Interview with Herbert Klarman
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Conducted by Edward Berkowitz

Berkowitz: I'd like to talk with you about your life and your research too. I see you were born in Poland.

Klarman: Correct. Chmielnik is the name of the small town.

Berkowitz: And what brought your family here?

Klarman: It was a fairly typical thing. My father left in 1923; this was his third try to get here. At that time, there was a change in the immigration law, so he had to spend five years to become a citizen. Then his wife and children came over in 1929. Me, my sister and my mother came over in '29.

Berkowitz: How old were you when you came over?

Klarman: Twelve and a half.

Berkowitz: Twelve and a half, so you were born in 1916.

Klarman: 1916, December.

Berkowitz: What did your father do here in America?

Klarman: He was a very capable, what shall I say, handicraftsman. He worked in a metal box factory. If you have seen these postal boxes in apartment buildings, that's the sort of thing they did. He was a cutter, which meant he had the top job in the factory. But then something happened. They went on strike in '31 or '32, which, of course, was a hell of a time to go on strike, which they lost. He was a very proud man, wouldn't go back, so that's how my parents got into the candy store business. They had a candy store from about '32 or'33 until about '46, '47.

Berkowitz: Where was this candy store?

Klarman: The candy store was in the Bronx, but when I arrived we were in the lower east side for a few months. We arrived in May and then moved to Brooklyn, essentially Brownsville at that time, in the fall for me to get started in school.

Berkowitz: I see. So you must have done fairly well in school. You went to the public schools in New York?

Klarman: Absolutely. In fact, they put me in a special class, also my sister. There must have been, I don't remember, 20 of us or 25 in that special class from all over the world. The teacher didn't know any foreign language, just English. We had a daily spelling quiz, 10 words, and on Friday we got a spelling quiz of 50 words. Then throughout the semester people were graduated into regular classes. I remember the mid term came and I wasn't sent out, so I asked the teacher, "What's the matter? How come?" And the answer was, "You're a little older. I want to put you in a higher grade." And that's how after the mid term I was put into the 6B, a regular class. When I read about this bilingual education, I think, "Nonsense. That's not the way we did it then."

Berkowitz: What language did you speak at home?

Klarman: Essentially my language was Yiddish. But I learned

Polish in school. When I left there, I was in the sixth grade in the Polish public school and it took me a number of years to learn it. I failed Polish a few times, but in order to be left back you had to fail two courses, not one, so I was never left back. But by the time I left my sixth grade, I was already doing well in Polish and was probably number 2 in the class by then. But it took me a number of years to get there.

Berkowitz: I see. Where did you go to high school?

Klarman: One term in Brooklyn and, then, when we moved to Bronx, I went to James Monroe High School in the Bronx.

Berkowitz: Yet you got into Columbia rather than City.

Klarman: I went to City for one term, but I had learned through a sister of a fellow student that there was such a thing as a Pulitzer Scholarship. That's what I got: a Pulitzer Scholarship to Columbia. They are very different from the Pulitzer Prizes. It's the same person. These are about 9 or 10 scholarships that are awarded to graduates of the public school system in New York, and I was one of the recipients.

Berkowitz: Did you live at home during college?

Klarman: Yes. I think, looking back, that was perhaps a mistake. It certainly wasn't necessary financially, because the Pulitzer Scholarship gave me free tuition and $250 a year in cash. At that same time, I was also getting $100 a year from the state for my Regents' Scholarships. Do you know the New York Regents' system?

Berkowitz: Yes. You must have done pretty well in high school then.

Klarman: I did *very* well. I think the high school graduation was essentially *my* graduation. I don't remember how many medals I got, probably on the order of 8, 9, 10.

Berkowitz: My goodness.

Klarman: I did very well. In order to get the Pulitzer you also had to have some accomplishments at the extracurricular level, so I was the editor-in-chief of the newspaper, editor-in-chief of the yearbook, president of the French club—you name it. In fact, by my last term in high school teachers were after me would I join their class.

Berkowitz: That was quite something.

Klarman: What still impresses me is how supportive people were, how helpful all the teachers were. I can't get over it.

Berkowitz: So you went to Columbia. What did you major in at Columbia?

Klarman: It turned out to be economics, but when I started I thought I would try pre-law. But then I realized after a while that I didn't want to work as a lawyer as I knew one lawyer, the way he worked. Depending on recent immigrants for his practice. I switched to economics on the assumption that I'd probably wind up working for the government, which I think meant the federal government as a civil servant. At that time I couldn't be a high school teacher, which I would have loved to be, because I had a rather heavy foreign accent, Yiddish accent. That I took care of later. And there were no other opportunities. If you were the least bit observant you could see that no department at Columbia had more than one Jew. It was a very scarce opportunity academically. Anyway, I did major heavily in economics. I had a faculty advisor, but he was very lenient and I was taking lots of graduate courses. Indeed, I also took courses in the business school. Nobody was telling me that I couldn't do something. Anything I chose to do I did.

Berkowitz: Did you take courses from Wesley Clare Mitchell at Columbia?

Klarman: No. That I wasn't allowed to do because he had, what shall I say, a gatekeeper, a younger person who talked to people who wanted to go with Mitchell. That turned out to be Eli Ginzberg who proved to be very important in my life. He said, "No, you're an undergraduate."

Berkowitz: He was already on the faculty, Eli?

Klarman: Well, he was and wasn't. Eli had been hanging around Columbia ever since he was admitted as an undergraduate. You know his father was a professor at the Jewish theological school. He [Eli] was a lecturer, in other words not on a tenure track. That didn't come until after the war. So he said no. But instead he recommended that I take a course from this part-time lecturer—believe it or not—Milton Friedman.

Berkowitz: Yes. I know he was around there.

Klarman: No, he was at the National Bureau. That was his main job. The National Bureau at that time was in New York.

Berkowitz: He had studied with Wesley Clare Mitchell maybe.

Klarman: No, well maybe.

Berkowitz: Actually, maybe not, because he didn't go to graduate school at Columbia.

Klarman: He went to Chicago, and as an undergraduate at Rutgers. So I would say he had not. But Eli recommended him as a sort of substitute in theory, and it turned out to be an excellent recommendation, because at that time Milton Friedman was—what, maybe 25, 26 years old, and he was a superb teacher. Then it turned out when he went to Wisconsin in '39, I also went to Wisconsin in '39, so Milton Friedman and I became, I would say, almost social friends, not only fellow academics. I had a course with him at Wisconsin. Now, how did I happen to go to Wisconsin? Several of my teachers, some of them again part-timers, told me that it's very important that I lose my accent, and it was not a good idea for me to be either in New York or even reasonably close to New York. Try to get as far from New York as you possibly can. That's how I went to Wisconsin, because I had better scholarship and fellowship offers from Cornell and Yale, but I took Wisconsin. So that's how I got to know Milton Friedman, and that's how I went to Wisconsin.

Berkowitz: Who was your major professor at Wisconsin?

Klarman: My major professor was Harold Groves.

Berkowitz: He was a tax guy, right?

Klarman: Exactly. He had also been a state senator at one point.

Berkowitz: There was a Groves unemployment compensation bill, I believe, in the '20s?

Klarman: I don't know. Could be. I wouldn't put it past him. The man I got to know in Social Security and so forth was Ed Witte.

Berkowitz: Who was supposed to have been a very nice guy, from all accounts, Ed Witte.

Klarman: Superb.

Berkowitz: And very unassuming.

Klarman: Exactly. I took only one course with him, but he was a pleasure in every respect, so totally unassuming. You must have learned about Ed Witte from Wilbur Cohen. Wilbur Cohen, of course, that was his mentor, Edward Witte. That's interesting that you were there. Meanwhile the war has started, which must have had great meaning for you.

Klarman: The war started in December 8, 1941.

Berkowitz: If you had been in Poland, of course, it would have started in 1939.

Klarman: Exactly. I had gone to Washington from Wisconsin in November of '41. I took a job at the Treasury Department where Harold Groves was working on a special project for them, and I got a job with him, from him, in November. Then the war broke out, but my draft board, of course, was still in the Bronx, and they were very good about letting me finish a memorandum that I was supposed to do for Groves. So I went into the Army in August of '42. Basic training was at Upton, out on Long Island, the home of the future Brookhaven. Then from Upton, I went to Camp Lee, which was a sort of basic training for the Quartermaster Corps. I had sort of arranged without knowing what I was doing, that one day when I was still working at the Treasury—on a Saturday I remember—I called the Pentagon and said, "I have these credentials. Is there anything I can do about my assignment when I go into the Army?" They said yes and they were the ones who told me I could go to Quartermaster. And that's how I went. Then from Camp Lee I went down to Florida for OCS. At OCS I did well. By the way, throughout my basic military training I found all the sergeants, corporals always very helpful.

Berkowitz: Really. Not anti-Semitic?

Klarman: Not at all, not at all. I don't really know to this day why people were always so kind, so helpful, but they were. When I was getting out of OCS, they asked me where I wanted to go. I said, "Well, naturally I'd like to go as close to home as possible," so I was moved to Camp Upton, where I joined the Headquarters' Company. As part of the Headquarters' Company job, you moved troops from the reception station to training camps down south. What happened was, you took a trip down south on a troop train, but on the way back you took a regular train. You got eights cents a mile for that, extra money. And you went through Washington. Every train going south went through Washington. So one day, passing through Washington on the way back to Camp Upton—I didn't have to rush back, it was all right to kill a day in Washington—I went to my old stamping ground at the Treasury. And whom do I meet?

Berkowitz: I bet you I can guess.

Klarman: No, you won't guess it right.

Berkowitz: OK, tell me.

Klarman: Somebody by the name of Isaiah Frank.

Berkowitz: I wouldn't have guessed that.

Klarman: You would have guessed Eli.

Berkowitz: Eli Ginzberg, that's what I would have guessed.

Klarman: You were close. So Isaiah says to me, "What are you doing?" I told him I was at Headquarters and I was taking troops down south and I'm on my way back. He says, "You should be doing something more useful. Next time you're in Washington, please get in touch with me." So I got in touch with him the next time, and I go into a room. Isaiah was with the predecessor of the CIA, OSS at that time, and I see quite a few people, some of whom I knew. Like Harry Schwartz, later with the *New York Times;* he was a fellow undergraduate at Columbia and Pulitzer Prize winner. Moses Abramovitz, you know that name?

Berkowitz: Stanford economist.

Klarman: And they talked about, "What would be a good job for Herb Klarman?" And the answer was, "Look, Eli Ginzberg has just taken over this new division at the Surgeon General's office. That would be a good job for Herb." And they went ahead and moved on it. So I go back to Upton and nothing was happening. I thought the thing was dead, and then one day Eli calls and says, "Why aren't you in Washington?" And I said, "You know I'm in the Army. I need a transfer to be in Washington." He said, "What kind of nonsense! You need an order. Order, schmorder. You get here." And that's how I wound up at the Pentagon working for Eli, and for the first time, in the health field. That's how I got into health care.

Berkowitz: I see.

Klarman: He had a division of the office of the Surgeon General at the Army.

Berkowitz: So what exactly was your job with the Army in the Resources Analysis Division?

Klarman: I would say the mission of the division was to either help with or maybe do the planning for the hospital system in the United States. Some of it was just the local stuff, like all these posts, but the general hospitals were to take care of casualties all over the world. This was ostensibly our mission. And it so happened, I think Eli offered me the job, but working for him at that time was also a young man I knew from junior high school, Phil Schweitzer. So, I don't know, all these things happening, I moved to Washington in February of '44. I've skipped a lot of time, and I stayed in the Army until May of '46.

Berkowitz: Did you meet Gilbert Beebe in Eli's office?

Klarman: No, he wasn't in Eli's office. He was in Statistics. Eli's division was Resources Analysis. Beebe was in the Statistics. I still remember one of the first things I did when I joined Eli's staff was to go over to the Statistics Division. I also met there Harold Dorn. I met another man, Bob Myers, I think (I'm not sure about the first name), who later became the Chief Actuary.

Berkowitz: Robert Myers.

Klarman: Yes, that's it. He became the Chief Actuary for Social Security.

Berkowitz: I didn't realize he had a wartime job like that. I thought he was always working for Social Security.

Klarman: No, that came later.

Berkowitz: He had already worked for them. But that's interesting that he was assigned to something during the war.

Klarman: And I remember I showed off quite a bit during that first meeting by doing all kinds of mental arithmetic. I don't think it hurt me any, but I doubt if it did me much good. Eli was a very unusual character. He had all kinds of contacts that are almost inconceivable, unbelievable. The Surgeon General at that time was Kirk, and when Kirk went to see Somerfield, head of the Army Service Master Corps, who took him there? Eli. Eli started working on Eisenhower for Columbia. I remember him making calls at that time. Eli got to know Eisenhower's personal physician, Howard M. Snider. He had a fantastic set of relationships. I don't understand, if you know the Yiddish word, the chutzpah to do this. It's fantastic. But we did a lot of number crunching, and I would say I learned a lot. I remember looking at work sheets. I remember Eli met his wife there. She was Ruth Szold, a recent graduate from Cornell. I still remember one day I told her, "This is wrong and that's wrong," and she said, "You have a hell of a nerve telling me this is wrong when I spent all this work doing this. How do you know?" And I said, "The numbers don't gibe." So I learned something. I also remember I had to tell a secretary at the office that she had to prepare my vouchers. She thought that was personal work. And I said, "If you don't prepare my voucher, I don't get paid. And I want to get paid. So you either do it or you go elsewhere."

Then Washington was a great place to be because, in effect, I was really a civilian. You never knew, after you had arranged a dinner date with a couple of people, who else would show up. And there were other people who were there for much of the war. Joe Pechman was still there, and he became a lifelong friend.

Berkowitz: Probably his sister too, I'll bet, is a good friend.

Klarman: Well, that came later. I had met her, Dorothy Rice, at Wisconsin. She and I came out at the same time, she as an undergraduate.

Berkowitz: I don't think she got her graduate degree during that time.

Klarman: No. That's right. Dorothy Pechman Rice. In fact I still remember when she introduced Jim to Joe and me at the Little Vienna Restaurant. I don't know whether we were supposed to pass judgment or not, but I still remember that particular occasion. Joe was an important person in my life forever after until the day he died on the tennis court. In fact, I would say I was instrumental in him meeting his wife. I was dating her sister at the time and we arranged a blind date for Joe to meet her sister. That was Sylvia Massow whom he married. That came through the fact that I had dated her sister, Rosalind. There was another fellow student from Wisconsin, Jerry Kaither, Jerome Kaither. His brother was Philip Kaither, you may know that name, future ambassador and Assistant Secretary of State. And Henry

Kaither, called Husky Kaither, a labor lawyer. Your dad may know about him. And who else? I met Bob Dorfman at the home of the Geislers. I saw some of Ken Arrow.

Berkowitz: He's another smart city kind of guy.

Klarman: Oh, yes. Little did I know that these guys were going to be Nobel Prize winners. But they were around Washington at that time. By the way, Ken Arrow is a very nice man. What you said about Ed Witte applies to Ken.

Berkowitz: I've never met him. He went to graduate school at Columbia at the same time as my father was there, and, according to my father, he was always head and shoulders above the rest of the group.

Klarman: I didn't know him there. I met him later on also at Columbia in the late '40s when I spent a year up there. And then in '83 I happened to be out in Palo Alto to attend the graduation from law school of my younger son, Michael, and I called up Ken Arrow. No problem at all. We got together just to talk for a couple of hours.

Berkowitz: That's nice.

Klarman: Yes. Which is different from the way other people have behaved.

Berkowitz: After this experience in the war, did you decide to change your field, or was it a more gradual thing?

Klarman: It was neither gradual nor was it the result of a decision. What happened was, things really slowed down at the office when the war was over. Nobody was pushing me out and I had the chance to look around for a job. As always, Eli was very helpful, tried to get me a job in a college. That turned out to be Bowdoin up in Maine, and I didn't want to go to a strange area. I checked out Carnegie Tech at the time, and the pay was just lousy. And it became a question of would I go back to the Treasury or would I go elsewhere in the government. The Treasury was very slow in responding, so I wound up working at the National Income Division. And they were, really for the first time, really working on the national income statistics, starting with the year 1929. But all the judgments, all the theoretical decisions had been made, and all I was doing was just a lot of number crunching, so I didn't find that very interesting. It was dull, it was boring, so after a year I had the opportunity to go to New York where again Eli was very helpful in getting me a job at Brooklyn College. But Eli also didn't quite let go of me, because while I was at Brooklyn College, I was also helping him on a nursing study for a part-time job. Brooklyn College was very hard work, 15 hours teaching a week, high courses, three preparations.

Berkowitz: That's a lot.

Klarman: And I was also trying to get some of my dissertation published.

Berkowitz: What was your dissertation about?

Klarman: It was on income tax deductibility. State tax deducted from federal tax liability and vice versa where it happened. It wasn't terribly interesting, but that was my assignment. So after a year of teaching full-time, Eli again got hold of me for a full-time job, temporary. He was doing a study for New York State under the auspices of the Hill-Burton Act.

Berkowitz: Which had been passed relatively recently, 1946.

Klarman: He had enough influence at that time—Eisenhower was at Columbia, Dewey was in Albany-and he got both of them to intercede with the president of Brooklyn College, who was Gideonese, Harry Gideonese. Anyway, there was no question that I was given leave, and after that year, I remember I approached the chairman of the department at Brooklyn College, "Is there any way to get a lower teaching load than 15 hours?" And he said no. And on top of it, it wasn't very pleasant because the old guard did not really appreciate my presence. They didn't know exactly how I'd gotten there, but I was obviously somebody who had influence. I still remember one trick they played. The chairman put me on the most important committee of the department, whatever that was, and then they managed to arrange for the meetings of that committee to be while I was teaching. So, in effect, I was off the committee. So I went to work, having had this experience of commerce at Brooklyn College, for the Hospital

Council of Greater New York. And that was really my move into the health field. I didn't know that that was the way it would turn out, but it did.

Berkowitz: What kind of organization was the Hospital Council?

Klarman: It was a voluntary, non-profit outfit, presumably to coordinate the work that hospitals were doing, a planning organization. And then there was this special feature, namely, that New York State had some money to hand out to various organizations and New York State organized seven regions, of which New York City was one, and the Hospital Council got that assignment in which they would make the recommendations to the state for Hill-Burton construction grants. Somewhere the voluntary non-profit thing wasn't that pure.

Berkowitz: And, of course, Hill-Burton was very dependent on private initiative in every state for planning. Hospital administrators essentially ran the show.

Klarman: I would say that made a big difference in the stature of the Hospital Council of Greater New York, because people had to pay attention in case someday they might apply. Now, it also so happened that Eli always convened advisory committees when he did a project. He had a rather distinguished committee, one of whom was the executive director of the Hospital Council. That's why I happened to get to know him and take the job. I would say several months before I moved to the Council, I was beginning to have some feelings that this future boss of mine and I wouldn't get along well. I remember speaking to Eli, and he agreed with my perception that this was not a very nice man, but he couldn't come up with any alternate and I had to have a job. I'd already told Brooklyn no, and that's how I went to the Hospital Council of Greater New York in the fall of '49.

Berkowitz: I see.

Klarman: It's a checkered history, isn't it?

Berkowitz: Yes. What exactly were you doing for this Hospital Council?

Klarman: The job was Assistant Director. There was an Associate Director and a few other people, but I would say most of the people there were either secretaries or people who had been secretaries, women, with no training. One of them, by the name of Francesca Thomas, was a Smith College graduate, very smart, very nice, very lovely person, but she had no training at all in the field. And she reflected, I think, eventually, what I came to believe was true of most people who worked planning policy, that they didn't really know how to think about these things, so everything was a formula. Everything was done by the numbers. I would say I was the first person with some graduate training in anything there. The big boss was a physician, MD, and he had been head of the Council for several years when I got there. Again, he tried to be smarter than everybody, but he didn't have the tools for it. Which was basically true of all of the leaders in that field. And he was a control freak. I still remember one day, very early in my stay at the Council, I had lunch with a man by the name of Jack Burke. He was the head of the Hill-Burton office in Albany, and I'd gotten to know him because I'd worked for Eli on that study. Jack Burke and I just had lunch together, period. And when I came back, Pastore—that's the name of the executive director, John Pastore, he was a cousin of the future senator from Rhode Island—asked me, "With whom did you have lunch?" And I said, "With Jack Burke," and he said, "How come you didn't tell me?" I said, "We were just socializing," and he said, "Next time you have lunch with anybody, you'd better let me know." I had the feeling at that time that you mustn't move around too much. I'd already had two jobs for one year each. I gave myself a minimum of two years on this job, otherwise it will look bad on my record. So, I stayed, and in fact, about six months later I was offered a job at the Health Information Foundation. The pharmaceutical industry had established this outfit under an admiral named, is it Blandy or Blanding?

Berkowitz: I think the last one.

Klarman: Blanding? At any rate, I just told him, "I can't do it. I just came here." Then after about two years, I felt, "I better get the hell out of here," and—I don't remember just how I happened to know this, but I know Joe Pechman was very helpful.

He had already gone to Brookings at that point, because he had knocked around quite a bit too, after the war. I had located this man by the name of Harold Clark, nice man, at the National Security Resources Board. One day, still at the Council, I get a call from Clark. He said he wanted to talk to my boss, he wanted a recommendation. For some reason—I've never done this before or since—I stayed on the phone and Pastore just gave him a diatribe against me. When this was over, I said to myself, "Well, there goes my job." And I went to see a man by the name of Stenhope Bayne-Jones. He was then the head of the New York Hospital/Cornell Medical School complex. I knew him. He was a member of our board of directors at the Council, but I had met him before that when I was at the Surgeon General's office. He was General Bayne-Jones. I went to see him and I told him what had happened. He says, "Let me handle this," which he proceeded to do. He believed every word I told him because he knew Pastore, so the job did work out. I got it. It was a nice job with Clark. He hired me as what was then called a medical economist. It was still medical, not health.

In May or June of '52 suddenly the place is closed down, no warning. I'm out of a job.

Berkowitz: Who was sponsoring this National Security Resources Board? Was it a federal thing?

Klarman: It was a federal agency, part of the executive branch, located in the Executive Office Building, which is the old State Department Building.

Berkowitz: War/Navy/State, that big building.

Klarman: The one on 17th Street and Pennsylvania Avenue.

Berkowitz: Which was called War/Navy/State actually?

Klarman: I knew it as State. It might have been War/Navy/State.

Berkowitz: But now it's called the Executive Office Building.

Klarman: Correct. So suddenly I'm jobless. What did I do? I went to New York, moved back with my parents. That was the thing one did. And it was Francesca Thomas who was highly instrumental in getting me back to the Hospital Council. The thing was that before I left the Council, it so happened that one day Pastore had just seen his doctor who pronounced him fit, when Pastore just collapsed on the street and died. So that's how I happened to have stayed a couple of extra months in New York to sort of oversee the transition. At that time, the executive director—I'm very careful to say executive director because that was the permanent guy, the president of the Council was a volunteer—Anthony J. J. Rorke, had taken over after Pastore died. Rorke had been the head of the hospital at Stanford University.

Berkowitz: I thought actually at that time the hospital was in San Francisco.

Klarman: No, no. It wasn't. I'm pretty sure it was in Palo Alto.

Berkowitz: OK.

Klarman: It wasn't called Stanford. Palo Alto.

Berkowitz: Right. Do you know this fellow, Bob Glaser? He's a medical doctor type and very connected. He claims that he was brought to Stanford to move the hospital to Palo Alto from San Francisco.

Klarman: When was that?

Berkowitz: I think in the late '50s.

Klarman: You may be right. But somehow I didn't think so. Rorke had taken over the job, and he was glad to have me. It was no big deal. I think it was Francesca Thomas who really persuaded him to hire me. I actually received a couple of unemployment insurance checks. I must say it felt strange; I wasn't properly prepared for that. So that's how I went up to the Hospital Council again. At various times, when I tried to get another job, I think there was one hospital administrator who said he'd be glad to have me, but I'd have to take a pay cut because I didn't have the obvious credentials. It was understandable. At that time, what was I earning, about $6,000, but even that they couldn't pay me, or *wouldn't* pay me. I was at the Hospital Council for...

Berkowitz: Like a decade.

Klarman: Yes, yes.

Berkowitz: '52 to '62, that's a long time. Doing mostly administrative work?

Klarman: No. I would say, first there was Rorke, and Rorke had to leave the Hospital because as president of the American Hospital Association, his board of directors felt that he was neglecting the hospital. So, in effect, I would say he was fired, but maybe that's not the way they did it formally. Then he got into a controversy with the president of the Council, Norman Goetz, of Deprofkauer, Goetz, Rose and Mendelssohn, that law firm, if you know the names. And I would say, even then, I thought that Rorke was a good hospital administrator. He could actually do a white-glove inspection. He knew what to look for. But he didn't have any idea about planning. He liked to work for individual hospitals as they were renovating, refurbishing, and he took money for that, and Goetz thought that you shouldn't have any outside earnings. If you made money outside, you should pay it to the Council. And, in fact, there was at that time, a bit of a movement at the University of Chicago for full-time employees no outside earnings. At any rate, Rorke just wasn't about to give way on that, so that's how he had to leave the Council. We hired Hayden Nicholson. Nicholson had been dean at the medical school in Arkansas. I still remember, I was meeting with Goetz as sort of the acting director between Rorke and the next guy, and he showed me a letter. It was a letter to Goetz from Nicholson. Goetz asked me, "What does the letter say?" I said, "The man says no to the job offer." Goetz said, "You're just so wrong. He's just accepted the job." But that's the kind of relationship Goetz and I had. It was a very nice relationship, but it also taught me a lesson, which was, "Don't hire a man who really doesn't want the job." Under Nicholson, I really became the inside man. I ran the shop. I thought we had a good relationship, and maybe we did, but I also remember that once I was out for an operation—I think it was my disc operation—for maybe five or six weeks, and he had thoroughly reorganized the place, hired people, and I just felt it was not to get even with me, but just to assert himself, because there was no question that I was running the place. And I learned later from one of the people that had been hired, Joe Peters, that it was a different place when I was there. He said that I was an academic before I became an academic, which doesn't surprise me. It was a scholarly place. But I also learned how little we knew, how much there was to learn, and I was learning on the job. Thomas taught me things that I should have known, how to design a table, how to write heads, how to connect the table and text; those were little things. But I also introduced the idea of area studies instead of just hospital studies with the hospital at the center of a circle. In other words, where does the hospital get its patients? I learned something about how to draw a sample. I remember when I was at the Department of Commerce they were doing sampling, and they drew rather large proportionate samples. They would take, let's say, 10% of the physicians for their sample. We hired a man who had just gotten an economics degree at Harvard, and he told me that you draw a sample by the number, 1,000 or 1,500. I'd never heard of that. So I went to Washington to meet the man I trusted and had gotten to know earlier, Jerome Cornfield. I asked him, "What is this sampling business?" He showed me it was right, but when I came back to the meeting of the committee at the Hospital Council and told them about my visit to Washington to talk about sampling, they said, "Why do you bother us with this kind of nonsense?" I learned about committees. Another thing I learned about committees, I had good advice to offer to Nicholson. He always accepted it. So we brought some academics onto the committee. I found academics were not interested in working on things they knew. They were interested in making policy. But they had no background in that. So I would say all my appointments simply didn't work out. Not that Nicholson held it against me, but I knew that something was wrong, and I also realized something about boards. Goetz had said he loved that job, he'd never leave it, but when a bigger job came up, the head of the New York United Fund—I forget the exact name of it—he jumped. And his successor, T. J. Ross—you know of T. J. Ross, PR for the Rockefellers—he was the first vice president because of his Catholic Church connections, but he didn't have the slightest interest in the Hospital Council. He didn't want to be president, but he was president. So you learned that you couldn't really count on the volunteers to know anything. Oh, there were one or two exceptions. One of them was George Bugbee, who became very important in my life later on, but basically there was nobody who really discharged their responsibility if the staff didn't do it. And the staff was not particularly well prepared. One of the things I learned about staff was that obviously you hired them because they had certain qualities. OK. Use them for those qualities, but don't expect them to be good at everything.

Berkowitz: That's a very hard lesson that I find too. You may have a job that is supposed to do X, Y or Z, but the person you get may only be able to do Y, or he can do something else. You have to learn to live with it, with what they can do.

Klarman: Right, but you sort of have to do all of the filling in.

Berkowitz: And you have to be smart enough to see that.

Klarman: You didn't have any deputies. It was very hard work, but I also learned a tremendous amount. At some point, having worked on this and on that and feeling how inadequate I was, what with my background, I decided at one point it was time for the

Council to get into things other than just bed formulas. Do something about finances. Do something about capital spending, current spending, revenue sources, and so on. And I took advantage of an opportunity and that was Martin Cherkasky.

Berkowitz: Who was at Montefiore?

Klarman: Exactly. A very strong man, very powerful man, and a man I came to appreciate had very deep staff, top level staff. No other hospital came close.

Berkowitz: Was that in the Bronx, Montefiore?

Klarman: Yes, in the Bronx.

Berkowitz: Where in the Bronx?

Klarman: Where shall I locate it? Up north, on the east side, well above Fordham. Montefiore is more like 210th, on the east side. By the way Cherkasky really created the Montefiore you hear about. He had inherited something that was going through a transition, almost like a home for the aged. It was known as a chronic disease hospital. And he created this great big medical center that became a rival, and to some extent even outshone, Mt. Sinai. There was always competition among those Jewish hospitals, Mt. Sinai, Beth Israel, Montefiore.

Berkowitz: Does Montefiore have a university connection?

Klarman: They got that later when Einstein was established.

Berkowitz: So you had this opportunity with Martin Cherkasky.

Klarman: What happened was he had a small tuberculosis unit. The tuberculosis load was going down, so the city closed it. He felt they should have consulted him, maybe should have closed one of theirs before they closed his.

Berkowitz: Like Goldwater? Is that a tuberculosis hospital?

Klarman: No. That was a chronic disease hospital. There was a tuberculosis hospital but not Goldwater. Goldwater was on the island.

Berkowitz: Which is where James Shannon was at one point in his career.

Klarman: That's a name I don't know.

Berkowitz: James Shannon from NIH?

Klarman: No. NIH came later in my career. We'll talk about that. So the idea struck me that I can seize on this and say, "What are the proper relationships between the city and the voluntary hospitals?" Maybe they should have consulted and maybe they should have done something. Not that I felt very strongly about that issue, but I saw it as an opportunity to do something that had never been done by the Council, so I seized on that and created a special committee. I didn't go back to the old master plan committee. And that's how I got George Bugbee to be the chairman of a committee. I really sort of hand picked it. Did a big outline in which I asked myself, "What kind of data do I want and what will the data be used for?" And I realized, maybe should have realized earlier, that some data can be used to answer different questions, not just one question. It can be used interchangeably. I worked on that very hard, and Francesca Thomas was just wonderful. She became, in effect, my chief statistical clerk. She was glad to do anything. I'd been good to her. I'd gotten her a raise at one point, but it was more than that. I think she liked the fact that I had learned from her, that I was a good pupil. So she worked very hard on the numbers for me. I had set certain targets like learning about quality of care, and I would say the staff didn't produce on that. But you learn when you do a big project, not only will you lose some, but you will also gain something that you never thought you were going to do. One of the things, I had done—and that was one of the things I had gotten from Rufus Rorem, if you know that name.

Berkowitz: Yes, these names are all very familiar to me. Where was he at the time?

Klarman: By '62 he may have been in Pittsburgh by then. He had left Philadelphia.

Berkowitz: And this George Bugbee, where was he?

Klarman: George Bugbee at that time was the successor to Blanding on the Health Information Foundation. That was a big job. Previously, he had been the head of the American Hospital Association. And before that he had been a hospital administrator in Cleveland. Bugbee was the first full-time executive who took the title of president of the AHA. For some reason, Bugbee and I had become rather friendly over the years. He relied on me, and he became very important in this project, because when we finished the job, I had written a long memorandum and assumed it was going to go out in the usual way from the Hospital Council management. He said, "No. Look, you did all this work. It should go out under your name." So he was the one who got me an authorship for the first time. At that time, I also started looking for a publisher, and I also said to myself, "If I'm ever going to get into academia, this is the time to go." In fact, I remember the man at Columbia University Press telling me that he wasn't at all surprised that, having gotten this book done, that I was looking for an academic job. Apparently it was fairly common.

Berkowitz: Was this book *Hospital Care in New York City*?

Klarman: Exactly.

Berkowitz: What was its thesis or was it descriptive?

Klarman: It was more descriptive than anything else, but also the uniqueness of New York City. I started to tell you something about Rufus Rorem. He often had very sage advice. He said to me once—I don't remember what the context was—"If you want information from people, *give* them some information." So when I sent out a questionnaire to ten hospital councils in the country, I gave them information with the same questionnaire from New York

City. Now it also had the extra value that it meant that I had produced a much better questionnaire because I had to answer it, but the net result of his advice was 100% response. Obviously I should have sent it out to more organizations. I think this was one of the smartest things I've ever heard in my life, but you have to learn these things. They don't teach it to you in school. So I would say it was essentially how New York City hospitals operated. It was voluntary mostly, non-profit mostly, and—what didn't quite fit—was the big city role which they were trying to restrict a little bit.

Berkowitz: Was there already a Health and Hospitals Corporation?

Klarman: No. That came later.

Berkowitz: So these hospitals that are part of that, like Bellview, was just a regular hospital?

Klarman: It was a public hospital. Bellview was different from most of the others, because Bellview was managed by all of the relevant medical schools, Columbia, Cornell, NYU, and also there was a post graduate medical school. I don't remember under whose auspices. So there were four different parts to Bellview. And it was very interesting that that's how I learned to talk to deans, and I became rather negative about talking with deans. I never felt that I got straightforward information from them. They were always managing their own agenda. It was very interesting. Then I looked around for a job. There were several different opportunities, at Brandeis, at the state medical school at Connecticut, but I went to Hopkins because they were the only ones who didn't expect me to raise my own money. It was something I was simply not used to. I don't think I would have known how to raise my own money. I went to Hopkins in '62 and that really changed a good deal. It changed in many respects. One of the projects I took with me was a commission by Victor Fuchs to write a paper on—what shall we say—the empirical aspects of health economics. How did Victor get into that? Well, he had been a full-time member of the School of General Studies at Columbia, and he got out of that and took a job with the Ford Foundation. He expected to be there only a short time and he designed a project on HEW, Health, Education and Welfare, with two authors each, one theory and one empirical. Health was Arrow and, at first, Rufus Rorem. Victor didn't like what he got. I've never seen that product.

Berkowitz: This paper by Arrow was quite famous, wasn't it?

Klarman: Yes. It's his one paper in the field. Then in education he put Schulz, Chicago, and Kaysen, Harvard, who then joined the Kennedy administration. Welfare was supposed to be Margaret Gordon and Bob Dorfman. Dorfman spent a year at Berkeley and then when he got back to Harvard decided he wasn't going to get involved. So that's how it became a Gordon project, a Schulz project, and then the Klarman thing simply because I found that I couldn't write a paper in the time that Fuchs wanted it. He was rather disgruntled, but it turned out I simply didn't have enough information to work with, so I had to create something out of nothing. That's how it became *The Economics of Health.*

Berkowitz: That was published in '65?

Klarman: Yes, published in '65. I had written it probably, maybe as late as '64, and I simply went back to Columbia because they were the only people I knew at the time. Actually I didn't read the Arrow paper quite deliberately, because I didn't want to be unduly influenced. I rather thought that he could make it almost impossible for me to write anything. I think it was a correct judgment. I managed to get it back into my references because I felt I owed it to him, but I had not read it when I was working on the manuscript.

Berkowitz: What is the title of that Arrow paper?

Klarman: I don't remember exactly.

Berkowitz: Your book then, published in 1965, what are its salient ideas?

Klarman: Simply I would say more that economists didn't have much to say yet, and I talked about the Friedman, Kuznets book on professional incomes. I don't know whether you know that book?

Berkowitz: I don't know that book, but that's Simon Kuznets?

Klarman: Yes.

Berkowitz: A good collaboration.

Klarman: Oh, excellent. Well, the National Bureau.

Berkowitz: Yes. Which Fuchs was associated with, too, at some point, wasn't he?

Klarman: No. That came later. Fuchs, after the Ford Foundation, got himself as the western region representative of the National Bureau. That's how he got out to Stanford. Got a job at Stanford, but the National Bureau job disappeared when Martin Feldstein took over. He's a great big entrepreneur in every respect. I have a lot of regard for Martin Feldstein.

Berkowitz: He's also a health economist.

Klarman: Well, he started out that way but didn't stay in it. I got to know him reasonably well. I have very high regard for him, but you can't get in his way. So, here I am at Hopkins and the day I arrived there were two letters waiting for me. One invited me to join the Health Services Research study section. I'd never even heard of them, but that comes with being at Hopkins. You know, you're near Washington and all the influence. And the other letter was from a nephew of mine, Howard Machtinger, telling me that he'd been turned down by Columbia even though his grades were good. At that time the acting dean at Columbia was a fellow classmate of mine, John Alexander, so I got in touch with John and asked him what happened. He said he didn't know, that the application must have been considered when he was out of town. He would look into it. And when he looked into it, he not only admitted Howard but he also gave him a Pulitzer Scholarship. So that's what happens if you know the right people at the right time. Of course, membership on that study section turned out to be very, very important in my life, extremely important. I didn't even know that I was doing health services research. In fact, it reminded me very much at the time, since I was a close student of French drama, of M. Gentilhomme. He realized he'd been taught prose all his life, I didn't know I'd been doing that.

Berkowitz: This was the Health Services Research Study Section of?

Klarman: Of the National Institutes of Health.

Berkowitz: This was an offshoot of an earlier thing from the Hill-Burton program?

Klarman: It could well have been. I never made that connection. It's a good question. I don't think that the Hill-Burton thing would have been at the NIH.

Berkowitz: No, it wasn't. But I think this was some kind of successor to that.

Klarman: It could well have been.

Berkowitz: Maybe it was part of the Public Health Service but wasn't in the NIH. So that you started doing in 1962.

Klarman: Yes. In fact, when I went to the first meeting, it was still chaired by Cecil Sheps for one meeting. Then Kerr White took over.

Berkowitz: And Kerr White, was he at Hopkins at the time or not yet?

Klarman: Not yet. I think I had something to do with that later.

Berkowitz: Tell me about the nature of your appointment at Hopkins. You're in the department of public health administration.

Klarman: That was the name of the department, John Hill chairman.

Berkowitz: Was it in the School of Hygiene?

Klarman: School of Hygiene and Public Health, that's the formal name.

Berkowitz: And of political economy. Did you also have an appointment in the economics department?

Klarman: Well, we went through the motions that I had a appointment at Homewood. That's not a department of economics, you know. It's a department of political economy.

Berkowitz: Well, they have the right to call themselves that.

Klarman: Yes, they can call themselves whatever they choose. So, I had a joint appointment, but they didn't pay my salary. I always taught a course there, but I don't think they even paid the School of Hygiene for that. I would say they just had a bonus. I found that I got along well with some of their people, got to know them well. Like Carl Christ, if you know that name, a great econometrician. Ed Mills, who unfortunately left. Mark Perlman.

Berkowitz: I know, Mark Perlman is Selig's son.

Klarman: Exactly. I knew Selig before I knew Mark.

Berkowitz: Another Columbia Ph.D.

Klarman: Yes. The year I was there he was up there. He was very influential, I think, in getting me the School of Hygiene appointment. He was then at Hopkins in the department of economics and he was working closely with Timothy Baker in the School of Hygiene. He was rather outspoken.

Berkowitz: He's a character, Mark, absolutely.

Klarman: He pushed me hard, and I think I owe him that job. But he'd also written some stuff in the health field, and I just don't think he'd done his homework.

Berkowitz: He's also friends with Milton Friedman, I believe. Milton Friedman became friends with Selig Perlman in Wisconsin. He thought he was the only Jewish person he found in Wisconsin.

Klarman: I took a course with Selig. I would say Selig was much too sure of himself. I still remember in one lecture he called Stalin a pacifist.

Berkowitz: He might have later regretted that.

Klarman: People shouldn't be that cocksure of themselves. On the other hand, people who are not that way probably are not terribly successful. They don't get to the top of the ladder. Anyway, I had gotten to know Mark a little bit the year I was up there working on that Hill-Burton study. He must have remembered me from Wisconsin. He was a kid when I was there, and I would guess I probably visited the Selig Perlman home once or twice, but not more than that. The people whose homes I visited quite a bit were the Friedmans, believe it or not. Not so much in Madison but in Chicago later on. I got to know his wife and children. Another person whose home I visited a lot was Walter Heller. He was a fellow student but not quite. When I came there, he was traveling around the country studying the state income taxes. He was a year ahead of me.

Klarman: He'd be in the same field, I guess.

Berkowitz: Yes. Under Groves. I remember we used to play poker at Walter Heller's. His wife—I forget what her first name was, but she was called Johnny because her maiden name was Johnson—was the daughter of a dean, one of the few women deans. We played poker there. Then Walter did a couple of very nice things for me later on. One is, the summer before I decided to go to Washington, I decided to get in all my course work, so I took a summer course that Walter was teaching in public finance. It was a decent course. What do you expect from a summer course? And he did something that had never happened to me before—or since. When the mid term papers were done, mid term exams, he read my answers to the class as a model for how you should write an exam paper. The answers were clear and terse, to the point, that's how you should write. I would say it was the first time I really felt maybe I had learned my English. It was a great accomplishment. Walter was around Washington during the war, and I remember when the war was over and we were talking about looking for a job, he said, "Why don't you submit the memorandum that you wrote for Groves as a dissertation? They'll be decent about it. They know you were in the Army. They're not going to make a big fuss." He was absolutely right. And then I still remember that whenever I was in Minneapolis/St. Paul, I would visit the Hellers. He once told me how Walter lived when he was teaching at Minneapolis. Well, he would teach for two weeks a month, and for two weeks a month he would be out on the road speaking and making money. Sometimes on the speaking tours he would work with Milton Friedman, sort of debate. He told me Milton would very often concede any number of basic points, postulates, but he would always win anyway. That's how good Milton was at debate. I have no doubt about that. These are my recollections of Walter Heller. I had no idea he would turn out to be such an important figure in Washington under Kennedy. The thing about him is that he never changed, towards me anyway. He was still my old friend, good old friend. It was a pleasure to know him.

A much closer friend over the years that I got out Wisconsin was Joe Pechman. He helped me get that job at the National Security Resources Board, and he certainly helped me get that job at NYU because he knew Dick Netzer, the dean of the school. When Joe spoke, people listened. He was a very tough taskmaster. Joe and I would often talk, and we didn't always agree, but, you know, economists don't have to agree. Milton Friedman and I didn't agree, but it didn't mean that we weren't friends.

Berkowitz: That's interesting because Milton Friedman, it strikes me, really believes the stuff he says.

Klarman: Not quite. His wife does. You know that new book?

Berkowitz: His autobiography? My dad is reading it and he says it's very interesting. He talks about Eli Ginzberg in that book.

Klarman: I mean to get that book, because I want to see whether my recollection of the home life is the way they describe it. Because I would say—you know, she was a sister of Aaron Director at the law school, and he was much more strongly opinionated than Milton. But I got, being at their home, that she was much more partisan than Milton was.

Berkowitz: That's interesting. I've seen him speak.

Klarman: I don't think many people have gotten that. In fact, after the war, one opportunity I didn't mention because I didn't seriously consider it—I felt I had to go to work, I can't stay in school forever—Milton offered me a post doctoral fellowship at Chicago. I must have thought, well, you know about me, but I think looking back, maybe I should have taken it. I did not get what I would say was a good education in economics at Wisconsin. I did much better in political science at Wisconsin. And, surprisingly enough, that's where Milton was very helpful. He established very nice connections. I remember we'd have lunch very often with a man by the name of Willard Hurst.

Berkowitz: Yes, Willard Hurst is a legal historian.

Klarman: Right, but he wasn't anybody yet when I knew him. He was just a very bright young fellow, very nice man. Can you imagine having lunch with Milton Friedman and Willard Hurst?

Berkowitz: That must have been quite something.

Klarman: Oh, it was. I had these splendid opportunities at various times. I still remember once having lunch with Harold Lasky at Columbia. The man I got to know at Wisconsin who wasn't at Wisconsin but would visit Wisconsin, Oscar Langer. Can you imagine? I remember being at the Rathskeller, the Union, with Oscar Langer repeatedly. The opportunities that I had! One name I must bring in that I haven't mentioned, and then I'll resume my career in research, is that during the war the Deputy Surgeon General was General Lull. He later became the executive director, the head of the AMA. Can you imagine the kind of inside I had having gotten to know Lull at the Surgeon General's office. I remember one brief session I had with Lull at the Pentagon. The war was over, the top people were traveling around the world. Kirk was out somewhere, either in Europe or Japan. Eli Ginzberg was out with him. So I was in charge of the division. Lull was in charge of the whole operation. So we met from time to time, and one of the pieces of advice he gave me was, "When Kirk is back, you want to be sure that your findings are there's a shortage of orthopedists—Kirk was an orthopedic surgeon—and there's a shortage of orthopedic mechanics. On everything else you do what you think is the right answer, but on this, these are givens." How do you like that for advice?

Berkowitz: Probably made a lot of sense.

Klarman: But for the opportunity to *get* that kind of advice! Who had such access? Which meant that I could see anybody I wanted to at the AMA. That's how I met Dickenson who was there medical economist.

Berkowitz: We were talking about your being at Hopkins.

Klarman: I got there in May of '62.

Berkowitz: You talked about the one project you did for the Ford Foundation.

Klarman: Yes, for Victor Fuchs.

Berkowitz: And what was your other work that you did at Hopkins?

Klarman: At Hopkins? Well, I found myself teaching. I had a course in public finance at Homewood. I had a course in health economics at the School of Hygiene. In addition, I also participated in the lectures in the basic course in public health administration. I remember the faculty who participated in that. Not many months later, I got an invitation from Brookings. I'm sure Joe Pechman had something to do with it, but ostensibly it was from Bob Dorfman who was heading up a project for them, a conference on public health expenditures, and I was to do something in the health field. But it was made very clear that I was to have numbers, not just talk. They wanted something quite concrete. So I went to see my chairman, my boss, John Hume, and asked him who would be a good person at the medical school to advise me on some aspect of medical care, some category. As we talked, he said, "The only thing I really know has to do with these sexually transmitted diseases. I'd be very glad to be your medical consultant on that." So that's how I got to do the paper on syphilis. My relationship with John Hume, who, by the way, just died a few months ago, was a very good one. I think we had mutual regard for one another. He helped me and I helped him. At one point, you know that the new town of Columbia was being organized?

Berkowitz: I know that Hopkins was interested in starting a prepaid group plan.

Klarman: Exactly. Well, I was the one who advised John, who was going to a meeting on that issue, to not do it. How did that happen? One morning he called me in and had an afternoon meeting. Here were some of the papers. He wants me to read the materials he had for that meeting and he wants my comments. So I read them, and it was a proposal to establish a prepaid group practice unit at Columbia. The plan had been drawn up by an assistant hospital administrator at Hopkins.

Berkowitz: It was that fellow who became a big thing in the health bureaucracy.

Klarman: I don't think so.

Berkowitz: I'll think of his name.

Klarman: I'm talking about an assistant, not the top guy, and he used data from the Kaiser Permanente people. By then they had started issuing data, which they did not do in their early years. As I read it, and don't ask me what made me think of it, I said, "There's no transition period. You establish the unit. You staff it. You hire full-time faculty, but your patient subscription list builds up slowly. You're going to lose a lot of money. If you're willing to take that loss, no harm done, but if you're not willing to take that loss, don't do it." That was my advice to John Hume, and that's how Hopkins did not get into it. Little do you know how these things work. I would say that John always listened. I was very much in favor of having people read their seminar papers for their colleagues and get advice, but at one point somebody suggested that you not publish until it's approved by your group. I said that's censorship. There's a difference between reading it and getting comments and help, but not censorship. I also thought that the teaching in the public health administration course was very slipshod because everybody would have maybe one session or two sessions.

Berkowitz: They weren't really in charge of the course, so they could just go in and out.

Klarman: There was no relationship to anything. I reworked the course form and gave every member of the faculty a block of lectures. Now, I don't know how much of an improvement that was. Basically, over the years, I became conscious of the fact that there was relatively little interest in teaching. Teaching got practically no attention. I don't know whether that was the cause, but I think the project grant for research had some bearing on it. Because on the project grants you had no time to really think about teaching. And I think not only do you have to worry about your introductory course, you have to build a series of layers for the next course and the course above that. I hadn't seen that anywhere. But those are my interests in teaching.

Having been chosen for the Health Services Research Study Section, I found myself invited to this committee, that committee, lots of that. The *vita* tells you that. But most of them didn't turn out to be of any importance with one exception, other than the Health Services Research. That was the one on kidney disease. That was headed by Carl Gottschalk from North Carolina. It was a very interesting group and it was a committee I really didn't want to join. I told them, "Look, I don't know anything about kidney disease," and I was going to Europe that summer. And they just waited until I got back. They had already begun deliberations, but I joined them. Jerry Rosenthal was the other economist. He was one of the Harvard products. Jerry is just a lovely person, very bright, articulate, and totally disorganized and a bad administrator. He had all the virtues on the one hand and all the defects on the other. Jerry and I would talk endlessly. It turned out that at that time Charlie Schulz of Brookings was the budget director, and he wanted a cost-benefit analysis done. I had been persuaded by Tom Shelling's article in which he talks about how you measure benefits by willingness to pay. In other words, everything that had been done to date was just wrong. I had used the Mushkin method myself—Selma Mushkin—in my syphilis paper, but I decided that for policy purposes, now that I'd read Shelling and agreed with him, that that's how we'd have to do cost effectiveness. Jerry and I must have talked endlessly, but I persuaded him. He's a nice, friendly type. I did that analysis for the committee, and after the committee itself—they had some very distinguished physicians—would all give you estimates of what it cost to do a kidney dialysis, kidney transplant, they gave all kinds of figures. But when I came up with my figures, there wasn't a peep. They were just accepted. How did I do that? I used what I learned in accounting, that when you have a multi-product firm, you can do all kinds of things with how you allocate the overhead. So try to find an outfit that does this kind of work that doesn't have any other product. And I found one. I went to see them. That's how I got my numbers on what it cost. Then you need a measure of output or outcome for cost effectiveness. Bernie Greenberg was either a member, I don't' remember, or just a statistical consultant.

Berkowitz: He's from North Carolina.

Klarman: He was obviously brought in by Carl Gottschalk. I don't remember just what his status was, but he came up with the numbers on life expectancy. I came up with the numbers on cost, I had the numbers on outcome, so it was very easy to do the cost effectiveness and Charlie Schulz got what he asked for. The thing I learned from that experience was I was so pleased, so proud of myself, I wrote up the damn thing. Oh, and I'd gotten agreement from Gottschalk before I did anything that if I wrote something for the committee that I thought was worth publishing, that I could publish separately. He didn't see any problem with that. So that's how got an article out of committee work, which explains why most people don't do any work for committees. I got quite a bit of value out of it. But I sent off the first draft, and there was no problem getting it published. People were eager for that kind of thing. Thinking back, that was a mistake, because I don't do good, lucid first drafts. Eli Ginzberg does that. I don't. I've learned that with any letter I write now, there's a second draft. Well, that's life.

Berkowitz: Tell me about Kerr White that you said you had some role in bringing to Hopkins.

Klarman: At some point—Kerr was at North Carolina, he had left Vermont and gone to North Carolina. I thought he was a very fine chairman, excellent. A good listener but kept things moving. Having seen other chairmen where you never quite knew where you stood—how many things on the agenda have you covered?—with Kerr you always knew. And he also got the Study Section, which ostensibly was passing only on applications, to do a big writing project. He also got us to go on very good field trips. He was an expert at using PO. Do you know that one? There was some money that various counties got. It was US government aid to them and they could use it any way they wanted. Kerr got me two trips to Yugoslavia, and then he had a whole group go to Scandinavia on PO. Another thing about Kerr was that he knew about everybody in the field including students. He knew about Martin Feldstein when Marty was still at Oxford. So I wasn't at all surprised when Marty came for an interview at Hopkins. I said it was a marvelous post Ph.D. exam.

Berkowitz: How did you get Kerr to come to Hopkins? You suggested him?

Klarman: I suggested him to John Hume. There was nothing to it. And then other members from the Study Section—Sar Levine came from there. Phil Barnard came from there. They joined Kerr White's division which was set up. He had gotten some big grant to do worldwide studies. One of the things I learned is that a man who is a very good committee chairman—and I don't mean at all to belittle it—isn't necessarily a good researcher. I think they're different qualities. I don't think we recognize that field. In the medical sphere, chairmen are all powerful, but you give the power to the wrong people if you pick a scholar. They don't know how to deal with people.

Are we up to why I left?

Berkowitz: Yes. Why you left.

Klarman: I left because John Hume was losing his chairmanship and was becoming dean, successor to Stebbins. A search committee was appointed to look for a chairman and not only wasn't I picked, I wasn't consulted. In fact, I was told by the chairman of the committee that if I wanted to have influence, give advice, I'd better go to Homewood, not to the School of Hygiene. And this was somebody who was a good friend of mine, very friendly. But that's the way it was. And the person from the department who was a member of that committee was an emeritus professor. I thought as an emeritus I would never accept such a job. So that was my problem. Mary and I had just got married at the end of '67, and she had always felt discriminated against as a woman. Her salary was very low. She was an associate professor for many years, didn't see a promotion coming. So she was rather eager to leave and I didn't mind leaving because of what I told you before. We went to join Duncan Clark, a member of the Study Section whom I had gotten to know. I'd been warned by people who had worked for Duncan that he was an autocrat, but I felt that couldn't possibly apply to me. We were good friends. We're colleagues. Well, it turned out I was wrong. So within three months I decided to leave Downstate.

Berkowitz: That was the job at Downstate Medical Center, the Department of Environmental Medicine.

Klarman: That's right. And I started looking around for a job. Mary didn't move that abruptly, but she also went.

Berkowitz: What is her field?

Klarman: Epidemiology.

Berkowitz: So then you went to NYU.

Klarman: I looked around, and I didn't have too many options because Mary was working in New York. I felt I had to stay in New York. I don't remember who it was, maybe it was Joe Pechman who got me to meet Dick Netzer, but somehow I did. And Netzer was a very bright man, very nice to me but rather rough on the edges. He made sure that I didn't meet anybody else from the school. That should have given me some caution, but it didn't. So that's how I wound up at NYU.

Berkowitz: At their Graduate School of Public Administration.

Klarman: Yes. They've changed their name. They're now the Robert Wagner School.

Berkowitz: You continued in health?

Klarman: Very much so, but I taught different courses at the Graduate School. I taught courses in economics and courses in health, health economics and health planning, public expenditure analysis and cost benefit analysis. I tried very hard, and I think somewhat successfully, to keep the readings separate. In other words, there was one student who took everything with me. There was very little duplication, if any, among the courses.

Berkowitz: What made you move back to Baltimore?

Klarman: Oh, that was another issue. Mary was at New York Medical College. It was a job that had no interest for her. It was not much of a job. There were no colleagues. It was a lousy job. She had this offer suddenly from the then-head of the department, Leon Gordis, with full professorship. She was very hesitant because I was still in New York. I said, "You take it and we'll commute." It turned out that I did most of the commuting, but it was a very good job for her, a superb job. In fact at some point she became deputy chairman, never used as such, but it meant a very nice retirement package. I think it sort of made us rich. For some reason I was very good at giving her job advice. Maybe a year or so after her arrival, there was a big turmoil at the department. People were revolting against the chairman. I don't know just what was going on. I remember my advice was, "You stay out of it. Have absolutely nothing to do with it." She took my advice and when the whole thing was over she was given the deputy chairmanship. I don't think Leon knew how to use a deputy.

Berkowitz: All right. Very good. I think that's a good place for us to stop.