and to be in the reserve. ♦

1994 ECONOMY: HELP WANTED!!!

Walter E. Hoadley
Senior Research Fellow
Hoover Institution

Delivered at the initial 1993 luncheon meeting of The Commonwealth Club of California, Friday, January 7, 1994, Sheraton Palace Hotel, San Francisco California.

Here we go again, for the 25th consecutive January kickoff program!!!

I have always considered annual invitations by The Commonwealth Club to be a real honor and privilege. This silver anniversary is very special. I could address no finer audience -- here in the Grand Ballroom as well as throughout most of the nation via radio. Your continued interest reflects remarkable perseverance and patience for this speaker. Thank you.

A year ago we offered the prospect of a "Rolling Recovery Ahead." Subsequent events have confirmed the rolling ups and downs of the economy. Most important, there has been some measurable recovery across much of the nation. However, California, as most analysts expected, has lagged the country, with recovery still fairly illusive.

If the general tone and direction of last year's forecast turned out to be more or less on target, how did we do on the specific "Hoadley Hot Line" numbers? They were: "2-1/2; 3-1/2; 7; and 1."

"Two and one half" per cent real growth promises to be very close to the actual final number when it becomes available. 1993 started out very slowly but picked up momentum from pent-up consumer buying plus exports during the second half of the year.

Once again, inflation has proved to be less than expected. A little less than "Three" would have been more accurate than my "Three and one half".

"Seven" per cent unemployment looks about right for the 1993 yearly average. At the end of the year the rate dropped close to "Six and one half" per cent. I understand that the unemployment data will soon be revised, likely upward, to reflect more accurately adult women, multi-job holders, and discouraged workers.

My forecast was that yearly interest rate change would stay within "One" per cent. The expectation was that rates would bottom out and begin to rise. This has been the general pattern. However, short rates now stand very close to the same level as when we last met. In contrast, lessened inflationary expectations have dropped long term rates close to "One" per cent compared with the level a year ago.

The "Hoadley Hot Line numbers" indicated that 1993 would end up better than it began, as it fortunately did.

With this history behind us, let's turn our attention to 1994.

Today's discussion has been entitled: "1994 Economy: Help Wanted!!!"

This "Help Wanted" theme has at least two distinct meanings: (1) a job opening to be filled and (2) an emergency call for assistance. Both are relevant to our comments today. Unemployment is chronically high in most communities. So, there is an urgent need for more employers to hang out "help wanted" signs or advertise the same message. Simultaneously, the economy requires a substantial amount of help from all sides.

Always in anticipation of this meeting, I pay close attention to questions which come up repeatedly in conversation with colleagues, friends, and others here and abroad. Among many current concerns, four stand out. Let me state them and give some brief preliminary answers. In this way, following a twenty five year tradition, you will have my conclusions at the outset, and know where I am headed if you are distracted.

Question 1): Will 1994 really be a better year? My answer: "yes" overall, slightly better for many; the rolling recovery will continue with "Hoadley Hot-Line numbers "3 (growth); 3 (inflation); 6 1/2 (unemployment) and 1/2 (interest rate change range)".

Question 2): Why must we spend so much time and money on foreign people's problems when we have so many needs at home? My answer: we have little choice. Our future depends more and more on international trends and prospects; the distinction between domestic and foreign is steadily disappearing; relying only on domestic thinking and policies will be increasingly short sighted.

Question 3): Can there be any solid basis for optimism as we confront the formidable social, economic, and political problems before us now and on the horizon? My answer: Yes. The strength of America lies in its repeatedly demonstrated flexibility and adaptability to meet challenges, especially when they reach a point of crisis; our nation must soon find a new "Vision For Destiny" -- out of opportunity or fear -- around which to focus public attention, determination, enthusiasm, and action.

Question 4): How can I help myself and my family get through these difficult times? My answer: Expect change; try to live with, guide, and benefit from relentless, constructive change, rather than grow bitter fighting it; do what thousands of Americans are now doing -- take a fresh look at life and the community around us -- get to know the individuals in our neighborhoods better, join with others, and develop programs which promise to help resolve concerns; our living standards will be on the line over the next five to ten years; America needs much more concerted help from its citizens; and in so doing, each one of us will help ourselves.

Page Three

1994 Will Be A Slightly Better Year

By the first week of January literally hundreds of economic forecasts for the coming year have been made and distributed . There is little new information to offer.

In summary, confidence has risen noticeably in recent weeks as many well recognized economic barometers have become more positive. The nation has been starved so long for good economic news that it is comforting to hear it.

The evidence is compelling that the United States economy has hit bottom and is well on the recovery road, although much less than after earlier recessions. Many underlying strengths are reasserting themselves, e.g., accumulated backlogs of demand; existing wealth and spending power; productivity, improved cash flows and balance sheets; record securities markets; strong exports; rising outlays for homes and capital expenditures; and much more.

Nevertheless, some caution is in order. We shouldn't count too heavily on a quick return to a totally vigorous economy.

Emphasis has been given in previous presentations to two sets of broad economic waves passing through the economy: (1) short term cyclical swings emanating from the boom years of the 1980's, and (2) more permanent structural corrections and downsizing deemed essential to increase competitiveness and profitability.

The current recovery reflects mainly cyclical improvements in sectors which respond favorably to low interest rates, e.g., housing, automobiles, appliances, furniture, and similar consumer oriented goods and related services. Such sectors comprise about 35-40 per cent of the economy; much of the remaining sectors will continue to lag.

Simultaneous structural corrections also are having an uneven and still depressing influence on the economy. This process sometimes is called America's once in about every thirty years "economic house cleaning." At least half of American industry and related organizations have completed downsizing; the worst is over.

The negative impact of the Clinton tax increase, especially during the first half of 1994, has been widely debated. Various estimates place the added revenue about 20-25 billion dollars. Compared with a more than six trillion dollar economy annually, the tax bite seems small indeed. But, the economic drain is concentrated on upper bracket investment decision people who can have a disproportionate effect. There is considerable uncertainty among taxpayers as to the specific payments to be made, including retroactive amounts due for 1993. I expect the first half economic performance to be reduced from the reportedly strong fourth quarter of the year just closed which contained several unsustainable elements.

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President Clinton's domestic economic policies to date do not seem to have contributed directly or substantially to recovery. From a technical economic point of view, such policies, if anything, have dampened the economy.

The key Clinton economic goals and programs include: (1) budget deficit reduction (highly desirable for many reasons but non-stimulative); (2) health reform (controversial, costly and the source of considerable uncertainty); (3) investment, including human development (also well intentioned but costly and slow to materialize); (4) trade expansion through opening foreign markets (controversial globally as inherently protectionist and difficult to get positive results during world-wide recession); and (5) high technology (commendable but involves building an illusive public-private partnership). Progress on these policy fronts thus far has been limited, but the Clinton Administration has only been in office one year.

The President has established himself as a world leader through his successes with the North American Free Trade Agreement, the General Agreement on Tariffs and Trade, and other policy accords. Weak political leadership in most major nations almost by default has given Bill Clinton many opportunities to initiate international policies and employ his persuasive personal style in global negotiations. The net economic results of the Clinton foreign policies are hard to calculate, but seem positive.

The world economy is struggling with slow growth and numerous pockets of recession. Real economic growth, currently at two per cent or less, is below the minimum three per cent growth necessary to stimulate global trade. Only Asia is achieving above average growth, but conditions in several industrial countries now look more promising.

Sub-par international economic conditions obviously have a cumulatively depressing effect upon internal growth within most countries, including the United States.

These prevailing waves and trends underlie my selection of "Hoadley Hot Line" numbers for 1994:

Real growth: three per cent; reflects modest improvement; but, low interest rates will be less stimulative, exports more constrained, government spending held in check and tax increases deterring some investments and consumer purchases.

Inflation: three per cent, will remain subdued because of excess capacity, intense competition, higher productivity, and only limited increases in consumer purchasing power. The current surplus of petroleum and weakened prices cannot be expected to persist, so some rise from this source is to be expected in 1994.

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Unemployment: 6 1/2 per cent (as currently measured), will remain a political and economic challenge. Downsizing layoffs will continue to make daily headlines at a diminishing scale. Smaller increases in the labor force, because of fewer births a generation ago, will help keep the unemployment rate from rising sharply. Some employers will reach the limit of using overtime and step up new hiring.

Interest rates: plus or minus 1/2 per cent, are expected to change relatively little. Recovery usually is accompanied by higher interest rates, but this time increases should remain modest so long as inflation does not advance significantly. The monetary authorities seem poised to tighten credit conditions whenever prices and wages begin to move upward. We cannot overlook the vulnerability of the economy, financial markets, and the federal budget deficit to any marked upsurge in interest rates.

All in all, 1994 looms as a slightly better year, but far from calm. 1994, an important Congressional election year, will witness some political action designed to help incumbents. President Clinton will get his first major report card from the voters. Slow growth will offer ready opportunities for critics. After the polls are closed and the political rhetoric subsides, the underlying positive trend in the economy will become clearer.

Why So Much U. S. Concern About Foreign Problems?

This question is very persistent, reflecting voter worry about many formidable problems here in the United States. Available fiscal resources to deal with them are known to be limited. Moreover, there is considerable doubt that U. S. assistance really reaches the intended needy people.

My answer is that we really have no choice. Trying to live comfortably behind a wall of isolation really can't work in today's globalized world. The international community cannot be expected to favor Americans unless we continue to earn foreign respect beyond our own narrow interests and reflective of our economic power. At the heart of the issue lies U. S. leadership. This includes military strength to protect ourselves and our allies, as well as demonstrated ability and willingness to undertake global initiatives which enhance general well-being.

Traditional national political boundaries are steadily losing importance. Globalization is rapidly accelerating, particularly as communication technology (e.g., video, CNN, teleconferencing, voice mail, FAX, airphones and a wide variety of related techniques) is bringing the peoples and economies of the world much closer. Familiarity with foreign markets is increasingly common. The world certainly knows much more now about what is going on in the United States -- good or bad -- than only a few years ago, and vice versa.

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More and more American business executives now think of global continents as they formerly considered U.S. states, regions, or some communities. In turn more consumers think or care less about where a product is made. Many have difficulty determining origin because parts are assembled from many international localities.

The concept of "One World" surfaced prematurely in the 1930's and is still far off, but many economic and political trends reflect this direction. Meanwhile, major blocs of nations are forming. Not only are economic forces at work, but also cultures, religions, ethnic groups, and other significant linkages are consolidating peoples and power.

We can't forget that the U.S. 250 million population comprises less than five per cent of the world total of 5.5 billion. Disparity between the rich and poor people is becoming more apparent.

Most Americans are generous and compassionate, but are wary of long term foreign assistance programs. Accordingly, it is a tough sell to convince skeptics that it is in the U. S. interest to provide resources abroad to help others live better. In part, "zero sum" (i.e., if one nation wins, another must lose) thinking prevails. Overlooked is the synergism which occurs whenever markets are open and profitable exchanges occur regularly.

Probably the best reason for the U. S. to play a leadership-helping role in the world, assisting others, is to contemplate the consequences for our nation and ourselves of refusing to do so. Political agreements in our interest would become much more difficult to arrange; a likely "paper tiger" image no doubt would tempt others to test our nation on many fronts; business would be constrained by more and more protectionism and retaliation; personal travel would be restricted, and probably increasingly dangerous. Absence of U.S. leadership would create more political instability around the world and almost certainly increase global migration, including more border crossings into the United States.

Considerable research reveals that American opinion on critical foreign and domestic issues can and does alter over time as people become better informed (1) about the adverse consequences for them of continuing faulty policies and programs, and (2) as to their options for remedies and the likely impact on them of the results.

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In my judgment, the time is here to take the dynamic, positive international opportunity story directly and forcefully to the people across our nation. Every community should study its two-way impact of foreign trade and investment on local jobs and income. Only this way will voters be able to grasp the current importance and potential of foreign participation in the community economy. Nationally and in many localities, at least one job in five results from offshore policies and decisions. We Americans must learn better how to build on foreign strengths. Wishing away international challenges will not make them go away. They are here to stay.

Any Basis For Optimism As We Look Ahead??

Tough problems always seem to outnumber new, exciting positive breakthroughs. Therefore, it is almost inevitable that pessimists outnumber optimists. Few people I know will now admit to being optimists. Yet, the prevailing degree of optimism typically determines whether problems are seen to be manageable -- i.e., accepted as a challenge -- or doomsday -- i.e., can't be solved in my time. There is a great need for more confidence and optimism.

Short term confidence is rising at the moment, but most Americans are reported to see the longer road ahead strewn with disasters, e.g., ozone depletion, nuclear melt downs, AIDS epidemics, out of control crime, and many more. Young people across the nation are being warned not to expect opportunities like their forebears had. Obviously, the opportunities can't be the same; But, if only a fraction materializes of what my scientist friends tell me is in research, a very different and better world lies in the offing. Different and exciting opportunities lie ahead for those who are prepared to adjust and pursue them.

Think of a world in which most individuals through cellular devices will be able directly to communicate with each other; or have eye or hearing replacements, crash proof traffic controls, or dust free homes, etc., etc. In my lifetime, I've watched dreaded diseases (e.g., polio, meningitis, leprosy), virtually disappear. I've enjoyed innovations (i.e., air conditioning, refrigerators, TV, answering machines, and much more) which my parents and grandparents never dreamed. I've witnessed the fall of mighty public and private institutions and companies and been impressed as unknown organizations have risen up to replace them. We are living in a dynamic world in which little stands still for long, but we know that insightful leaders can help foresee, guide, and cushion many changes.

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There is one emerging acute economic problem which overshadows others and demands urgent national and global attention: unemployment. Can our system provide work opportunities and rewards in sufficient quantity to meet the needs of an expanding labor force? Idle people and peace are not compatible. The number of jobless among the Western industrial nations is now more than 30 million and rising. This level is well above 10 per cent which often has been held to be the peril point for social unrest. Worldwide unemployment roughly defined and estimated, is probably at high as 30 per cent or more and worsening.

Few leaders in our Western democratic capitalistic society, whose ideals are sweeping much of the world, seem to appreciate the basic conflict between all-out pursuit of the "bottom line" and increasing joblessness. Current financial goals and principles, reinforced by the insistent demands of shareholders and financial analysts, seem to be making reduction of employment almost an end in itself. The greater the application of high technology and the higher the drive for productivity, the smaller the need for workers. Many companies now have more computers than people. Here is a potentially explosive situation as more and more humans feel that they are being treated as just another commodity, e.g., a bushel of grain or barrel of oil.

Economic survival, of course, must be the first responsibility and priority of business executives. Stock performance obviously is an important measure of success. But questions are now being raised when downsizing layoffs continue after profits have returned to record or near record levels. Experienced, loyal, and competent employees are being widely terminated, often to be replaced by less costly and less trained personnel. Whatever the meritorious reasons, the business-financial-investment community at large must soon be prepared to give the public a more satisfying explanation for massive layoffs than "competition dictates" or "financial ratios are below what analysts expect."

The record should show that many, perhaps most, downsizing companies have provided short term severance pay and benefit packages. But, finding new jobs, almost inevitably at lower pay, is now a long and exhausting experience for even the most skilled and experienced. To date, it is a tribute to the adaptability of American workers and public confidence in the fundamental ability of our system to provide jobs that there has been only mild expressions of concern that some new broad based approach to joblessness may be needed.

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Past unemployment in the United States for the most part was temporary until the economy improved. Then most workers could expect to be recalled back to their old jobs. Not so this time. Commonly both the worker and the job have lost out permanently.

To compound the United States unemployment challenge is a "third economic wave" (in addition to cyclical and competitive restructuring). Beginning to work its way through the Western industrial nations is a new powerful combination of high technology and low-cost labor in many developing countries.

Until recently, high technology has been concentrated in the leading industrial nations. However, globalization, instant communications, and intellectual property leakage have made much, if not most, high technology quickly available to many aspiring developing countries. This trend can only be expected to accelerate.

At issue now is a marked shift in the basic foundation of the Western industrial world economies which have been built for decades on a fairly exclusive combination of high technology, high productivity, high wages, and high social benefit entitlements. This economic combination is eroding. Unemployment is becoming more permanent in every Western industrial nation, and longstanding, politically well entrenched social benefits are starting to be cut back on fiscal as well as personal responsibility grounds.

Only productive employment generates income, wealth, and tax revenues. The task ahead is to create more such jobs, or else living standards must decline across the Western world.

Reason for optimism is to be found in the recent increasing interest in the jobless and related issues in several parts of the world. The United Nations has called for a World Summit in 1995, with significant private sector participation as advisers. Other groups are being formed or redirecting attention to chronic unemployment and job creation. A short time ago I accepted the chair of the Steering Committee of the Caux Round Table based in Switzerland. This group seeks to monitor global economic tensions, formulate workable principles for international business, and wherever possible foster reconciliation on the basis of values rather than issues, i.e., what is right rather than who is right. Jobs is now the number one agenda item.

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Thoughtful people are striving hard for to find fresh approaches to reduce unemployment. In early discussion stages are such long range global programs of hope and economic potential as a goal to bring electricity to every one on earth in fifty years -- financed possibly by 50 or 100 year bonds. If feasible, it could create untold jobs and markets. A host of other ideas include: linking mandatory training and service to unemployment compensation; regular sabbaticals for training; job sharing; national service as a prerequisite to careers; more home-family qualified positions; neighborhood crime-drug surveillance jobs; more volunteer incentives. Obviously, money is required, but fear of the social consequences of chronic unemployment and need to protect living standards are being projected to bring Western communities and nations together in their mutual interest with more funds forthcoming.

These activities and ideas offer encouragement. The first step in resolving any problem is to understand what is involved. This first step is being taken on the unemployment issue in many places. The second step is to develop and discuss the alternatives or choices for action, inasmuch as inaction will not be possible. Here again, some progress is being made. The third step is to take action on a pilot scale and spread the word whenever successes are achieved.

The strongest basis for American optimism always is our flexibility in meeting crises. No other nation has this basic strength to the same degree.

Keep an eye on Generation "X" -- i.e., American young men and women in their 20's and early 30's. I find them eager to lead -- anxious for change -- ready to prove there is a better America ahead -- and possessing a healthy mixture of personal ambition and compassion for others -- with less interest in money. I'm betting on them!!

America's Cold War "Vision for Destiny" lost its meaning several years ago. We urgently need a new one. In the past our people have rallied to national calls which have had personal significance: Westward Ho (opportunity frontier) -- No More Financial Panic (early 1900's leading to the Federal Reserve) -- Make the World Safer For Democracy (World War I) -- New Deal (Great Depression) -- Victory Over Tyranny (World War II) -- Communism-Evil Empire (Cold War).

Any new vision must help meet the strong public desire for improved-safe-less stressful quality of life in an unsettled competing world. We need a national revival of teamwork and togetherness. For several decades Americans have turned to self - what's in it for me? - for strength and now find that wanting. Let's use more "we" and less "I" as we look ahead.

Can our vision be: 1) Build a Better America?; or 2) Make America Better -- Together?; or 3) We'll Help America Today!! -- or what's your vision?

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How Can I Help???

This is not the first time I've been asked to end my talk with a "What Do I Do Now?" question. Despite our differences, we Americans still have much more in common. Let's therefore consider what each of us can do to help ourselves and our families.

First, strive to develop a positive mind set that anticipates -- and tries to welcome -- change. Not all change, of course, is good. But, we're living in history's greatest period of overall change. We must make the best of it. We can't afford to become bitter and miserable fighting change. Second, see crises as opportunities for each one of us to make changes which previously might have been impossible. Third, prioritize and build on our strengths; weaknesses are usually tougher to handle. Fourth, expect the economy to be helpful but not to bail out faulty situations. Fifth, recheck the business ethics and spiritual principles upon which our transactions and living depend; focus on trust, for without it, real progress will be difficult, if not impossible. Sixth, stress team efforts rather than go it alone. Seventh, look for the international dimension in most of what we do. Eighth, keep personal investments well diversified and fairly short term. Ninth, acquire a new skill every decade or less. Tenth, never lose confidence in America -- there is no better place!!!!

Summary and Conclusion

My theme today has revolved around the word "help" -- ourselves and others. We Americans must strive to be the best in our highest priority endeavors and join the best elsewhere to achieve other objectives.

Our goal must be to rebuild confidence in ourselves and in so doing renew confidence across the nation and in due course the world. Confident people are action people. Only action people help create jobs, so urgently needed.

My "third wave" (combining high technology and low cost developing nation labor) obviously poses a threat, but also a great opportunity to bring the Western industrial nations into more mutual synergistic relations; let's help other nations prosper through enlarged home employment, greater purchasing power, and wider markets for advanced quality U. S. and Western goods and services. By helping others we help ourselves.

Business managements, through financially driven downsizing, have alienated a whole generation of workers. They have some urgent fence building to do in enhancing peoples skills, and must look beyond their own organizations to the total job market. The Western countries have much to lose if they ignore or downplay the rising "jobs" challenge.

I look ahead with considerable personal optimism. Unemployment is certain to get increasing U.S. and global attention. Remedial action will be forthcoming slowly, but the U.S. will find answers as soon or sooner than others.

Let's all try harder to hang up more "help wanted" signs!!!

Donations provide additional resources for Association programs. Former CAA president Walter Hoadley '38 and wife Virginia '38 are dedicated supporters of CAA and its services. Walter spent his professional career as an economist and can provide, as he says, "a basis for appraising the Alumni Association's financial affairs."

"Virginia and I have long been glad to contribute to the Alumni Association and other University organizations," says Walter. "We owe so much to Cal. We met in a chemistry class and have enjoyed the prestige and innumerable benefits related to our degrees. After our graduation 60 years ago, we began appreciating how much our quality education depended upon the generosity of classes before us. So we became 'give backers' to Cal (as well as 'Bear Backers')."

"We continually urge our classmates and other alumni to join and support the Alumni Association. We do so knowing that a truly professional team is in charge that:

- Pursues a system of carefully planned expenditures with studied priorities.*
- Follows controlled budget practices and prudent investment policies.*
- Keeps dues moderate to encourage more alumni to benefit from a closer link with other alumni and campus developments.*
- Carefully conducts fundraising to provide ample opportunities for donors to direct their gifts and take full advantage of alternative methods of fulfilling their commitments.*

"Our Class of 1938 came to Berkeley during the Great Depression. Not surprisingly, '38ers learned early to look for value. Moreover, some of our classmates received the first Alumni Association scholarships. So we find great satisfaction in becoming 'give backers' and urge other alumni to do the same."

CAA raises money for undergraduate scholarships and, through the Director's Circle, for unrestricted support for student services. We also raise funds to offset escalating costs for our *California Monthly* magazine.

We met in a chemistry class and have enjoyed the prestige and innumerable benefits related to our degrees.



Virginia Hoadley, '38



We find great satisfaction in becoming 'give backers' and urge other alumni to do the same.

—Walter Hoadley '38

Development Highlights

- ◆ \$1.7 million added to our \$10 million "We Grow Leaders" campaign for Alumni Scholarships.
- ◆ Twenty-seven new scholarship endowments established, including the Gordon Moore 1997 Alumnus of the Year Alumni Scholarship.
- ◆ \$56,000 contributed to the Director's Circle.
- ◆ A record 587 alumni and friends financially supported the *California Monthly*.

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