



Econ Journal Watch, Volume 2, Number 2, August 2005, pp 362-376.

## CHARACTER ISSUES



## The Role of Economists in Ending the Draft

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Abstract, Keywords, JEL Codes

ON JANUARY 27, 1973 CONSCRIPTION OF MEN INTO THE U.S. military ended, and on June 30, 1973 the law authorizing conscription expired. Conscription, henceforth referred to as the draft, had been in existence since 1940, except for a period from March 1947 to June 1948. Richard Nixon had made ending the draft an issue during his presidential campaign against Hubert Humphrey, a strong proponent of the draft. Nixon even went so far as to devote a whole radio address to his proposal to end the draft on CBS on October 17, 1968. It was around that time that I started following the issue closely, reading extensively in the popular and academic literature about the politics, economics, and history of the draft. Despite President Nixon's apparent commitment to volunteerism, as it was then called, almost no one I talked to between 1968 and 1970 believed that the draft would end soon. A powerful coalition of southern Democrats, in both the Senate and the House of Representatives, along with some Republicans and northern Democrats, strongly supported the draft. Political opposition to the draft seemed scattered, consisting mainly of various statist and conservative Republicans and some statist Democrats. Yet, less than five years after Nixon's radio address, the draft was over.

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Thirty-two years later, it has not reappeared, despite a serious effort in 1979 to bring it back.

How did it end so quickly? I believe there are two reasons. First, 1972 was the first year in which people aged 18 to 20 were allowed to vote. President Nixon probably sensed a base of support among these new voters, and many of the males in this group would presumably appreciate not being drafted. The second and, I believe, more important reason is that economists in the mid to late 1960s did extensive work documenting the tremendous human cost of the draft and laying out a systematic and strong case against the draft and for an all-volunteer force. Economists from across the political spectrum, but especially from the classical-liberal, promarket end, were very active in this work.

A caution to the reader: Those who share the late George Stigler's view that economists have nothing to tell policymakers that they don't already know will not, most likely, be persuaded that economists have influenced draft policy. I have no way of proving, beyond a doubt, that economists have, in fact, had such an effect. However, my contention that they have is based on my close observations of the draft debate that has taken place over many years. What follows is not a rigorous test of the effect of economists on policy, but rather a story about their involvement, along with some documentation.

One of the first empirical studies of the economics of the draft and of ending the draft was done by Walter Oi (1967a, 1967b), an economics professor then at the University of Washington and later at the University of Rochester's Graduate School of Management. In his study published in the Sol Tax volume (Oi 1967b), Oi distinguished clearly between the budgetary cost of military manpower and the economic cost. Oi granted the obvious, that a military of given size could be obtained with a lower budgetary cost if the government used the threat of force to get people to join—that is, used the draft. But, he noted, the hidden cost of this was the loss of well-being among draftees and draft-induced volunteers. Using some empirical methods that were sophisticated for their day, Oi estimated the loss to draftees and draft-induced volunteers and found it quite high—between \$826 million and \$1.134 billion. While this number might seem low today, Oi's data were in mid-1960s dollars. Inflation-adjusted to 2005, the losses would be \$4.8 billion to \$6.6 billion.

Oi's study was one in a long line of articles by economists who used empirical methods to estimate the labor supply of first-term enlistees. Other economists who contributed to the literature at the time were Stuart Altman (1969), the late David Bradford (1968), Alan Fechter (Altman and Fechter

1967), Anthony C. Fisher (1969), and W. Lee Hansen, and Burton Weisbrod (1967). Their articles appeared in such prestigious economics journals as the *American Economic Review* and the *Quarterly Journal of Economics*, which, in this author's view, were more open to publishing articles on important policy issues than they are today. Although it was sometimes not clear whether the economists who did the empirical studies were against the draft, their evidence made a strong case that an all-volunteer force was quite viable, even in the midst of a fairly intense war such as the Vietnam War. One had the feeling also that the economists who wrote about it were, to a man, against the draft.

In my opinion, just as important as the academic-journal articles, were the activities by economists making the case against the draft to a general audience. The most famous economist in this category was Milton Friedman. In December 1966, various prominent and less-prominent academics, politicians, and activists were invited to a four-day conference at the University of Chicago. Papers were commissioned and the people who wrote them gave summaries, after which the discussion was open to all. Fortunately, the discussion was transcribed. The papers and discussions appear in the Sol Tax volume referenced earlier, which came out the following year. The invitees included two young anti-draft Congressmen, Robert Kastenmeier (D-Wisconsin) and Donald Rumsfeld (R-Illinois), and one pro-draft Senator, Edward Kennedy (D-Massachusetts). Also attending were pro-draft anthropologist Margaret Mead and anti-draft economists Milton Friedman and Walter Oi. Friedman gave the general economic and philosophical case for a voluntary military in his presentation, "Why Not a Voluntary Army?" Reading through the whole Sol Tax volume, with all the papers and transcripts of the discussion, I had the sense that there was a coalescing of views over the four-day conference, as people from various parts of the ideological spectrum found that they shared a strong antipathy to the draft and that the economists had a surprisingly strong economic case against it. Friedman's speech and his various comments at the conference still make compelling reading. One of his best rhetorical flourishes was his criticism of the charge that those who advocate ending the draft are advocating a "mercenary" army. Friedman said:

Now, when anybody starts talking about this [an all-volunteer force] he immediately shifts language. My army is "volunteer," your army is "professional," and the enemy's army is "mercenary." All these three words mean exactly the same thing. I am a volunteer professor, I am a

mercenary professor, and I am a professional professor. And all you people around here are mercenary professional people. And I trust you realize that. It's always a puzzle to me why people should think that the term "mercenary" somehow has a negative connotation. I remind you of that wonderful quotation of Adam Smith when he said, "You do not owe your daily bread to the benevolence of the baker, but to his proper regard for his own interest." And this is much more broadly based. In fact, I think mercenary motives are among the least unattractive that we have. (quoted in Tax 1967, 366)

Next to this passage in my dog-eared version of the Sol Tax book, which I purchased over 30 years ago, I wrote one word: "Wow!" This is rhetoric at its best, a tight argument passionately stated.

Two of Friedman's comments about this conference are worth noting. Writing some 30 years later, 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" (Friedman and Friedman 1998, 377). Friedman's other comment is worth citing:

I have attended many conferences. I have never attended any other that had so dramatic 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. (Friedman and Friedman 1998, 378)

Other economists were also making the philosophic and economic case for ending the draft. One notable group was a group of students and newly-minted graduates from the University of Virginia Ph.D. program in economics. They were studying, or had studied, under James Buchanan, Gordon Tullock, the late G. Warren Nutter, Leland Yeager, and other notable economists at that university at the time. This group included James C. Miller III, later the chairman of the Federal Trade Commission and director of the Office of Management and Budget, Mark V. Pauly, now a prominent health economist at Wharton, and Robert Tollison and Cotton

M. Lindsay, two well-published economists at Clemson University.¹ This young group of economists took the initiative of putting together a book of essays, Why the Draft? The Case for the Volunteer Army (1968). This was one of the first books on the draft that I read. I picked it up at a used book store in Winnipeg in the late 1960s, read it on the bus to and from the University of Winnipeg, and came away realizing that the U.S. tradition was one of volunteerism rather than conscription, and also understanding, for the first time, the strong economic arguments against the draft. The book, edited by James C. Miller III, had a preface written by Edward Brooke, at the time a Republican U.S. Senator from Massachusetts. Miller told me once that the book sold out its 30,000-copy print run and that Penguin, the publisher, dragged its heels and never printed more, despite the obvious demand.

Another important group that worked on the nuts and bolts of the draft, and of the transition to an all-volunteer force, consisted of the various economists working for Nixon's Gates Commission—that is, the President's Advisory Commission on an All-Volunteer Force. Usually when presidents appoint commissions, they do so for one of two reasons: (1) to "punt" on a controversial issue by buying time and hoping it will go away or (2) to get a blue-ribbon group to come out in favor of something on which there is a consensus among experts, but on which the public is divided. But President Nixon's commission fit neither of these. First, had Nixon been trying to punt, he would not have formed the commission on March 27, 1969, less than three months after his inauguration. Second, there was not a consensus among the experts: there was a division of views within academia, within the military, and within the political establishment. As Milton Friedman, one of the 15 members of the Commission noted, the members of the Commission were evenly divided: five were avowed proponents of the draft; five were avowed opponents; and five were uncommitted.<sup>2</sup> This division of views came as a surprise to William H.

<sup>&</sup>lt;sup>1</sup> The other two were Thomas D. Willett, later a deputy assistant secretary of the U.S. Treasury and now an economist at Claremont and Joseph M. Scolnick, Jr., a political scientist.

<sup>&</sup>lt;sup>2</sup> The members were Chairman Thomas S. Gates, Jr., former secretary of defense; Alfred Gruenther, former supreme Allied commander, Europe; Lauris Norstad, former supreme Allied commander, Europe; W. Allen Wallis, an economist and president of the University of Rochester; economist Alan Greenspan; Milton Friedman; Thomas Curtis, former Republican congressman from Missouri; Frederick Dent, president of Mayfair Mills; Crawford Greenewalt, chairman of the finance committee of E.I. DuPont de Nemours and Co.; Stephen Herbits, a student at Georgetown University Law Center; Theodore Hesburgh, president of the University of Notre Dame and chairman of the U.S. Commission on Civil Rights; Jerome Holland, president of the Hampton Institute; John Kemper, headmaster of

Meckling, the executive director of the Gates Commission and an economist who was dean of the University of Rochester's Graduate School of Management. In a speech in early 1979 in which he reminisced briefly about his time on the Gates Commission, Meckling said, "I thought I would be estimatin' supply curves." In other words, Meckling thought he would be planning how to end conscription. His thought was understandable, as President Nixon's charge to the Commission read, in part, as follows:

I have directed the Commission to develop a comprehensive plan for eliminating conscription and moving toward an all-volunteer armed force. The Commission will study a broad range of possibilities for increasing the supply of volunteers for service, including increased pay, benefits, recruitment incentives and other practicable measures to make military careers more attractive to young men. (Nixon's statement of March 27, 1969.)

Instead, Meckling found himself not just overseeing a large research project, but also having to make the case with some Commission members for getting rid of the draft. Meckling did the job well, and one of his favorite passages of the Commission's report—which he wrote and enjoyed quoting—was the opening paragraphs of Chapter 3, which was titled, "Conscription is a Tax." Here are those paragraphs:

Any government has essentially two ways of accomplishing an objective whether it be building an interstate highway system or raising an army. It can expropriate the required tools and compel construction men and others to work until the job is finished or it can purchase the goods and manpower necessary to complete the job. Under the first alternative, only the persons who own the property seized or who render compulsory services are required to bear the expense of building the highway or housing project. They

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the Phillips Academy; Jeanne Nobel, a professor at New York University and vice-president of the National Council of Negro Women; and Ray Wilkins, executive director of the NAACP

<sup>&</sup>lt;sup>3</sup> Meckling, who was my boss at the time, loved to drop his "g's" at the end of "ing" words.

pay a tax to finance the project, albeit a tax-in-kind. Under the second alternative, the cost of the necessary goods and services is borne by the general public through taxes raised to finance the project.

Conscription is like the first alternative—a tax-in-kind. A mixed force of volunteers and conscripts contains first-term servicemen of three types—(1) draftees, (2) draft-induced volunteers, and (3) true volunteers. Draftees and draft-induced volunteers in such a force are coerced into serving at levels of compensation below what would be required to induce them to volunteer. They are, in short, underpaid. This underpayment is a form of taxation. Over 200 years ago, Benjamin Franklin, in commenting on a judicial opinion concerning the legality of impressments of American merchant seamen, recognized the heart of the issue, and even estimated the hidden tax. He wrote:

"But if, as I suppose is often case, the sailor who is pressed and obliged to serve for the defence of this trade at the rate of 25s. a month, could have £3.15s, in the merchant's service, you take from him 50s. a month; and if you have 100,000 in your service, you rob that honest part of society and their poor families of £250,000. per month, or three millions a year, and at the same time oblige them to hazard their lives in fighting for the defence of your trade; to the defence of which all ought indeed to contribute, (and sailors among the rest) in proportion to their profits by it; but this three millions is more than their share, if they did not pay with their persons; and when you force that, methinks you should excuse the other.

"But it may be said, to give the king's seamen merchant's wages would cost the nation too much, and call for more taxes. The question then will amount to this; whether it be just in a community, that the richer part should compel the poorer to fight for them and their properties for such wages as they think fit to allow, and punish them if they refuse? Our author tells us it is *legal*. I have not law enough to dispute his authority, but I cannot persuade myself it is

equitable." (Report of the President's Commission 1970, 23-24)

During its ten months of work, the Gates Commission hired a number of economists to estimate supply curves for officers and enlistees, the effects of bonuses on retention, the effect of various factors on reenlistments, determinants of labor turnover costs in the military, the size of the conscription "tax," and productivity of the U.S. military recruiting system, to name a few. The roster of people working on the Commission studies included Walter Y. Oi, Robert J. Barro, Larry A. Sjastaad, Harry Gilman, Alan Fechter, Stuart Altman, Ronald N. Hansen, and J. Huston McCulloch. The four directors of research for the whole project were Stuart Altman, Harry J. Gilman, David Kassing, and Walter Y. Oi. The three consulting organizations involved in the project were the Center for Naval Analyses, the Institute for Defense Analyses, and the Rand Corporation.

The Commission also examined non-economic issues. Excellent studies on the U.S. historical experience with volunteerism and the draft (done by John L. Rafuse) and on conscription and constitutional law (by David M. Stigler) are among the non-economic issues written up in a logical and compelling way. After more than 30 years of having read dozens of government reports and the studies behind them, I can safely say that the quality of these studies is about the highest I've seen. That's a tribute both to the economists and others who did the studies and to the four economists who supervised them.

So, as you can see, Meckling was not completely off the mark in thinking that he would be estimating supply curves. But he also engaged in debate. I was not able to interview Meckling for this article, but I did interview his widow, Becky Meckling, a few months after his death in 1998.<sup>4</sup> One debate from her husband's days stood out in her mind—one, she said, that had delighted Bill. The Commission had held hearings and what had Meckling beaming, she said, was an exchange between Milton Friedman and one of the witnesses, General William Westmoreland, who had been the commander of the troops in Vietnam and was, at the time, Chief of Staff of the U.S. Army. I had heard Bill tell this story a few times, and the day stood out in Milton Friedman's mind too. Friedman reports the dialogue in his memoirs, *Two Lucky People*, co-authored with his wife, Rose:

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<sup>&</sup>lt;sup>4</sup> I got to know Bill and Becky Meckling in the late 1970s, when Bill was the dean of the business school at the University of Rochester and I was an assistant professor there.

In the course of his testimony, he made the statement that he did not want to command an army of mercenaries. I stopped him and said, 'General, would you rather command an army of slaves?' He drew himself up and said, 'I don't like to hear our patriotic draftees referred to as slaves.' I replied, 'I don't like to hear our patriotic volunteers referred to as mercenaries.' But I went on to say, 'If they are mercenaries, then I, sir, am a mercenary professor, and you, sir, are a mercenary general; we are served by mercenary physicians, we use a mercenary lawyer, and we get our meat from a mercenary butcher.' That was the last that we heard from the general about mercenaries. (Friedman and Friedman 1998, 380).

In those same memoirs, Friedman reminisced about the Gates commission's meetings and effectiveness:

Tom Gates was a splendid, open-minded, even-handed chairman, who gradually shifted his position to become a convinced supporter of an all-volunteer army. The same thing happened to the other two men from the military, Al Gruenther and Lauris Norstad. Though evenly split at the outset, we ended by submitting a unanimous report, save only for Roy Wilkins, who was prevented by illness from participating in the last three months of our proceedings and therefore decided to abstain. (Friedman and Friedman 1998, 379)

One economist particularly worth noting is Martin Anderson, a long-time senior fellow at the Hoover Institution, who joined Richard Nixon's campaign for president in 1967. Anderson wrote the anti-draft speech that Nixon gave on CBS radio during the 1968 election. As an adviser to President Nixon, Anderson helped choose the members of Nixon's commission on the all-volunteer force. My educated guess is that without Anderson, the Commission would not have happened. And I'm quite confident that without Anderson, it would not have had, as members, so many prestigious economists.

One other economist worth noting, both for his work on the Commission and for his public opposition to the draft, is the aforementioned Allen Wallis. Wallis had been a top adviser to President Eisenhower and was later to be the Undersecretary of State for Economic Affairs under President Reagan's Secretary of State, George P. Shultz. On November 11, 1968, while president of the University of Rochester, Wallis was invited to give a speech in Rochester to the Monroe County branch of the American Legion on the occasion of its 50th anniversary. His speech is a model of how to approach an audience when you have an important, controversial message to give and you think your audience might disagree with you. Wallis spent the first half of the speech connecting with his audience, telling them his reminiscences of being a young child at the end of World War I, telling them his thoughts about war and foreign policy, and generally assuring them that although he wished for peace, he was not a pacifist. Then he turned on a dime, saying:

There is one measure we can take and should take immediately that would do much to resolve the dilemma that arises because, on the one horn, one of America's most fundamental—and also most admirable—characteristics is repugnance for war and, on the other horn, the ability to wage war is essential to the preservation of freedom.

The measure I propose will, I fear, shock some of you. I respectfully request that you nevertheless hear me out and think over my proposal carefully, rather than reject it out of hand. It is not a view that I have come to lightly or recently, but one I have held for over twenty years. It is not original with me, nor is it without strong support from many respectable citizens of unquestionable patriotism.

A step that would do much toward resolving our dilemma is to abolish the draft—abolish it completely, lock, stock, and barrel; abolish it immediately, with no ifs, ands, or buts. (Wallis 1976, 46)

Wallis went on to advocate getting rid of the draft within 90 days of incoming President Nixon's inauguration. He spent the last half of the speech laying out the various arguments against the draft. He also dealt with the "mercenary" issue that Milton Friedman was later to address, quoting his labor economist colleague Harry J. Gilman. Gilman had asked, "Why . . . are officers who are encouraged to enter and to remain in the service by reasonably high levels of pay called 'dedicated career men' but privates who

would volunteer when they too received higher levels of pay called 'mercenaries'?" Wallis's speech, incidentally, was covered positively in *The Nation*, a major left-wing publication (The Nation 1968).

When I read the speech in 1976, I wondered how the audience had reacted, but I didn't get my answer until a day in 1979, when I had lunch with Wallis. I expected him to say, "I got some polite applause." Polite applause would have been a victory with such an explosive issue in 1968, the peak of the Vietnam War. Instead, he answered that he had received a standing ovation. Wallis later gave me a copy of a letter he had written to a Republican friend, John A. Perkins, telling of the reaction. The following are excerpts from that letter:

You ask about the reception [given the speech.] It was considerably better than I anticipated. I am not sure that "standing ovation" is quite accurate as a description of their response, but it is a fact that they all stood up while they clapped. The chairman of the meeting turned to me and said, "I agree with you completely: I have sons." One member of the audience shook my hand as I was leaving and said, "I admire your courage!" Two Negroes stopped me, clasped my hands warmly, looked deep in my eyes for more than five but less than ten seconds, seemed to convey a feeling of deep emotion, but said scarcely anything. (Wallis 1969)

Whenever the military has had trouble recruiting, advocates of the draft, such as Northwestern University sociologist Charles Moskos, come out in favor of bringing back the draft. When they start to push for the draft, the front line of defense against them is still economists. This was evidenced in 1979 and 1980, when high inflation caused a serious drop in real pay and consequent increase in difficulty meeting recruiting quotas. Of all the threats to bring back the draft in the last 32 years, the threat in 1979-1980 was the most serious. Senator Sam Nunn (D-Georgia) held hearings with the goal of building support for the draft and, at least, registration for a future draft. Various economists fought the good fight against this move, including Stanley Horowitz, Sam Kleinman, and Chris Jehn, then economists at the Center for Naval Analyses, Lee Mairs, a Navy Commander, at the time the chief manpower economist for the U.S. Navy, and John T. Warner, an economics professor at Clemson University. Martin Anderson organized an important conference on the draft at the Hoover

Institution in November 1979 and invited the top proponents and opponents of the draft (Anderson 1982). What impresses me about literally all of them is their moral certitude in opposing the draft, and that none of them opposed the draft just because they happened to be vulnerable to it themselves or had a son who would be. Some of them, such as Hoover's Martin Anderson, have no children. Chris Jehn, an assistant secretary of defense in the first Bush administration, later an associate director of the Congressional Budget Office, and now a vice-president at Cray Inc., has only a daughter. Walter Oi has two daughters.

Also, many other economists signed the following "Economists' Statement in Opposition to the Draft," which I wrote and circulated in 1980:

We, the undersigned, oppose moves toward the reimposition of the draft. The draft would be a more costly way of maintaining the military than an all-volunteer force. Those who claim that a draft costs less than a volunteer military cite as a savings the lower wages that the government can get away with paying draftees. But they leave out the burden imposed on the draftees themselves. Since a draft would force many young people to delay or forego entirely other activities valuable to them and to the rest of society, the real cost of military manpower would be substantially more than the wages draftees would be paid. Saying that a draft would reduce the cost of the military is like saying that the pyramids were cheap because they were built with slave labor. (Economists' Statement 1981, 2)

The statement was published as a full-page ad in *Libertarian Review, Inquiry*, and *The Progressive*. Among the prominent economists who signed were Kenneth Boulding, Harold Demsetz, Milton Friedman, Alan Greenspan, David Friedman, Donald McCloskey, William Meckling, Allen H. Meltzer, James C. Miller III, William A. Niskanen, Mancur Olson, Sam Peltzman, Murray Rothbard, Jeremy J. Siegel, Vernon Smith, Beryl W. Sprinkel, Jerome Stein, and James L. Sweeney.

In the years since 1980, whenever the draft issue has arisen, economists have been there to fight it. Such economists include Paul Hogan, a specialist in military manpower who has worked for various

manpower research groups, Steven Cylke, an economist with the U.S. Navy, and the aforementioned Chris Jehn and John Warner.

What can we learn from the push by economists to end the draft? Public-choice economists emphasize the role of special interests, and their views should not be dismissed lightly. But ideas and ideals matter, too. Before the draft was eliminated, most Americans had trouble imagining a country without one, given that it had been in existence for 31 of the previous 33 years. And yet we have now gone without a draft for 32 years. Ironically, one of the people who had trouble believing that ideas would conquer special interests was the late William Meckling. In one of the last lengthy conversations I had with him, in 1979, Meckling was playing "ain't it awful," lamenting what he saw as the inevitable decline of liberty. Although I agreed with him about his facts, I argued that because of good, intellectually powerful people like him taking action in the public arena, the decline was not inevitable.

Meckling: What do you mean?

Henderson: Look back at your whole life's work since you became an economist. What were the two policy issues on which you weighed in and spent substantial time?

Meckling: Well, that would be in the late 1950s and early 1960s, when I wanted to make sure the federal government didn't get a monopoly on satellites in space and in the late 1960s, when I was with the Gates Commission.

Henderson: And what happened?

Meckling (looking sheepish): Well, the government did allow commercial satellites and we got rid of the draft.

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Encyclopedia of Economics), the first, and still the only, economics encyclopedia aimed at a lay audience. He also wrote *The Joy of Freedom: An Economist's Odyssey* and is co-author of the forthcoming book, *Making Great Decisions in Business and Life.* Besides publishing in academic journals, Henderson has published over 100 articles in the *Wall Street Journal, Fortune, Red Herring*, the *New York Times, Los Angeles Times, Christian Science Monitor, San Francisco Chronicle, Chicago Tribune*, and *Reason.* He has appeared on The O'Reilly Factor, the Jim Lehrer Newshour, and CNN.