

## IN MEMORIAM

# The Moral Vision of a Blind Economist

## WALTER OI 1929–2013

✦ BY DAVID R. HENDERSON

Walter Oi passed away this past Christmas Eve, at the age of 84. I trust that readers of this magazine already know of Walter, but most Americans don't. That's a shame, especially for men age 66 or younger, who owe him special gratitude for the profound effect he had on their lives: he helped end military conscription in the United States.

Between 1948 and 1973, if you were a healthy young male in the United States, here's what you knew: the government could pluck you out of almost any activity you were pursuing, cut your hair, and send you anywhere in the world. If the United States was at war, you might have to kill people you had no grievance with, and you might return home in a body bag.

Walter did not think that was right, nor did a number of other people. But Walter *did* something about it. As with many things in life, the reason he was in a position to act was random luck. In January 1964, while he was an assistant professor of economics at the University of Washington, he applied for funding from someone in Hawaii to study urban travel. In an *American Economist* article in 1999, he recounted what happened next:

I was still waiting to hear from Honolulu. Bill Gorham, a Deputy Assistant Secretary of Defense, called me in May 1964 and asked if I would serve as Director of the Economic Analysis section of a Military Manpower Policy Study. Since I had not heard from Honolulu, I accepted and flew to Washington, D.C. in early June to be briefed and to obtain security clearance.

When I got back around June 6, 1964, a letter from Honolulu was waiting for me. As Aaron Director [a University of Chicago law professor who helped found the study of law and economics] says, chance and luck are terribly important.

In that job at the Pentagon, Walter supervised a research staff to estimate the supply curve of recruits to the Army in the absence of a draft. The bottom line of their report, delivered in 1965, was that the budgetary cost of ending the draft and relying solely on conscription to staff the military would be enormous: somewhere between \$5.5 billion and \$17 billion a year. To put that number in perspective, total defense spending that year was \$50 billion and the whole federal budget had topped \$100 billion for the first time just a few years earlier. So ending the draft, even if the lower-end estimate were closer to correct, looked politically infeasible.

In addition to the numerical estimates in the report, Walter pointed out the main insight economists have about the cost of the draft: that the budgetary cost of a drafted military understates the true cost because it leaves out the cost imposed on the draftees.

That report was likely the impetus for Walter's invitation to give a paper at a conference on the draft at the University of Chicago in December 1966. Writing some 30 years later, Milton Friedman noted that the 74 invited participants "included essentially everyone who had written or spoken at all extensively on either side of the controversy about the draft, as well as a number of students." The invitees included two outspoken young anti-draft congressmen, Robert Kastenmeier (D-Wisc.) and Donald Rumsfeld (R-Ill.). Other invitees included pro-draft Sen. Edward Kennedy (D-Mass.), pro-draft anthropologist Margaret Mead, and the anti-draft Friedman.

In the book *Two Lucky People* that he co-authored with his wife

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Rose, Friedman tells the story of Walter's contribution to the conference:

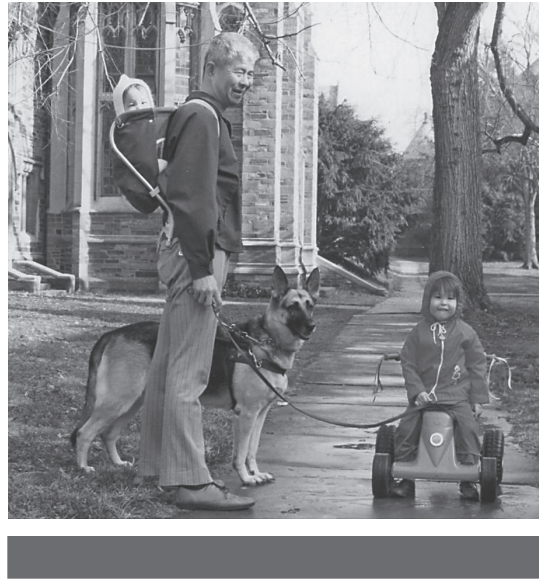
Walter Oi, a California Nisei [meaning he was the child of Japanese immigrants] who graduated from UCLA and earned a Ph.D. in economics at Chicago, gave what I believe was the most effective paper at the conference. Walter suffered from a degenerative eye disease so that he had gradually lost his sight. By the end of his graduate school days, he was blind and had to resort to a guide dog. Nonetheless he carved out a remarkable career as an economist and econometrician and outstanding teacher. He became interested in and did a good deal of research on military manpower recruitment. A convinced libertarian, he strongly opposed the draft. At the conference he gave an eloquent paper presenting the case for ending the draft on grounds of both principle and expediency. The impact was dramatic. Here was a blind man, enormously impressive simply for his capacity to prepare and deliver a cogent, closely argued, and fully documented paper. He conveyed a clear sense of moral outrage on an issue about which he had no conceivable personal ax to grind. To me, it was the high point of the conference.

In his paper presented at the conference, Walter concluded that eliminating the draft would increase the federal budget by \$4 billion, which was below the low end of the 1965 Pentagon estimate.

Both Walter and Milton Friedman noted a dramatic shift in the attendees' views of the draft based on polls taken at the start and end of the Chicago conference. Walter reported that at the start of the conference, the majority of attendees were pro-draft. By the end of the second day, the majority opposed the draft. Friedman was more specific. He wrote:

I have attended many conferences. I have never attended any other that had so dramatic an effect on the participants. A straw poll taken at the outset of the conference recorded two-thirds of the participants in favor of the draft; a similar poll at the end, two-thirds opposed. I believe that this conference was the key event that started the ball rolling decisively toward ending the draft.

Walter's participation in the conference was likely what



brought him to the attention of William H. Meckling, who had recently become the dean of the University of Rochester's newly formed Graduate School of Management (now the Simon School). In March 1969, two months after entering office, President Richard Nixon formed the President's Commission on the All-Volunteer Force and chose Meckling as its executive director. Meckling then chose Walter Oi as one of four research directors. The commission, better known as the Gates Commission after its chair, former defense secretary Thomas S. Gates, first met in May 1969.

By February 1970, it had produced its report calling for the end of the draft, along with the analytical papers that supported that conclusion.

One of the findings was that eliminating conscription would raise federal government spending by about \$2.7 billion a year. This was much less than the \$4 billion that Walter had earlier estimated, let alone the \$5.5–\$17 billion figure from the 1965 Pentagon report.

On January 27, 1973, less than three years after the Gates Commission report, Secretary of Defense Melvin Laird announced the end of the draft, and no inductions occurred after that. Finally, on June 30, 1973, legal authority for conscription ended. The draft was dead.

How important was Walter in ending the draft? In a paper for the *Carnegie-Rochester Conference on Public Policy* series, Meckling wrote:

I first met Walter twenty-five years ago on one of his regular visits to the Pentagon where he was a consultant on personnel matters. In vintage Oi fashion he was provoking officials at the highest levels in the Department of Defense by openly advocating the abolition of conscription. In order to answer those who ridiculed voluntarism as wholly impractical, Walter had committed his considerable talents to estimating the budgetary implications of such a move. That work proved to be a watershed in the cause of voluntarism. It transformed the conscription discussion from dogmatic assertion to careful study of the consequences of abandoning conscription. Competent scholars in both academe and the military research community took up the challenge, and over the next five years they produced an impressive array of analyses of military personnel requirements,

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the supply of volunteers, and various historical and social aspects of conscription.

**WALTER'S AMAZING SKILLS**

I first met Walter when I was a graduate student at UCLA and he came to give a paper on workmen's compensation in our Law and Economics seminar, run at the time by my mentor, Harold Demsetz. Walter was well along in his presentation and had actually put some numbers on the board and, if I recall correctly, an equation or two. I was sitting beside a student named Ed Rappaport. Ed wanted to ask Walter a question and so he raised his hand. He kept his hand in the air and I whispered, "Ed, he's not going to call on you. He's blind." "Really?" responded Ed. "Yes," I replied, "that's why that dog is sitting in the corner." That's how good Walter was at presenting.

This next story may be apocryphal, but I think it's true. Walter was at a conference where another economist was writing a long equation on the board. I'm guessing the economist had to have been saying the terms out loud as he wrote. Walter raised his hand. "Yes?" the economist said. Walter: "That third term in the equation. Shouldn't that be a minus sign, not a plus sign?" The economist turned and looked at the equation. After a pause, he said, "Oh, yes. Thank you."

**WALTER'S PERSISTENCE**

I got to know Walter when he was my colleague at the University of Rochester. He helped recruit me as a young assistant professor in 1975, although by the time I got to the Graduate School of Management, he had moved over to the Economics Department.

Walter was doggedly persistent, as anyone who knew him can attest. Meckling tells this story in his 1990 paper:

When the Graduate School of Management of the University of Rochester decided that Walter would be a valuable addition to its faculty, we opened our recruiting campaign by inviting him to come and visit. Rochester weather, of course, is one of the great impediments to recruiting. For Walter's visit, Mother Nature served up the worst weather I experienced in the nineteen winters I spent there. On subsequent occasions more snow was recorded than in that particular storm, but the snow was never distributed so unevenly. Gale force winds blew the snow into massive drifts which subzero temperatures promptly froze into icebergs so solid that snow ploughs could not penetrate them.

The Rochester airport was closed shortly after the storm began, the very day that Walter was due to arrive. By nightfall, I was snowbound at home; the telephone rang, and it was Walter

advising me that he was at the train station in Chicago, had abandoned his flight plans, but was preparing to board the train for Rochester. Despite my description of conditions in Rochester, he insisted that he could make it. The next morning I had another call from him originating at a motel adjacent to the campus. I couldn't get from a suburban home to the campus, none of the faculty could get to the campus, but Walter had gotten there from Chicago.



One example of Walter's persistence in his professional work is his role in helping prevent the reintroduction of the draft. From time to time since the draft ended, there have been calls for renewing it. One happened in the late 1970s, after a few years in which the U.S. military was not recruiting the number of high-quality people it wanted. Sen. Sam Nunn (D-Ga.) led the charge. Walter, like Meckling, the Hoover Institution's Martin Anderson, and Milton Friedman, realized that the all-volunteer force needed defending, and he did so. He attended the Hoover-

Rochester Conference on the All-Volunteer Force in December 1979, the first conference on the draft to be held since the 1966 Chicago conference. The papers and proceedings of that conference were published in the 1982 book *Registration and the Draft*. Walter, who loved pithy lines, gave a great illustration in response to the claim that a draft would conscript from the powerful as well as the weak. Said Walter: "The Commonwealth of Massachusetts gave [draft] deferments to all members of the legislature and to the fellows of Harvard College."

In the late 1980s, there was another threat to the all-volunteer force, this time from Sen. John McCain (R-Ariz.) and others who wanted young people to be forced into either military service or some other kind of national service. Again, Walter manned the barricades, fighting off this threat. At the Hoover Institution's Conference on National Service, held September 8-9, 1989, he presented a paper, "National Service: Who Bears the Costs and Who Reaps the Gains?" critically analyzing the proposed Citizenship and National Service Act of 1989. Although the bill would have implemented voluntary, not compulsory, service, various supporters of the bill saw it as a foot in the door for a new draft. The papers and proceedings of that conference were published in the 1990 book *National Service: Pro and Con*. In one of the discussions, Don Wycliff, then a member of the *New York Times* editorial board, claimed that national service would "cause people to appreciate their citizenship." Walter challenged Wycliff, saying, "If you sign up on a contractual basis to be a driver for the Lighthouse for the Blind [presumably one of the organizations that would qualify as a national service program], how does that contribute to citizenship training or develop citizenship?"



In the first decade of the 21st century, the all-volunteer force again came under attack, this time for not being representative of the population at large but, instead, drawing disproportionately from lower-income households. Walter wrote two pieces in *Regulation* defending the all-volunteer force (“The Virtue of an All-Volunteer Force,” Summer 2003, and “Should We Bring Back the Draft,” Fall 2007). In the latter piece, Walter quotes from a 2006 pro-draft op-ed in the *Washington Post* by Princeton University economist Uwe E. Reinhardt. Reinhardt wrote, “It is well known that to fill the ranks, the Pentagon relies heavily on the bottom half of the nation’s income distribution, sending recruiters to the slums and low-income neighborhoods.” Walter commented: “This may be ‘well known,’ but it is untrue.” He then cited data from military manpower analysts showing Reinhardt’s claim to be false.

### WALTER’S QUICK WIT

Walter was a real character. I remember my job interview at Rochester in February 1975. I had already entered the room where I was to give my presentation based on my in-progress dissertation and was arranging my notes. The seminars there were attended not just by faculty but also by doctoral students. I looked up and saw Walter enter with his guide dog leading the way. Somehow the door to the seminar room, which had been propped open, came slamming closed and caught him, completely unaware, on the behind. Without losing a beat, he said, “The grades are going up [i.e., being increased]!”

Walter was an active and positive participant in my seminar. In my dissertation, which was on coal mine safety legislation, I discussed the United Mine Workers (UMW) union’s intense lobbying for the legislation and I pointed out that one main effect of the legislation was to close down small non-union mines, a result that the UMW would like. Richard Thaler, then a young faculty member, said that I needed to specify what the UMW was maximizing. Are they, he asked, maximizing per worker pay? “I don’t think so,” I responded. “If they were, then the number of people in the union would be one.” I was picturing a downward-sloping demand curve so that the maximum per-worker pay would be at a wage at which one employer wanted one worker. Walter got the joke immediately and laughed out loud.

### WALTER’S VIEW OF JUSTICE

The seminar went very well, as did my meetings with various faculty members, especially Dean Meckling. I was sure they would make me an offer and I would accept it. (They did and I did.) At the end of that intense day, I ended up sitting across from Walter at dinner and wanted to engage him. I asked him where he had grown up. The answer: Los Angeles. Immediately, I thought to myself that he had likely, as a child, been one of the thousands of Japanese-Americans who were imprisoned in 1942 by order of President Franklin Roosevelt.

Feeling emboldened by the two Brandy Alexanders I had just consumed, I asked him if he had been taken prisoner by the U.S. government. “Yes,” he said, “I lived in a horse stall at the Santa Anita Racetrack.” He said it with a lot of feeling. He told me a little more, but that first statement was what stuck with me. I didn’t get the impression that he was upset by my question.

Eight years later, in February 1983, I was a senior economist with President Ronald Reagan’s Council of Economic Advisers. A government commission looking into the World War II imprisonment of all Japanese-Americans living on the West Coast had just come out with a report recommending that each person imprisoned be compensated with a check for \$20,000. Walter called me at my office to see if I could get him a copy of the report.

I told him I would do so and then asked, “So what do you think of the commission’s recommendation?” “I’m against it,” he snapped. He then went on to tell me that, yes, the Japanese-Americans were treated unjustly, but that the best thing to do for them was to move on and not create a new government program.

That comment has not only stuck with me, but also helped reinforce a belief I had then embraced and still believe today. I have always been a strong believer in justice. At the same time, I’ve seen many people get stuck in what I call “the justice trap.” They were badly treated, they want justice, and they *should* get justice. But the search for justice, when they don’t get it quickly (which they often don’t), can make them bitter and lead them to play “Ain’t it awful,” not moving on with their lives. One thing I like about watching professional sports is seeing how quickly players move on when they get a bad call from a referee, and how effective they are when they do move on. Seeing someone who was treated very unjustly as an innocent child but who did not hold a strong grudge reinforced my belief that the justice trap should be avoided.

### CODA

In his scholarly work, Walter accomplished much more than I have documented here, as a quick look at Google Scholar will show. But if one measures his accomplishments by his effect on the lives of literally tens of millions of young men, his focused work on the economics of the draft dominates all his other accomplishments. One of the most important economic freedoms is the freedom to choose your occupation. The military draft took away that freedom. Walter Oi resolutely worked to restore it. R

### READINGS

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