

## Gordon Rausser Legacy Video Transcript

00:00:45:15 - 00:01:13:11

David Zilberman

Good afternoon. My name is David Zilberman. I am a professor of Agricultural and Resource Economics at the University of California, Berkeley, and I have the pleasure to have a conversation with one of the people that I most admire and love, Gordon Rausser is a scholar and a new world leader, and I would like to ask him several questions about his career and his life.

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Gordon Rausser

Thank you very much, David. I'm looking forward to this interview. You and I have had many interviews of each other over the years, and this may be the most meaningful of all. Let's see if we can make it work.

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Zilberman

Gordon, the first thing that I think everyone would like to know how it all started. Tell us about your childhood and how you became a scholar or professor.

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Rausser

Well, I was raised on a small family farm in the South Keene Valley. My father had a dairy farm. It never grew very much. And he initially worked for the county leveling land and then ultimately started a small herd of dairy cattle. And it was a classical family farm. There was only one outside employee who did the milking of a herd size that ultimately grew to 130 cows when I was probably about eight years old.

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Rausser

But up to that point in time, my father and I are the only ones that worked outside. My mother and older sister had all the responsibilities of cooking and preparing meals and taking care of the house itself. So it was a traditional family farm.

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Zilberman

Mm hmm. So, when did... what made you go to college? And why did you make the selection that you made?

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Rausser

Well, ultimately, throughout grammar school and high school, I was not the best of students, to say the least. I spent most of my time in sports activities and working on the farm. I would have to come home early, to do chores. I got up at 5:00 every morning and had to do short chores at nine years old, I was the relief milker of 130 cows getting up at 2:00 in the morning and doing 2:00 in the afternoon, which limited my extracurricular leisure time activities.

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Rausser

When I got to be 16 and older. But at that point in time, I knew, even though none of my cousins or none of my uncles or aunts, with one exception, actually went to college. But I knew all along that I want to go to college and initially, I wanted to go to college in large part to learn the basics of dairy science.

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Rausser

And I was going to come back to the farm and try to grow it to compete effectively with all the other large operators, most of which were immigrants from Holland or Portugal. And I always thought that my father was far too risk averse and I was going to change that, but I was going to get some scientific foundation for doing so.

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Rausser

So, I went to college for a actual term degree, just focusing on dairy science. I got there and once I arrived, I suddenly was exposed to things that I had never been exposed to. up to that point in time. I fell in love with statistics and economics and then moved away from a three year terminal degree and ended up getting a four year degree and along the way I had a four point average.

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Rausser

I ended up being president of most every organization I was involved in: the honor fraternities, the Alpha Gamma Rho, which was my fraternity. I learned about how to structure complicated financial deals by raising money for building a new house, a new fraternity house near the campus. And that was directly source with my experience in 4-H and FFA growing up on a farm.

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Rausser

So I, I finished in four years. I also had faculty members telling me that I should go on to graduate school or I should go to law school. Up to that point in time it hadn't crossed my mind, I was still thinking about going back to the dairy farm and then taking over the management of that particular farm.

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Zilberman

Mm hmm.

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Rausser

But ultimately, I applied for law schools and was accepted in a number of law schools and also for a Ph.D. program. And I think I mentioned to you some time ago that I was already married with one child with another on the way when I arrived in the graduate program at University of California, Davis, we had a second child and then there was a third on the way as well.

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Rausser

And that experience and by the way, one of the reasons I went to Davis is because it was so close to the farm and I still had responsibilities on the farm, even though I was a graduate student. But but with a fellowship and a research assistantship, I could make more money by going for my Ph.D. than I could by getting external employment with some private company.

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Rausser

Mm hmm.

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Zilberman

What did you learn in Davis? What was the key? What really... How did it prepare you to move forward?

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Rausser

Well, what I learned most, I learned the basics. I continued to pursue mathematical economics, pardon me, mathematical statistics and economics. And what I learned most was about myself, that I had the basic intellects and the ability to work hard to distinguish myself relative to my fellow graduate students and ultimately the entire faculty. When I finished two years of coursework, there was a position in econometrics in the department and I applied for the position and I was selected as a faculty member, even though I'd only completed two years of my coursework and moreover was just starting my Ph.D. dissertation.

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Rausser

And what I really learned along the way that my reach was well beyond my expectations. While I was on the faculty as, quote, an acting assistant professor, because you can't have a regular position unless you've completed your Ph.D., which I hadn't. The six best Ph.D. students wanted me to be the director of their dissertation, so that gave me a clear signal that I had huge upside

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Rausser

and the question was, can I manage it effectively? So that's what I learned most at UC Davis. It was a perfect transition from my background, you know, going to Cal State at Fresno and then going to UC Davis. It was the right steppingstone.

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Zilberman

Mm hmm. So then you left Davis. Why did you leave Davis? And what happened next?

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Rausser

Yeah. That's not an easy question to answer. I left in large part because I coming back to the reach and I was still trying to assimilate the reach that I had professionally. I was asked to give talks all over the country. The NBR, the National Bureau of Economic Research, began to hold conferences trying to integrate electrical engineering with economic policy making.

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Rausser

And I got on the forefront of that and ended up impressing some some significant intellectual capital, some of which were at Harvard, some of which were in at the University of Chicago. And I also was getting papers, even though I hadn't finished my dissertation, I was getting papers accepted at the Journal of Finance, the American Economic Review, the Journal of the American Statistical Association.

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Rausser

So I felt, certainly I felt as though there was no limits to what I could possibly accomplish. So as a result, I applied for a postdoc fellowship at the University of Chicago. In the meantime, I had finished my dissertation and the other six fellows that I was actually working with as their director, they all finished shortly thereafter. One of my great fears was that one or more of them was going to finish before me because I was publishing these other papers.

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Rausser

But more importantly, in 1967, my father unexpectedly died in an automobile accident, and I had to go home. I went home, for; well I went home for six months because my mother and sister couldn't run the dairy farm and I actually ran it for six months. And then when I was at UC Davis, I was going there every weekend doing the relief milking.

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Rausser

So it was a very hectic period. At that point, my wife and I had three children already. The third child was born three months after my father died. So that very chaotic life at that point in time came to an end when my mother decided to lease out the dairy farm to another operator and move in to the nearest town near where her sister, her older sister, lived.

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Rausser

And when that happened, then I was released. I mean, I could look around and and decide where to go. So coming back to your question, why did I leave Davis? I left Davis because I think fundamentally, I outgrew it and the University of Chicago was available. And it was a wonderful experience because in contrast to my experience at UC Davis, whenever there was coffee breaks or lunch, people came in and talked sports, played cards, whatever. At University of Chicago, you came in and you talk about current events and what was going on in public policy and and what what was working and what wasn't working.

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Rausser

It was a much deeper experience with regard to the application of economics and statistics.

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Zilberman

Yeah. Who at the time were the people that you met and admired and?

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Rausser

Ted Shultz at University of Chicago had me -- I did a I was commissioned to do a book early in my career with George Judge, one of our colleagues. And it was actually a review of quantitative economic analysis by the AAEA, which is now named the Agriculture and Applied Economic Association. And I was commissioned to do that book along with George Judge

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Rausser

and Richard Day was another along with Stan Johnson. And I had done this piece about simulation and there was a lot of work going on building these large scale computer simulation models for various developing countries, most of which was orchestrated out of Michigan State University. So it turned out that Ted Shultz asked me to do a review of that work and come and give a presentation in the workshop at University of Chicago.

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Rausser

And I got to know him at that point. And Dale Johnson also **Steve Grill Religious**, who then was at Harvard and Jerry Houseman, uh, Gregory Chow, if you remember, of the econometrician. He, he also was a real sponsor of me and my work at the time.

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Zilberman

Well, you wrote a book with Eitan Hochman on optimal control that the big one, the contributing of enduring quality.

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Rausser

Yes.

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Zilberman

Can you tell us a little bit about it?

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Rausser

Yeah. That was very interesting and that's another reason for wanting to leave Davis. Eitan Hochman is a first rate, wonderful economist and he was on leave from Tel Aviv University in Giannini Hall in our current department at Berkeley. And he called me up one day and said he want to come and visit with me. And he had read some of my work and he said, "Gee whiz", he'd like to work together.

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Rausser

And he was looking at a number of - he had already completed a number of applications to firm growth using very advanced analytical models. And he had seen my work and he's he suggested that maybe we might want to work together. And once again, I thought, gee whiz, if if my reach now goes to Berkeley then and to people from Israel and some first rate economist, then there's no limit to what I might be able to accomplish.

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Rausser

So we we started off on that work and I think it took us seven years or so to finish it. And but it was a real pleasure working with Eitan.

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Zilberman

So from Chicago, you moved to Iowa and then to Harvard? Can you tell us a little bit about your experiences?

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Rausser

Once I finished the postdoctoral fellowship at University of Chicago, I think I had about eight or nine offers from various land grant universities at a full professorship. And I was I think I was approximately 30, 31 at the time and Iowa State had the best applied economics, pardon me, applied statistics department in the country, which is surprising, but not, that's not fair to Iowa State, but they had some extraordinary statisticians, and I certainly wanted to go

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Rausser

and they were they were very supportive of a joint appointment between economics and statistics. So I got the full professorship. I already had a full professorship at that point at UC Davis, too, but I had taken a leave of absence when I was at the University of Chicago, and then I resigned that position and accepted the position that I would stay.

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Rausser

I was only there for about six months, and Harvard came calling with regard to a position and ultimately it was a very attractive position and I accepted it, you know, and we stayed there for one year. There being Ohio State...

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Zilberman

So you went to Harvard. What is the difference between the economic statistic versus a business school in terms of teaching and environment?

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Rausser

That's a very good question. Harvard was a wonderful steppingstone for me, not only in terms of reputation and signals about the quality of my work up to that point in time, but more importantly within the business school, there was one particular sequence that was statistical decision theory. They called it managerial economics, but it was really the integration of decision making with statistics.

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Rausser

So, it was perfect for me, given my interest up to that point in time. And the intensity in terms of the instruction was something I'd never experienced before, or for that matter, since. There were seven different sections of the statistical decision theory course for first year MBA students, and there were a lot of economists, Ph.D. economists, that were in the class as well.

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Rausser

But at the beginning of each week we would get together and at that point in time, the giants, in terms of statistical decision theory, were all in the Harvard Business School. John Pratt, Schleifer, Howard Rafer, Luce was there as well. And we at the beginning of each week we met about the pedagogy and the cases that we were going to be teaching over three different lectures.

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Rausser

And at the end of the week we got together and evaluated what worked and what didn't work. And then we actually recorded all of this for the next group that was going to come on to teach the course and what was different about that was it's not a straightforward lecture. You have to end up with - you've got boards behind you.



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Rausser

You've got, you know, 80 people sitting in rows up where you can see everybody and there's a big name tag right before them. And you're going through the process of trying to elicit from them the right answer. And if somebody makes a huge mistake, surprise, surprise, you're not going to write anything on the board. If somebody really provides a critical insight with regard to the inferences that you want to draw, you're writing on the board.

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Rausser

So, it's not it's a short matter before all the students realize the direction in which you want to take the class. And that was a wonderful experience and I trace it back to my experience as a judge of dairy cattle. When I was an undergraduate, I learned a lot about being exposed to uncontrollable events and how then to respond to it.

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Rausser

In these dairy cattle judging contests, you would see they're five different breeds of dairy cattle and you'd have to place them and you'd write down your placing and submit it, and then you'd have to go to three judges sitting behind a desk and give your reasons within 10 minutes of actually recording your placement and give your reasons for why you place them the way you did.

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Rausser

And I also found out at that time that there's a lot of uncontrollable events. The question is, how do you manage it? How do you respond to it? And moreover, there was one instance, there were three major conferences that were held on dairy cattle judging, and I won two of them. And there's there's probably 150 college students participating in this.

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Rausser

And then there was one in Waterloo, Iowa, which is the National Dairy Congress. I actually placed a class of brown Swiss cows backwards from what the way the judge had placed it. But when I gave, went in to give my reasons, the gave me a full score on the reason for doing so. But in any event that that experience also put me in a good position with regard to the classes that I was teaching at Harvard, I also taught in the economics department.

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Rausser

But the most challenging and the most interesting was in fact the case method within the Harvard Business School and also that, you know, after the third year that I taught it, that's when I won an Outstanding Teacher Award, because it was the first time in statistical decision theory offered at the Harvard Business School, where every student in the class gave me the highest grade.

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Zilberman

That's fantastic.

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Rausser

Yeah, it really. And by the way, most of them were adverse to that methodology, you know, regression analysis, trying to draw inferences, testable hypotheses. They held some a lot of these students, they come from a huge different background, some of which had completed law degrees and were coming back, changing their professional career.

00:20:55:16 - 00:21:04:18 Zilberman

So now, when did you start trading and getting involved in business? Was it at Harvard or?

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Rausser

Yes, the maiden voyage into business was at Harvard. And that happened in large part because I got down to a point where my wife and I got a divorce and with alimony and child support and living costs, I suddenly didn't have any discretionary income. So I looked around and thought about, gee whiz, I have to get another source of income given my financial responsibilities.

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Rausser

And I thought about actually turning away from academics very briefly, but I couldn't do it because I simply loved it. So I then spent some time looking around. I published a lot of papers and you know, academic papers on future markets. And some of my fellow faculty member at Harvard and a number of the MBA students encouraged me to set up a hedge fund trading future markets.

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Rausser

We're talking about different commodities, whether it be the basic grains or even the precious metals or the base metals. And they're very active futures markets. So I set that up and went through the process and that was the first step in the direction of some real entrepreneurial activity. Having said that, however, when I was a child growing up, I had already started an enterprise in buying and selling dairy cattle and started a purebred breed herd based on my father paid me a salary for the work that I did and I saved that money and start buying cattle.

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Rausser

And I use that as my project through 4-H and Future Farmers of America.

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Zilberman

So then suddenly you left Harvard. Why Berkeley?

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Rausser

Why Berkeley? I was hoping you can ask me this question. When I was a graduate student at UC Davis, I came to a seminar at Berkeley and I knew nothing about Berkeley. Right? I mean, I grew up in a, in a very, uh, educatedly uninformed household. It was all about work and it was all about managing the farm.

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Rausser

So when I was at Davis, there was a seminar that I wanted to come to, and it was by Lawrence Kline, who was a Nobel Prize winner, and also did much of his dissertation work in Giannini Hall. So I came to the seminar and afterwards I remember walking by Sather Gate, walking up Strawberry Canyon, and I was just awestruck.

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Rausser

I was awestruck. Remember when we had the major library before we went to the digital world and spent a lot of time going through a lot of the dissertations from the 1950s and 1960s, and I simply fell in love with the place, and that's continued through the balance of my life. In fact, I have a quote.

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Rausser

I've had the opportunity to reflect on this at my festschrift and when there was a tribute dinner for me after I finished as Dean and I said, and I want to quote this, "Have the citizens of this extraordinary state of California created any institution that's had a greater impact on our past or which has the greater power to shape our future?"

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Rausser

After over 150 years, Cal Berkeley continues in subtle and often overlooked ways to pour fresh knowledge, human capital and innovation into the engines of our society. As an institution, Cal Berkeley demands excellence and has little patience for mediocrity. It all often focuses on the latest and the newest, but never allows it self to be consumed by the intellectual fad of the day."

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Rausser

It's a body that both thinks before and beyond its time. And with regard to the College of Natural Resources or CNR, which has become our CNR that we've always taken pride in the fact that we were one of the two cornerstones of the Berkeley campus.

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Zilberman

So you were at Harvard start thinking about moving...

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Rausser

Yes, yes. And the, the, the reason for that, uh, first and foremost was family. Um, my former wife was living in Mountain View and the three children were with me. I had custody during the summer and during all breaks, uh, holiday breaks, uh, from their respective schools. And I would drive out to California, pick them up in a car and we drove back across the country.

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Rausser

And whenever I did a sabbatic, like in Israel, for example, they were always with me because it was during, it was during the summer and then they would stay there and go to school with me, uh, which in fact, my former wife granted me the privilege of keeping married for the, the real experience living elsewhere in the world, but it was getting very, very difficult to keep up with regard to their, uh, maturity process and what was going on.

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Rausser

So I wanted to come back to California and I still had a lot of family here and friends. So I ended up getting an offer from Berkeley and an offer from Stanford. And when I stopped and thought about which of those two places I wanted to be, uh, Berkeley was much more attuned to my value system, and in particular Berkeley at the time

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Rausser

and I think it's still true although I haven't looked at the recent data that Berkeley was probably as an institution more responsible for social mobility for first generation college students than probably any other institution, certainly in the state of California and certainly in comparison to Stanford. And it was certainly true with regard to a comparison with Harvard, uh, as well.

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Rausser

When I was there at Harvard, there was a lot of legacy students, undergraduates and that's something I didn't experience at Berkeley or for that matter at Davis. So, I ended up accepting the position at Berkeley. Um, one of the best choices I ever made.

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Zilberman

So, you're hired as a chair and you took a department that every student was basically doing quite badly. And within a short period of time you turned it around. What was the secret?

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Rausser

We turned it around. We the entire faculty turned it around and when I arrived, there was these reputation studies and Berkeley Department was ranked 11th in the country. Um, but we had the right values, we had the right culture. And now the question was to make tough decisions with regard to avoiding mistakes, of giving tenure to people that wouldn't continue to perform at a very high level.

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Rausser

And we set some very high standards. And the entire faculty agreed on those standards and we pursued accordingly. And we also upgraded our, uh, Ph.D. program dramatically, um, by doing more active recruitment. Um, and we improve the quality of the undergraduate program. But at that point, the College of Natural Resources was trying to focus on what it, what it was going to be

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Rausser

and there was a great deal of uncertainty about the college itself. And as a result, we decided we collectively the department and I felt very strongly about this, the old Tinbergen rule about if you're going to have a particular policy that's going to work, you want to have one target. Or if you've got three or four targets, then you're going to have to have three or four policies.

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Rausser

There's got to be a match between the instruments and the objectives that you're attempting to achieve. So I wanted to put all the focus on the Ph.D. program, because I knew that would be the reputation effects, and it would feed on itself because the complementarity between a first rate graduate program and a first rate faculty is critical. And if you if you don't have one, you're unlikely to have the other, at least in a contemporaneous sense.

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Rausser

So we upgraded the Ph.D. program dramatically, and then at the end of my two terms as chair, the reputation studies and ultimately the national rankings came out and we were clearly number one in the country.

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Zilberman

So, if you look at the department in terms of content, did you really see that there was change, because the traditional agricultural economics department and during your time it seems that it's become the notion the agricultural economic has changed.

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Rausser

Yes, it certainly has. It certainly has. It's expanded dramatically. You know, we we call ourselves the Department of Agriculture and Resource Economics. At the end of the day, we're a Department of Resource Economics. We do natural resource economics. We do environmental economics. We do economic development, and we do, of course, agricultural economics. But but the fundamental bridge across to all of those subfield of economics is, in fact, resource economics.

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Rausser

There's a lot of work, as you well know, because you've been a leader in a lot of the work in natural resources. And this is this is a key area of our department. And we provided leadership for the entire country of land grant universities that have this kind of focus toward environmental economics as well. We in short order in the early 1980s through the mid eighties, upgraded dramatically our environmental economics course offerings and our Ph.D. program with regard to environmental economics and and there was some along the way there was some concern on the part of the general economics department, gee whiz, they're taking this away from us.

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Rausser

We weren't taking it away from them. We were just making it better. And we, of course, became the real strength of environmental economics on the Berkeley campus. And that continues to this day.

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Zilberman

Yeah. So, you were clear for several years and then suddenly there was a shift?

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Rausser

Yeah, there was a shift, yes. I got the opportunity to spend some time in Washington, D.C., and I was starting to do much more work at that point in time academically, on political economy, on public policy. And while I was at Harvard, I met Clayton Yeutter, who came in. He actually was a negotiator in the cheese wars that took place in the 1970s.

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Rausser

And he had had me come in and advise him when he became Secretary of Agriculture during the first Reagan administration. Actually, he was you know, he was head of USTR and then subsequently he was Secretary of Agriculture. But any anyway, he he called me in and asked me to please accept a position on the Council of Economic Advisors in the Office of the President.

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Rausser

So as soon as I finished the second term as chair of our department, I did go to Resources for the Future, which is also in Washington, DC, and I spent a year there as a senior fellowship. And then I spent time working with Yeutter along the way. And then I accepted a position to go on the Council of Economic Advisors as a senior economist.

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Zilberman

And so what, what was the real impact of your work?

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Rausser

The real impact of the work at that point in time? This is 1986-87. I was there for two years and the chapter in the Office of the President, that chapter focused on the disarray that existed within global food and agriculture. And one of the impacts is that that was the last chapter published on that particular topic for the next 20 years, 20 or so years.

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Rausser

Nobody else had ever revisited it. After the work that I had done, along with, with a number of assistants. **Dugger one**, who's a famous economist now who was at University of Chicago and now is at Dartmouth, was working very closely with me as an assistant, and then we published some papers subsequently related to that work, but fundamentally it was totally disarray.

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Rausser

Why? Because to give you a concrete example, it turns out coming back to my childhood, the European Union was taking manufacturing buddy butter I'm sorry, butter from dairy milk and re-feeding it back to the animals to show you how they were trying to deal with the surpluses. If they couldn't dump enough of it on developing countries, then they would have to find a way to avoid the carrying cost of butter that wouldn't be consumed locally by the French people in particular.

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Rausser

And here in the United States, we had export enhancement programs. The Department of Commerce, which is, quote, anti-economic. Yeah, that's a personal opinion. The Department of Commerce got legislation for export enhancement, which meant you could subsidize the actual export. And it turns out that when you engage the large trading companies to perform the functionality of moving product that's domestically produced here in the United States to these developing countries, you had to pay the high price supports in the US, but whatever price happen to get in the developing countries, which in some cases were actually zero, all you had to do is report that back to the Department of Commerce and they would give

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Rausser

you the difference between those two. And so their business, I'm talking about the Cargill's of the world, their business is actually trading in large volumes. This is nirvana for them, free money from the US government that was going on simultaneously and prices were being driven down throughout the globe with regard to agriculture and food items and as you can imagine, Australia, New Zealand, Thailand in particular, which are major exporters, were very upset about this process.

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Rausser

So even though the Reagan administration had tried to reform through legislation, as you know, every four years there is a farm bill or a food bill. There's different names that were given food security, whatever, fashionable at the time with regard to the appropriate narrative. But in any event they, the Reagan administration, tried on two separate occasions to reform these policies that were leading to these huge surpluses, once in 1981 and again in 1985.

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Rausser

And in both cases, it was dead on arrival. Why was it dead on arrival? Because in our Constitution, every state has two senators, and that gives unnecessary weight to the Midwest with regard to continuing to get support through the government to subsidize their actual agricultural activities. Then I'm talking not only about the, um, Illinois, Iowa, but Minnesota as well, Michigan, all of these states.

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Zilberman

How did they want to change it?

00:38:03:19 - 00:38:39:10

Rausser

Well, they changed it the following way. Again, working with Yeutter, I argue that I started doing work on governance structures and how governance structures influence policy selection, and I argued with Clayton, the only way of getting major reforms was to actually go to an international forum and invite other people to have access to the decision making process, particularly Australia, New Zealand, Thailand, the OECD.

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Zilberman

So basically what you say that your work led for ag policy to be part of the GATT?

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Rausser

So it became part of the GATT. And then that segued, as you know, in the Uruguay Round that actually was initiated while I was on the council in 1986 and it took till 1995 before there was an ultimate agreement. But what that ultimate agreement did, it eliminated what's called "coupled subsidies", namely subsidies or transfer payments that end up in creating incentives for more output to decoupled subsidies.

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Rausser

And that was a major restructuring, and that would never have happened but for convincing the Congress and the Executive Office to actually move and allow agriculture to be included in the agricultural negotiations, because up to that point in time, agriculture was always excluded from why was it always excluded because the senators from those Midwestern states didn't want to take the risk of losing control over setting policy.

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Zilberman

Well, this is really interesting that the to some extent, economic analysis that you and others introduced made agriculture part of international trade negotiation and resulted in a much more reasonable policy.

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Rausser

Yes, for the first time.

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Zilberman

Now, when we were in Washington, how did you move from ag policy to suddenly to AAD?

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Rausser

Yeah well in in the negotiations in the Uruguay Round of the GATT negotiations which ultimately seek a segue into the World Trade Organization, I was asked to go with the three representatives from the USTR, United States Trade Representative Office and they're responsible for trade among countries representing the United States, of course. Well, they were there negotiating on the Uruguay Round and Yeutter was there, fellow by the name of Alan Woods was there as well.

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Rausser

And I was the person along with other staff sitting supporting them in the negotiations. So I learned a lot about the negotiations, but also it turned out that Clayton Yuetter was going to be appointed as the new Secretary of Agriculture and Alan Woods was going to be appointed as the administrator of AID in the State Department.

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Zilberman

And the AID was..

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Rausser

Agency for International Development. Right. And its, its principal function is supporting developing countries either through humanitarian aid or in helping with regard to economic policy making. So as a result of that experience, they had me come in and give a couple of seminars. I, you know, I wasn't regarded as a development economist, but I had done a lot of work in policy governance structures, political economy, and that's what they were looking for at the time.

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Rausser

And I was invited to be the chief economist. It was a two year appointment. I took a leave of absence from Berkeley and spent another two years in Washington, DC, and that too was a extraordinary experience because while I was there, the Soviet Union collapsed and as a result there was this huge effort that the US government and other Western democracies were engaged in, in trying to facilitate market-based economies and capitalism, democracy in each of the former eastern European communist countries, as well as member countries of the former Soviet block.

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Rausser

And I got in on the ground floor of that and also then set up the Institute for Policy Reform, in which taking the experience of the Uruguay Round, I was hoping to apply that on a much broader scale to each of those countries that were in transition and then there was a huge amount of effort on transition economies, transition economies.

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Rausser

What does that mean? It means that you've got communist regimes, you change the structure of the political process and you move to some sort of democracy. And along the

way you want to avoid, to the extent you can, crony capitalism, you want to have good governance structures in place. And that's what our focus was at the Institute for Policy Reform.

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Rausser

So then I became president of the Institute for Policy Reform, even though I'd come back to Berkeley after the two years and ran that for another two years and during that period I was also asked by my department to become chairman again, which I did.

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Zilberman

And then suddenly you became Dean. Why did you do it? Why did you choose this job?

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Rausser

And yeah, that's a very good question, David. It turns out I had no intention of becoming Dean. I, I'd done what I regard as more than my share of the joint burden of running academic departments. And I'd served three times as Chair of ARE Agriculture and Resource Economics. And moreover, I was President of the Institute for Policy Reform.

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Rausser

So that was sort of my outside activity. And then I was also involved at the same time in some entrepreneurial activities, including co-founding a firm with three colleagues, one from the business school, one from the law school and one from the economics department. And I was doing all those things at the same time, but I wanted to get back into my research.

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Rausser

But it turns out that the Office of the President in 1992-93, there were major budget cuts. We were in a recession in the in the United States. And as a new potential dean, the first thing the potential Dean was going to have to do was downsize the staff by 50%. But more importantly, the vice president responsible for natural resources - and agriculture in the office of the president in Oakland wanted to downsize College of Natural Resources by about 40%.

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Rausser

And the question is, who was going to step in to be to provide real leadership in trying to determine what the right answer was with regard to that so-called realignment? And I just sat back and quite frankly, this may sound a bit arrogant, but I looked around and there were four other people that had applied for the deanship and.

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Rausser

I decided that they weren't going to be able to get it done, but I knew I could. So I applied for the position and then I got the deanship and that's early 1994.

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Zilberman

So how did you kept, what is now CNR intact?

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Rausser

I think you know, the best example of that learning early from my experience of working with my colleagues in ARE and the trust and respect that we had for one another and setting specific goals and pursuing them in a disciplined and managed way that I learned a lot from that experience. And it's all about trust and and respect at the end of the day.

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Rausser

And when I applied for the deanship, the person who was chancellor at the time was Chancellor Tien, and the provost was Carol Christ, which is our current chancellor at UC Berkeley. And along the way, I also not only maintain trust and respect with regard to my colleagues within my department, I really went out of my way to service not only our interest, whatever our happens to be with regard to the academic unit and the person that we were reporting to, Doris Callaway, was provost.

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Rausser

I had a wonderful working relationship with her when I first became chair and managed my department. Uh, Hayman was the chancellor. Rod Park was the vice chancellor. I had good working relationships with them. And whenever you know something as silly as Gordon Getty writing a piece on the theory of interest rates, who did they who did Hayman and Rod Park send it to?

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Rausser

He sent it to me to review and then to meet with Gordon Getty to tell him that it was mostly nonsense. So they didn't take it to the macroeconomic people in the economics department. So that's the kind of relationship that I tried to develop over the years and it worked very well. But the one that worked especially well was with Carol Christ because she came into the provost office at the same time

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Rausser

I became dean of the College of Natural Resource Resources, and she had to work with me hand in hand in dealing with this realignment proposal. And, you know, over the years, I think my last count, I counted up something like 36 awards and honors, you know, best journal article, research, discovery, publication of enduring quality policy awards, even awards, leadership awards from the State Department.

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Rausser

Or another example is the awards from the American Antitrust Institute. But the the major excitement and gratification for me is the kind of comments of people that I've worked with, you know, on a daily basis Carol Christ, in particular, at my Festschrift, she made a series of comments. And then at my tribute dinner, by the way, she plagiarized her own work because she actually published the tribute dinner.

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Rausser

But I'd like to share this. And she says, and I quote, "The philosopher Berlin made a distinction based on the fragment from the Greek poet on the fox and the hedgehog. The fox knows many things, but the hedgehog knows one big thing for Berlin that the distinction marks the deepest difference between different kinds of writers and thinkers. Fox, foxes pursue many ends

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Rausser

often unrelated hedgehogs relate to everything to a single central vision. Shakespeare is a fox, Milton is a hedgehog. Or to switch to spheres of activity, Bill Clinton is a fox. Kenneth Starr is a hedgehog. I've been wondering whether Gordon is a fox or a hedgehog. He brought an extraordinary variety of innovative ideas and strategies to his deanship. The personality of the fox,

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Rausser

he knows many tricks, but his most characteristic strategy is to resort to first principles. In that he is a hedgehog. He has insisted on uncompromising standards of excellence. At the same time, he created an organization for the college that respects its variety and heterogeneity. It's a testimony to his achievement as Dean that he is something of both the fox and the hedgehog or, in return

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Rausser

to my first metaphor, the boxer who can weave and dodge, can stand his ground, can jab effectively, and deliver a knockout blow when he sees his opening." I mean, that's there's nothing quite more infectious about making a difference than someone like Carol Christ, taking the time and effort to record such comments. It's much more important than any and all the awards and honors that I've gotten over the years.

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Zilberman

But what really happened.

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Rausser

What really happened was that along the way we did a number of restructurings. We moved to countering the realignment proposal, making strong arguments in the shared governance structure. Principles had been violated by the Office of the President. I went and made a presentation to the system-wide Academic Council and explained this, and there was some people that were very upset about that.

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Rausser

But because we had the inside lane and the right track, we prevailed. We ended up, instead of decreasing the size of the enterprise of CNR, or the College of Natural Resources by 40%, that was recommended by the Office of the President. We ended up midway through my deanship by increasing it by 50%, because we went from 80 faculty at that point to 120.

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Rausser

So and with that growth, there was great excitement about recruiting new people, finding the best possible people we could for each and every open position. And there was a real excitement within the college. And then also the other major opportunity that took place, we set up a number of what I would call green shoots in terms of centers of excellence.

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Rausser

You were responsible for more than one in that respect. But we set up other centers. We actually took the savings we had, put it into a pot and then redistributed it in accordance with the excellence of what discretionary funds we had at the college, including the endowment. That created a lot more excitement. And then I sat on the biotechnology council that was set up as an advisory body for Chancellor Tien with regard to biotechnology, and I observed what the biologists from MCB were attempting to accomplish, and I came to the conclusion that they had it ass backwards, quite frankly, and the..

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Zilberman

Now we come to the Novartis deal.

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Rausser

Yet. That's where I'm going.

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Zilberman

Yeah, well, maybe tell us about the Novartis deal.

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Rausser

Certainly. Okay. So it turns out plant microbial biology was having great difficulty attracting the very best graduate students. And as I noted before, I've always been a subscriber to the principle is you can't have a first rate faculty without a first rate graduate program. So they were having some difficulties and some of their major professors who were also getting offers from various places and we were having difficulties retaining them.

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Rausser

And the graduate population, at least the quality of it was dissipating rather dramatically because a number of other major universities -- Stanford, Harvard, Princeton, --all the big universities were moving into this field of biotechnology and plant biotechnology in particular, which is the domain of the Department of Plant and Microbiology. So I spent a fair amount of time with the a few key people from the department, including the chair.

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Rausser



And they were they were trying to raise money to support their graduate program, but they were getting nowhere. There was no real interest in any donors to step forward and help them in this regard. So I said, why don't we just pursue a very active strategy? We'll send out a proposal to each and every one of the major plant biotechnology companies in the world and invite them to enter in negotiations with us about joint public, private partnerships with regard to research and development.

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Rausser

And as a result, we sent that out to 15 different companies. Five have responded very positively. Three of the faculty and I went out to four of them. One of them was a Japanese company, and it didn't really seem as though it's a real opportunity. But the other four, all in the United States were. We went out and made presentations to each of them, then went into negotiations and each of them came forward with specific offers and we had requirements as well.

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Rausser

And the one that we ended up selecting was Novartis. Now this resulted after a huge amount of controversy because a number of faculty were convinced that if in fact we did a private public partnership like this, the corporation would end up controlling the research agenda of the faculty. And that happened in a number of other places. Washington U is a perfect example in terms of their relationship with Monsanto, which has its headquarters also in Saint Louis.

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Rausser

And they, Monsanto had total control over the research agenda because they put out RFPs. So we were aware of this. And and at the end of the day, it was a bit more complicated. It was, but it turned on academic freedom and whether, in fact, you could enter into such an agreement. But the faculty still had individual freedoms with regard to what they wanted to work on and what they did work on.

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Rausser

It would result in a lot of money that would come to supporting graduate students. And moreover, the overhead turned out to be generating something like we generated maybe 12 and a half million dollars for the rest of the campus by this particular program. And moreover, our current Chancellor referred to that as the opening the door to real entrepreneurship

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Rausser

in terms of these public private partnerships. We had a number of subsequent ones that have taken place following the pattern that was established by the Berkeley Novartis Agreement. And the controversy once again came back to people's fears, justifiably, if in fact you eliminated academic freedom. But the whole point in fact, I published a book on just this question about how we went about structuring to maintain the academic freedom while increasing the resource base to improve the graduate program and the quality of the faculty research, which we certainly did.

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Rausser

And that's been documented in a number of other places. And there's there was some bad press during this period of time, too. The Atlantic Monthly, did a piece on the kept university and gave examples of how the dean of Haas was the Bank of America chair professor. And that's an instance the Bank of America had some influence over Haas Business School and used me as an example about we got money from Novartis and thus we were beholden to Novartis. That's just nonsense.

00:58:50:08 - 00:59:10:24

Zilberman

Well, I think 20 years down the line, I think we really see that this is over. Now, after your deanship, you continued to be a professor, but then suddenly surprise everybody with the big gift. What was the motivation and what is the vision and where do you see it going?

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Rausser

Well, my experience, first of all, let me back up that I had a fair amount of luck. I started, founded, co-founded a couple of companies along the way. And I briefly described to you that my hedge fund and I pursued various entrepreneurial activities. I was an expert witness in a lot of major cases that related to one of my companies.

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Rausser

And I was always looking for the complementarities between the work that I was doing in the real world, quote, whatever that is, and the academic world. And I found those complementarities. And as a result, I had the good fortune of of generating a fair amount of wealth. So when I got to the point of retirement and had the festschrift, I was sort of caught up in how the university turned out for my festschrift.

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Rausser

Like Randy Katz, who was vice chancellor of research, said he thought it was one of the best factories he ever been to, not only here but elsewhere. And he he was the emcee for the two days of the festschrift here at UC Berkeley. But after I came away from it, I thought, gee whiz, given my experience as dean and when I was chair, we were always sort of chasing for resources, trying to do things that we could have had a much larger impact if we had access to those resources.

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Rausser

And so I decided to gift to the University of California, Berkeley, a \$50 million gift, which I spent a couple of months right after the festschrift. I think it was probably a month and a half afterward, right in the midst of of the COVID 19. And we got that negotiated and got it instituted at the end of 2020.

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Zilberman

So how did your family react? Did they lose their inheritance?

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Rausser

No, they did not lose their inheritance. No, no, no, they were all protected. In terms of my nine grandchildren, I set up a trust for them long ago and they are all doing very well. And I also did a fair amount of estate planning for my three children and transferred a lot of wealth. They were very you know, they have nothing to worry about financially, so this wasn't taken from them, basically.

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Zilberman

Now, what about your ranch?

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Rausser

Yes, along the way, when I came back to after being in Washington, D.C., because there was a fair amount of chaos, as I described early in their lives, I decided that I wanted to build a family compound, and that's another reason for why I didn't take all this money from them and give it to the university, because I set up this family ranch and moreover, it's a large family and it's a family compound.

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Rausser

And we're there every year of three of my grand nine grandchildren say it's their favorite place in the whole world, which which is well beyond my expectations. And likewise, my children spend probably 60 to 70% of their leisure time at the ranch. And we are always there for the holidays and various birthdays and and other events that have taken place over the years.

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Rausser

So that that's a very important part of my overall life at this juncture and has been I bought the place in 1999 right after - I actually bought it, and then once I finished this dean, I spent the next eight years improving the infrastructure and the landscaping and all the rest of it, but it's a real treat.

01:03:17:28 - 01:03:23:11

Zilberman

Gordon, we all know that you are a sports fan, but what do you do for fun?

01:03:23:27 - 01:03:55:20

Rausser

Well, one thing is the ranch, which is at Grass Valley, it's about a two hour drive from here. I'm an avid horseback rider. I have endurance horses. I also have a cutting horse, which is a very high spirited horse that ends up cutting cattle out of large herds. It'll turn on a dime, almost horizontally. Um, so that's one of the activities.

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Rausser

But, but the real leisure time activity over the course of the last 40 or so years has been family. And also, now that I've got the ranch, that is the gathering place for the family coming together. But we do go skiing. We spend a fair amount along those lines and then over the years, as you know, I was a Golden Gloves boxer in high school and I continue to box in the next room.

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Rausser

You'll see a gym with a bag sitting there. And I spend every other day working out ten rounds on that bag. And on occasion, some of my family members strap on the gloves and we do a fair amount of sparring together.

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Zilberman

Now what are you doing these days in retirement?

01:04:53:04 - 01:05:25:26

Rausser

I am I'm doing what I believe probably unjustifiably the best research of my life. I'm doing work now on the curation of smart governments. And this is in part due to you and and coeditors on the essays in my honor that it's just been published. But there was a chapter that was the way forward and one of one of my PhD students was here as a postdoc and he ended up authoring that with two of the coeditors,

01:05:25:26 - 01:05:52:01

Rausser

you and Jill McCluskey. And we sat around talking about the work that I had done before and what this what does this have to do with smart governance? And we made some real discoveries because we we were thinking deeply about what is the way forward. If you look at this cumulative work, academic work in particular, or entrepreneurial work, what does that imply about how smart government should be designed?

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Rausser

How can they make better policies? And that's where we're writing the book on now. And in Contra style, all this debate about inequality and how to deal with inequality, the approaches for dealing with that. We're making the argument that the approaches are wrong. The right approach is, yes, you can deal with inequality, but only through increasing mobility and increasing asset diversification.

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Rausser

And that's got to be the outcomes of any policies that you might pursue. That sounds simple, but in terms of doing the mathematics and showing that it is in fact a internally consistent framework, we've done that.

01:06:33:01 - 01:06:51:11

Zilberman

So basically, once a scholar, always a scholar even though he is boxing on the side.

Gordon It was really quite interesting and illuminating and thank you very much for telling us a fascinating story of your life.

01:06:51:17 - 01:06:53:27

Rausser

Thank you. Thank you. You're more than welcome, David.