
2. AN INTERVIEW WITH JACOB MINCER

BY PEDRO TEIXEIRA

This interview was held on July 16, 2002, in Professor Mincer's apartment in New York City.

2.1. EARLY YEARS AND THE CHOICE OF ECONOMICS

Q – Can we start by talking about your interest in studying economics?

A – Let me start at the beginning. My life was disrupted by the war in 1939, but in 1948 I was able to resume my studies, in the United States, thanks to a Hillel Foundation Scholarship. Before the war, my studies were in engineering, not because of any special interest, but because it was an applied field in mathematics. After the war, I did not go back to engineering because I decided that the social sciences held more promise for the future. To my mind, technology as a means of progress had failed; it contributed to the bloodbath of World War II. That was a simplistic idea, but it led me to look at the social sciences, which I found very interesting, a kind of 'entertainment', something one likes to read outside of work. The one field that mystified me, and therefore attracted me, was economics. It was appealing because its structure was analytical and because it used mathematics.

Soon after arriving at Emory University, in Atlanta, Georgia, I studied with Professor Ernst Swanson, who had earned his Ph.D. in economics from the University of Chicago. He advised me to do graduate work there as well. As a matter of fact – and this is interesting – he said, "At Chicago you will meet a young economist named Milton Friedman, who is not yet well known but soon will be. You should study with him. If you don't go to Chicago," Swanson continued "you should go to

Columbia, not because there are great teachers there, but because they are associated with the NBER (National Bureau of Economic Research), and that is the only place that does empirical work in economics.”

As it turned out, I followed both pieces of his advice. I went to Chicago to do graduate work (unfortunately, Friedman was on sabbatical). That year, I also met my future wife, and she had a job offer in New York. That is why I came to Columbia to finish my Ph.D.

Q – That was in the early 1950s?

A – That was academic year 1951–2. The first thing that I did was visit the NBER. At work there were some professors at Columbia. Others were full-time at the NBER. I was hired by a woman economist, Ruth Mack, who was sitting there on the floor smoking a pipe (laughter)... The floor was strewn with a bunch of graphs, and I asked her ‘what are you studying?’ and she told me she was studying business cycles. But all I saw were long lines with very small wiggles. Those were long-term trends. Anyway, she hired me. Once I was at the NBER, I met a number of other young people, among them Bill Greenwald who taught at City College and who made me an offer to teach there. That’s how my academic career started.

2.2. RECOLLECTIONS FROM COLUMBIA IN THE 1950s

Q – When you arrived at Columbia the Department of Economics was still largely influenced by institutionalism, wasn’t it?

A – That’s right. I tried various courses, and the ones that appealed to me most were the theory courses.

Q – Was there anyone who became a strong influence on you, a kind of mentor? You were very fond of George Stigler...

A – Of all the people at Columbia, some of whom were important figures in economics, George Stigler and Arthur Burns were my greatest teachers. Stigler had a tremendous sense of humor and I got closer to him when I was already writing the dissertation.

Q – But he did not sponsor your dissertation?

A – Right, in fact he was away the year I organized my thesis committee.

I did not take courses in labor economics. I once sat in a lecture course on labor economics for a week or two, and all I heard was history of labor unions. That was not sufficiently interesting to me.

Q – Who was teaching labor economics at that time at Columbia?

A – Leo Wolman. He was associated with labor union activities.

I decided on the topic of my dissertation: wage differentials. I didn’t think of that as labor but as price theory.

Q – You saw it as applied microeconomics?

A – Yes, that is what it is called today. I was looking at various comparisons: by occupation, education, industry, age, sex, all possible characteristics; and I calculated the wage as available in Census data. The thing that struck me after a while was that, no matter what kind of cut I took, education and age were the most important variables affecting wages. It occurred to me at that time that one should use one principle rather than hundreds of contrasts. That sent me back to Adam Smith. I then developed what was later called the schooling model, where I show the importance of education and post-education activities in the labor market.

Q – Another work that seems to have also influenced your work was Milton Friedman's doctoral dissertation. However, in the years following its publication this work had not managed to stimulate many researchers to explore the link between education and personal income.

A – I was just about to mention that. The way I approached my topic was inspired by Friedman and Kuznets, after I went back to Adam Smith. Smith did not really have an explicit model, but Friedman and Kuznets had just come out with their book on professional income in which they calculated the capitalized value of an expected income flow conceived as earnings from capital, using implicit rates of return. At that time I asked myself 'why can't I apply this to the entire labor force?'. And that's basically what I did.

Q – That's interesting because at that time, the debates on personal income distribution tended to emphasize either sociological explanations or matters of luck, exogenous to individual choices. Both Friedman and Kuznets and your work tend to emphasize the capacity of an individual to improve his own condition.

A – Right.

Q – Moreover, reading your dissertation and your further work, it seems that you became increasingly convinced of the importance of education in this respect. From its status as a partial explanation, education had become the major theoretical explanation for the personal income distribution. How did this happen?

A – In my dissertation, schooling is something one can define and use data for. But, as I already mentioned, age seems to be important too. I had a vague idea that it was not age by itself that mattered, but activities. I later called it experience and distinguished it from age. The theory of what happens over time to an individual over his life cycle was something that came after the dissertation, because I felt that this aspect of earnings could not be due only to age.

Q – Or seniority?

A – Or seniority. So there is a need to generalize. It was not just about education, but about human capital. I did use human capital analysis in the dissertation, but I did not extend it sufficiently. At that time I was already very close to Gary Becker. He too

thought that age phenomena are not exogenous, that something happened in the meantime. People make job decisions after completion of formal schooling, people continue to increase their human capital by means of learning/training on the job. This is a major topic of the book that came out in 1974.

2.3. RECOLLECTIONS FROM CHICAGO

Q – After you have finished your dissertation, at a time when there were very few people working on human capital (basically you, T. W. Schultz at Chicago, and Gary Becker who had just started his project at the NBER), you go to Chicago with a post-doctoral fellowship. How did it happen?

A – Let me explain. Ted (T.W.) Schultz was focusing on economic growth, so he was looking at growth differentials over time, on an aggregate level, whereas I was interested in wage differences on a cross-section level, in the distribution of those differentials. My sponsor at Columbia was Harold Barger, and he knew that Schultz was interested in that subject, so he sent a draft of my dissertation, and almost by return mail I got an invitation for a post-doctoral fellowship at Chicago. I did not know anything about Ted Schultz at that time, and I was not focusing on economic growth, although I realized there was a similarity in analyzing the issue in one case across people and in another across time.

Q – A kind of complementarity?

A – Yes. But they were basically very different topics. When I got to Chicago I was advised to attend the Labor Workshop led by Gregg Lewis. Gregg Lewis told me that I was a labor economist, which sounded as an insult to me. (laughter)

Q – Because of your recollections from Columbia?

A – Well, in general Labor was a wilderness. It was well known that what people were talking about in labor economics was institutional, sociological, all things but economics. In fact, Samuelson at that time said that ‘labor economics is the last refuge of the scoundrel’...

Q – Friendly words...

A – It didn’t really exist. But Gregg Lewis at Chicago was a very fine economic analyst, and he was teaching a course in labor that was entirely different from the kind of things that I had encountered at that time. Once I sat in his course, I realized he could not be insulting me.

Q – And he was trying to apply price theory to labor issues, something very unusual at that time.

A – Exactly. I started writing the article based on my dissertation for the JPE (1958), which Gregg Lewis and Albert Rees helped me finish. When I sat on their courses, I found out that Gregg Lewis, as well as Albert Rees, were at that time very much interested in the labor force participation of women. A book by Clarence Long had

just come out. Clarence Long worked at least ten years on that book published by the NBER. The basic question was ‘why is it that while in cross-sections in families where husbands are doing well, wives don’t work; over time wages have been rising and instead of women dropping out of the labor force, their participation in the labor force increased?’. Neither Lewis nor Rees had an answer to that. They tried all kinds of approaches... but it occurred to me that a simple price-theoretical approach could do. I still don’t know why they didn’t think of that before me... At the end of the year I went over to Gregg Lewis and told him that I had an idea on how to approach the subject. He was very excited, and said ‘you’re invited to a conference!’ (He was organizing a conference on Labor Economics). That was the conference where the paper on labor force participation of women came out.

Q – That was the famous 1960 Conference of the NBER on Labor Economics?

A – Right. In fact Clarence Long was my discussant and he expressed great excitement at the solution of the problem, which had escaped him and many others.

2.4. BACK TO COLUMBIA AND WORKING WITH GARY BECKER

Q – After that time in Chicago you came back to NY. Not to Columbia yet.

A – You’re right. I had first one more year at City College, and then to Columbia. Gary was already here, and his reputation preceded him (because of his dissertation on discrimination), in applying economic theory to unconventional subjects, which attracted me. Neither he nor I taught labor, in fact nobody did, but when I got an offer to come to Columbia we combined forces to organize a Labor Workshop. A lot of things developed in that Workshop.

Q – At that time you started teaching statistics.

A – I taught statistics for about six or seven years, but then I realized a) that I was more interested in labor economics, b) that statistics was ‘passé’, one needs econometrics. That was when they started hiring people in econometrics.

Q – Apparently you became more comfortable with the labor economist label.

A – Oh, yes.

Q – That inaugurates a very exciting and fruitful period at Columbia. What sort of recollections do you have from those times? Did you feel that you were contributing to something that important?

A – We knew that we were doing things that nobody else was doing. We had a mission that we pursued in the Workshop, in seminars, in conferences. There was never any doubt in our minds that we were really moving the subject forward. The two main angles had to do with two contributions, namely labor supply and human capital. These were the basic ideas that we then applied to a variety of topics.

Q – An important part of your work and of human capital research was developed at the NBER. Why do you think that the NBER became increasingly interested in Labor research at that time?

A – The presence of Gary Becker, and of myself, enabled the NBER to acquire a number of talented young economists who were interested in the same subjects.

Q – What are your recollections from those times at the NBER? How was the relationship with the rest of the researchers at the NBER, a very heterogeneous group of economists at that time?

A – Whether heterogeneous or not, the group at the Bureau was lively, sociable, and eager – both on the job and off – to discuss their work.

Q – At a certain point you were coordinating research projects in that area. How did it happen?

A – There was no formal coordination except for periodic seminars.

Q – At that time I gather there was a close interaction with Chicago, with people such as T. W. Schultz, Gregg Lewis, and even with Albert Rees who was still at Chicago until 1966.

A – Rees was at Chicago. He was not an analytical economist, he was still of the old tradition, but he tried to combine both approaches. Gregg Lewis was the real father of modern labor economics, but he published very little, being a perfectionist. (As is well known, most of the dissertations in labor economics at Chicago were basically products of Gregg Lewis).

Q – Beyond those circles was there significant resistance to those new applications?

A – Yes. But that was exciting.

Q – Did you feel animosity at professional meetings, for instance?

A – Both Gary and I always felt very secure with what we had to say, and we did not hesitate to say it. And gradually the field changed. I think our students did a good job in that respect.

Q – Do you think that was already visible by the end of the sixties?

A – By the time my book came out, in 1974, there was a general acceptance of the human capital approach. I remember I showed a draft to Orley Ashenfelter, and he was very excited and said ‘This is going to become the standard approach in labor economics’. He was right.

Q – What explains the vitality of the research on human capital at that time (late 1960s – early 1970s)? A strong network of researchers, novelty of applications, institutional support?

A – All of those factors were important.

2.5. HUMAN CAPITAL AS AN AGENDA FOR LABOR ECONOMICS

Q – As human capital becomes an organizing principle for your research, one gets the feeling that there is a persistent exploration of human capital as a general explanation of various issues in labor economics,...

A – You are right.

Q – including the role of women in the labor market.

A – Analysis of labor supply goes back to Lionel Robbins and his memorable article. It is geared to the individual, there is no family in his analysis. Both income and wages, income and prices are the same. If you wanted to apply this theory to empirical data, you couldn't get a separate full-fledged supply curve. All you would get is the net differential resulting from the coexistence of these two variables. A number of people were looking at that, such as Paul Douglas and Clarence Long, but they simply looked at wages and found a negative effect on labor force activity. That is because the income and price variables were not separated. So to my mind the whole theory of labor supply must deal with the family. The income variable is not the same as the wage variable: if the family pools its income, you have one income variable, and then each individual has a wage, which is the price variable. That's quite separate.

Q – That change of perspective from the individual to the family is a crucial one.

A – That was the problem that labor analysis had to deal with. The answer to this is: consider the family. Then you are going to get a number of variables that are not tied to one another. There may be powerful relations. Once I got that idea, it took me very little time to get the estimates. Basically at the end of the course I had the ideas in my mind; I told Gregg Lewis and he said "you got it!" That became the standard approach. Of course there are subtleties. My approach was that the family pools its income, nowadays there are theories about bargaining within the family, but it started there.

Q – In relation to the family, you have also been influential in emphasizing the role of human capital accumulated at a pre-school stage, within the family – the so-called home-human capital. Why did you become interested in that aspect?

A – Well, as I told you the family came as a solution to the problem of labor supply that I just mentioned. But of course, the family is of interest by itself. I did not really contribute that much to what is called family economics, except in terms of labor supply analysis. I was interested in labor force participation of women, because of my wife. I knew she had a high-powered profession and it was clear that she would not simply become a housewife. That was our start. That was an example of the role of wages in labor force participation. From the very start I believed that wages have a positive, not a negative, impact over labor force participation. The negative effect came of course because of the residual. If you just relate wages to participation, at that time you would get a negative effect (I'm talking about women), but once you take

income as a separate variable, you will see that the wage has a positive effect that in fact is stronger than the income effect.

Q – You seemed to be interested in exploring the various dimensions of the concept of human capital. However, at a certain point human capital research became very focused, perhaps excessively focused, on the schooling dimension (perhaps for matters of data). You have always pinpointed other aspects of human capital such as On-the-Job Training (OJT), home investments, and migration. Did you feel that it was narrowing too much and missing part of the picture?

A – From the very beginning I focused on education but also on age. The age phenomenon intrigued me. There was a question of development of wages and the labor force behavior over the life cycle.

Q – Human Capital came to dominate the research agenda in Labor Economics by the late 1960s. Why do you think that happened? What was the role in that respect of multiple applications and increasing availability of data allowing econometric testing?

A – The topic of economic growth replaced the previous emphasis on business cycles. Human capital is one of the keys to economic growth. Applications were found in many fields of economics, especially in labor economics. The availability of data on an individual level made empirical research feasible and attractive.

2.6. APPRAISING HUMAN CAPITAL RESEARCH

Q – Looking back after so many years of work on human capital how do you appraise its evolution? Which aspects would you like to single out as major achievements?

A – The main contributions of human capital analysis are twofold. One, it is an insight into the wage distribution. Before human capital, people looked at distribution as a functional concept, one part to capital one part to labor... That was because data came that way. Around the time I started, individual data became available, starting with the 1940 Census. One could look at the distribution of personal income and there were all kinds of questions about that: about its variance, skewness, and patterns of personal income distribution. I think human capital contributed a great deal there. It also contributed to the understanding of economic growth, although I did not work on that. I think these are the two major contributions: understanding the personal income distribution and understanding economic growth. These were the contributions at the very beginning and they just kept developing.

Q – What aspects of human capital research should be more explored? Which ones were less fruitful?

A – I shy away from the word “should”. All research is work in progress.

Q – Despite the increasing acceptance of human capital analysis, a series of alternative explanations appeared. Nonetheless, you never seemed too worried about, for instance, the screening approach.

A – The screening approach makes little sense. It assumes that the major product of schooling is a piece of paper requiring many years to achieve. If this were the major or sole benefit of schooling, it would be much cheaper and more efficient to save years and expenditures and simply prepare for an employment test provided by the employer.

Q – Although you accept that employers will use this piece of paper at least initially?

A – Yes.

Q – Why do you think that screening theories became so popular at a certain point?

A – That's always the result of debates and discussions. If somebody comes up with an idea, someone else comes up with a counter argument (laughter)...

Q – And there is a kind of dialectical process?

A – That's healthy.

Q – Do you think that at the end human capital won the debate?

A – To my mind, yes.

Q – In that respect, how important was the empirical evidence?

A – Well, there are some empirical approaches that deal with schooling. There is for example the pattern of the earnings curve over the life cycle, especially in the beginning, where we find a negative correlation between initial levels on the job market and, say, ten or fifteen years later they reverse and that clearly indicates an investment process. What I find most convincing was what I mentioned at the beginning, that it seemed foolish that an investor would spend so many years in education in order to show a piece of paper to the employer.

Q – In the sense that human capital was a better explanation?

A – Yes. Isn't this common sense? You will have a rather narrow or restricted job in most cases, for which one could prepare an examination that it would take you a year or two, but not twenty years. That would be a lot cheaper to the economy.

Q – Textbooks are regarded as an important instrument to consolidate a certain theory within a discipline. Do you agree? Have you ever considered writing one yourself? Do you think it would have helped the dissemination of human capital research?

A – Textbooks give the student an overall view of the subject matter and appropriate references. Since the subject matter evolves over time, constant revisions are needed. I never contemplated writing a textbook.

2.7. REFLECTIONS ON THE DISCIPLINE

Q – I would like to talk also about your career as an economist. As a privileged observer, how do you see the evolution of the discipline during the last 40/50 years? Some people point out to excessive formalism. Do you agree with that?

A – I partially agree. On the other hand, I feel that there is nobody who can tell people what to do. So, let a thousand flowers bloom! Whatever is important is going to survive, if it's not important it will be forgotten. But it is difficult to tell ahead of time. So, I would say, I agree that highly mathematical work just requires a lot more work and may not deliver as people think it might. It is interesting, because I was attracted to economics because I could not understand it (I did not know much about it), and at the time there was too little mathematics, too little rigor, too little analysis. Now, it is moving with a vengeance in the formal direction.

Q – You have always placed strong emphasis on empirical research in economics that is driven by theory. Do you agree that there is a low premium for that type of research in economics? Has that situation improved or deteriorated in the recent decades?

A – The style of research matters a lot less than its findings.

Q – Because you taught statistics and econometrics in the early days, but you seemed to regard it very much as an instrument, rather than an end in itself...

A – That's right.

Q – Do you feel that there is the danger that people lose sight that econometrics and statistics are instruments?

A – Well, there was a division of labor, and a lot of people who were very good at mathematics would do either econometrics or mathematical economics. In fact the term mathematical economics does not exist anymore. That is what is understood by economics. It's always very helpful when one knows the technique that furthers the solution of the particular problem you're trying to solve – that I appreciate.

Q – Well, you said 'let a thousand flowers bloom', but how can we select a valuable explanation from one that isn't?

A – We don't select. It's a question of survival.

Q – You always seemed close to the idea that the model should be judged by its predictive power. I gather Milton Friedman and George Stigler influenced you in that respect?

A – That was an idea that I had even before that, but they showed examples. You are right the usual textbooks don't talk about empirical work. That is something that the student acquires after years of work in the field.

Q – You mentioned empirical work, and at the NBER, where you developed an important part of your work, there was a strong empirical emphasis.

A – They almost ran the other way! In 1950, I think, there was an article that came out by Koopmans, ‘Measurement without theory’, that was a review of what he saw as the work of the NBER. In response, Arthur Burns wrote ‘Theory without measurement’. Using theory to get empirical work, or using empirical work to test theories, is something you have to learn by yourself. It is more of an art.

Q – If it is an art it is also important that it addresses issues that are relevant to policy. In relation to that, you never seemed to be very interested in developing policy analysis.

A – Like everyone else I am interested in political aspects of economic behavior, but there is a question of research priorities and there my major efforts were in the positive rather than normative aspects of labor economics.

Q – Another development of the discipline was to expand its scope by addressing topics not previously considered. How do you see those developments, the expansion of the discipline?

A – The question is whether the boundaries haven’t gone too far. Well, I am a *laissez-faire* man. As I mentioned before, I think ‘a thousand flowers should bloom’. If we can find something of interest economists can tackle the way they are doing it, why not?

Q – You believe that economics has a lot to contribute to social understanding?

A – It has a great deal.

Q – You are one of the foremost economists of your generation. What do you think will be your lasting contributions?

A – The same contributions I made at the very beginning of my career: the one was modernizing labor supply analysis, and the other was human capital. Human capital having priority, actually.

Q – And these are the ones you would like to be remembered for?

A – Well, yes. What I will actually be remembered by is a matter for posterity, and maybe I won’t be remembered at all (smiles)...

Q – That’s your proverbial modesty talking...

A – Posterity is something one has to leave to the next generation...

Q – And how do you think economics will look like in the next generation? Do you think it has a bright future?

A – I am sure it does.

Q – What are your recommendations for young economists?

A – Just follow your instincts as to what is important at a given time, or important in the sense that you are not satisfied with the answers that have been given.

Q – However, you always talked about continuity in the history of economics...

A – All subjects are open-ended and success depends on asking the right questions. The real mark of success is when your contributions are so fully absorbed into the mainstream that your authorship is no longer singled out.

Jacob Mincer

A Pioneer of Modern Labor Economics

Grossbard, S. (Ed.)

2006, XII, 198 p. 39 illus., Hardcover

ISBN: 978-0-387-29174-1