JACOB MINCER

A PIONEER OF MODERN LABOR ECONOMICS
Jacob Mincer 12/98
Credit: Photo by Alvin Ziontz
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In 2004, the Society of Labor Economists announced its first Award for Lifetime Achievement in Labor Economics. Jacob Mincer and Gary Becker were the co-recipients. The award was then renamed the Jacob Mincer Award. Two years earlier, Mincer was the first to win the IZA Award in Labor Economics. These awards recognize Mincer’s primary role in shaping labor economics, but they only hint at the breadth of his reputation and accomplishments: he is a member of the National Academy of Sciences, and has been appointed a Fellow of the American Statistical Association and the Econometric Society, as well as a distinguished Fellow of the American Economic Association.

Mincer is one of the principal architects of Modern Labor Economics (MLE), a premier application of micro-economics in the spirit of Chicago’s positive economics. There are typically three steps to such application: (1) a theoretical model is developed or borrowed, leading to testable implications; (2) empirical work is performed; and (3) the findings are analyzed in light of the theoretical analysis. All of Mincer’s work has followed those steps, even when this was a rare occurrence. When he started, in the mid 1950s, labor economics was a sub-field of institutional economics. Labor economics is now a major field of economics. As a result of his work and that of other pioneers, MLE became an example for other applications of economic models.

As noted, Mincer shared the first prize named after him with Gary Becker, another major pioneer of MLE and recipient of the 1992 Nobel Prize in economics. Even though they did not write joint papers, together Mincer and Becker created the labor workshop that became MLE’s incubator at Columbia University, from 1959 to 1969.
It was also at Columbia that colleagues—including many of Mincer’s students—gathered on July 15th, 2002, to honor him and to celebrate his 80th birthday. This book gathers reflections and tributes by Becker, James Heckman, and students who participated in Columbia’s labor workshop during those ‘Golden Sixties.’

Mincer’s contributions to labor economics predate the labor workshop. He completed his Ph.D dissertation at Columbia in 1957, under the guidance of George Stigler, one of the three economists who were his principal sources of inspiration. By 1959, the year that Becker recommended his appointment at Columbia, Mincer had already published a major article on human capital.

Another economist who inspired Mincer’s MLE is H. Gregg-Lewis. In Mincer’s words, reacting to some of us calling him a father of MLE: “If I am a father of labor economics, H. Gregg-Lewis is surely the grandfather.” (Chapter 3). Mincer’s relationship with Gregg-Lewis had developed during Mincer’s post-doctoral fellowship at Chicago in the years 1957-58. Mincer also recognizes a major intellectual debt to Milton Friedman. He was particularly inspired by Friedman’s book (with Simon Kuznets) on income earned by professionals and his research on consumption functions. It is mostly from Friedman that he first learned Chicago-style positive economics.

Mincer and Becker worked as a team. After Becker left for the University of Chicago in 1969, and Mincer turned down an offer to teach at Chicago, their unique collaboration came to its end. Mincer continued to lead Columbia’s labor workshop for many more years. In 1979, Columbia University appointed him Buttenwieser Professor of Economics and Human Relations. He retired in 1991.

This Festschrift honors not only Mincer. It also honors the labor workshop at Columbia during the 1960s, a workshop I wished I had attended. My fascination with that workshop started when I became a student of Becker’s at Chicago in 1973, soon after he had left Columbia. Mincer and many of his and Becker’s former students at Columbia participated in Becker’s workshop at Chicago in the 1970s. I detected something very special about Mincer and all those who had been part of Columbia’s labor workshop in the 1960s.

Thirty years later, the conference that led to this volume made clear to all participants, regardless of their own experience, that Mincer, Becker, and the labor workshop at Columbia in the sixties were extraordinary. The display of affection that flowed at Jacob’s 80th birthday conference was overwhelming, particularly from workshop participants in the ‘Golden Sixties.’ Most students from the ‘Golden Sixties’ were there, including Jean Claude Koene from Belgium, Reuben Gronau, Ruth Klinov and Jacob Parush from Israel, and Masatoshi Kuratani from Japan. Many of Mincer’s later students came as well.

MINCER AND COLUMBIA’S LABOR WORKSHOP IN THE 1960s

Chapters 1 through 7 of this volume contain essays that explore the nature of Mincer’s and Becker’s labor workshop. In addition to essays by each of them, this part includes chapters by James Heckman, the 2000 Nobel Prize laureate, and Solomon Polachek, who studied with Mincer and Becker in the 1960s. These essays, and an
interview with Mincer by Pedro Teixeira, provide a clear sense of the circumstances that gave birth to Modern Labor Economics. Most of these materials are original to this book.

Chapter 4, contributed by Gary Becker, offers a unique and personal perspective on the cooperation between two outstanding minds. The chapter is based on comments, originally presented at the 2002 Conference at Colombia and previously unpublished. Becker’s reminiscences moved the audience to tears. Becker describes this period as possibly the most exciting and fruitful in his life. Numerous elements seem to have contributed to the highly productive Mincer-Becker collaboration.

First, the two men shared intellectual interests. A number of subjects—including the economics of human capital, time allocation, and household economics—were at the center of each man’s research. Mincer and Becker had very few disagreements, maybe none on fundamental issues. In particular, they both were strong believers in the need to blend theory and empirical work, and in that sense they each identified with the methodology of Milton Friedman’s positive economics. Mincer learned from Friedman mostly by reading his work; Becker was Friedman’s student.

Second, the two men had a very strong personal friendship that continues to this day.

Third, these two researchers are highly original thinkers (they were engaged in research that was not done anywhere else at the time).

Fourth, their perfectionism led to well trained students and high quality research (see Chapter 5).

Fifth, their complementarity led to fermentation and cross-fertilization: Mincer empirical, Becker theoretical; Mincer self-contained, Becker outspoken (see Chapter 4).

Sixth, a dedication to their students, whose presentations were the primary focus of the workshop, a dedication apparent throughout this book. In their own chapters, Mincer and Becker credit the outstanding students who attended their workshop during that time. However, from Sol Polachek’s chapter it appears that the quality of the students was not exogeneous. Outstanding students joined the labor workshop thanks primarily to the qualities of Mincer and Becker as leaders of the workshop. More information on the students attending the workshop can be found in Chapter 7.

TECHNOLOGY, HUMAN CAPITAL, AND THE NEW HOME ECONOMICS

One book can’t possibly offer a comprehensive tribute to an economist as influential as Jacob Mincer. The topics that are included here are among the closest to Mincer’s heart: technology, human capital, children, women’s labor supply, the distribution of earnings, and health.

Part III consists of Mincer’s latest economics paper, which deals with technology and the labor market. Part IV offers new perspectives on Mincer’s contributions to the topic of human capital. These perspectives are offered by two students of his in the 1960s, Barry Chiswick and Solomon Polachek, and by a younger economist, Thomas Lemieux, who focusses on Jacob Mincer’s most famous contribution to this area of research: the Mincer equation. That equation also plays a central role in
Chapters 8 and 9 by Chiswick and Polachek. Chiswick also discusses the distribution of earnings, and Polachek also deals with Mincer’s concept of ‘overtaking point.’

Finally, Part V addresses Jacob Mincer’s contributions to the New Home Economics. Each of the chapters was written by one of Mincer’s students from the 1960s: Reuben Gronau (on labor supply), Michael Grossman (on the household production of health), and Arleen Leibowitz (on household production and children). Excepting Lemieux’s article, all chapters in Parts IV and V were presented at the 2002 Conference at Columbia. Chapters 8, 10, 12 and 13 were previously published in a special issue of the Review of Economics of the Household (REHO). Chapters 9 and 14 are adaptations of articles in REHO.

NOTES
2. Becker has also publicly recognized his intellectual debt to H. Gregg-Lewis.
3. Mincer has more ties to Chicago: he was a visiting professor there in the mid 1970s and holds an honorary Doctorate of Law from the University of Chicago.
Preparing this volume has been an outstanding experience. It has given me numerous opportunities to get to know Jacob better. The more I know him, the more impressed I become with his extraordinary combination of talent and modesty, and the more honored and thankful I feel for having had the opportunity to organize this book. It was a pleasure consulting with him about every aspect of this work’s preparation. In the process, a great friendship with Jacob and Flora, his wife, has ensued. I thank Jacob for his patience when answering my numerous questions and I thank both of them for all their assistance with this book, including helping me get the bibliography and Jacob’s picture.

I thank everyone else who participated in this volume as well. I am very grateful to my Chicago professors, Gary Becker and Jim Heckman, for trusting me with their articles. Jim Heckman also facilitated this book’s editing process. It has also been gratifying to learn from the students who participated in the labor workshop at Columbia and to get to know them better. The former students who contributed to this volume join me in thanking Jacob Mincer for the intellectual gifts he bestowed upon us.

Thanks also go to Marilea Fried of Springer for her support for this book, Jim Heckman for asking me to help him organize the conference that inspired this book, Nachum Sicherman for helping organize the conference, Barry Chiswick, Reuben Gronau, and Arleen Leibowitz for helpful comments on the preface, and Jennifer Boobar and Howard Yourow for their editing contribution throughout. I also thank Kristin Ruscetta and her staff for getting the manuscript into book form.
PART I. JACOB MINCER IN PERSPECTIVE
1. SOME BRIEF REMARKS ON THE LIFE AND WORK OF JACOB MINCER

BY JAMES J. HECKMAN

In July 2002 a group of colleagues and students of Jacob Mincer gathered on the occasion of his 80th birthday to celebrate his accomplishments. This occasion offered an opportunity to reflect on the achievements of Jacob Mincer and the legendary Labor Workshop at Columbia which he helped found and which he conducted with Gary Becker and alone for many years.

In order to place the contributions of Mincer and the Labor Workshop in perspective, it is helpful to look back briefly to the state of labor economics in the early 1950s. At that time, most economists viewed the study of the labor market as the province of labor relations experts, institutionalists and sociologists. The dominant Keynesian paradigm in macroeconomics ignored labor supply, incentives and skill formation entirely and focused on problems of demand management. With the exception of H. Gregg Lewis at Chicago, and Melvin Reder at Stanford, the labor economists of the day did not know or apply price theory to the study of the labor market. Bodies of “facts” were accumulated which were difficult to interpret within any coherent intellectual framework.

In the mid 1950s, this began to change. Gary Becker’s work on discrimination and wage differentials, H. Gregg Lewis’s work on unionism and the time series of labor supply, Melvin Reder’s work on the occupational wage structure and Jacob Mincer’s work on human capital-induced wage differentials were the first major efforts to apply basic price theory to understand aspects of the labor market.

Building on this work, labor economics was transformed into analytical labor economics in the period 1955–1975 largely through the efforts of Gary Becker, Jacob Mincer and the participants and affiliates in the Columbia Labor Workshop, many of
whom gathered to honor Mincer's birthday. An entirely new field of household economics was created by the early efforts to understand female labor supply and fertility that were centerpieces of workshop discussion. A theory of earnings determination and wage inequality emerged.

This enterprise was enriched by, and stimulated, the production of microdata that were becoming available to the economics profession on a wide scale in the 1960’s. The challenge of using the new theory and the new data helped spawn the modern field of microeconometrics. The Columbia workshop attracted and produced some of the best minds in the profession who responded to the intellectual challenges and opportunities created by its pioneering research.

Central to the success of this entire enterprise was Jacob Mincer. Mincer emphasized the importance of using economics to understand data from households and the labor market. He used clearly formulated economic principles to explain the “facts,” and he thought broadly and deeply. His relentless application of theory to evidence and his careful attention to the evidence makes his work both distinctive and influential.

Mincer’s contributions fall into two main bodies of work. Mincer was a leading member of a group of economists at Columbia University and the University of Chicago who systematically developed the empirical foundations of human capital. His 1958 *Journal of Political Economy* article (Mincer 1958) showed the power of the concept of equalizing differences in explaining earnings inequality due to educational differences among people. His 1962 *Journal of Political Economy* paper (Mincer 1962b) presented the first systematic empirical analysis of learning on the job as a determinant of life cycle wage growth. His magisterial *Schooling, Experience and Earnings* (1974) showed the power of the human capital investment concept in accounting for diverse patterns of earnings inequality and wage growth over the life cycle. He demonstrated the empirical importance of complementarity in skill formation — that skill begets skill— and that more educated people do more post-schooling investment in learning than less educated people. This research established the Mincer earnings function as a widely used and widely replicated cornerstone for interpreting earnings data in many fields of economics. His subsequent work on job turnover, on the measurement of firm specific training, on investment responses to technology change and in accounting for the recent rise in wage inequality within an economic framework, enriched the basic Mincer model and showed its analytical and empirical power.

Mincer also pioneered the study of female labor supply and the economics of the household. His seminal 1962 paper on the labor supply of married women (Mincer 1962a) showed that accounting for the influence of the price of time — the market wage — explains why female labor supply increased at the same time that the real wealth of society (and that of the women’s husbands) was increasing. It reconciled apparently contradictory time series and cross section evidence. That work, and a subsequent 1963 paper (Mincer 1963), showed the importance of accounting for the household choices women face in explaining female labor supply and fertility. This research helped to foster the emergence of household economics as an independent field within the larger discipline of labor economics. Mincer’s insights on labor
supply, human capital and fertility laid the foundations for understanding how economic development transforms the role of women and the family.

I conclude with a few personal notes. First, a personal note about Jacob Mincer himself. It is an amazing piece of good fortune that Jacob Mincer ever made his seminal contributions. Born into a Europe ravaged by war and persecution, Jacob Mincer survived captivity in the Holocaust only through chance. His memoirs reveal the incredible obstacles he overcame before he arrived in America in the late 1940’s. He more than caught up for the time he lost in concentration camps by his extraordinarily productive stretch from age 35 to the publication of Schooling, Experience and Earnings (1974), at age 52.

Second, on a personal note of my own, I owe Jacob Mincer an enormous debt. As a graduate student in economics at Princeton, I was very discouraged by much of the economics that was taught there and was considering leaving the field. As a prospective development economist, I came to realize that the computation of shadow prices for project evaluation was a sterile and unproductive activity, and that the models of economic development I was reading had little contact with the real world.

My whole vision of economics changed when by chance I read Mincer’s (1963) fundamental paper on female labor supply. It’s concise, insightful analysis of the theory of female labor supply and its brilliant interplay of simple theory and econometrics excited me and led me to become a labor economist and work on many of the ideas and open problems that appear in that paper.

On a final personal note, my years as his junior colleague both at Columbia and the New York NBER expanded my horizons and educated me in labor economics, the economics of the household and in empirical economics. From him, and the first rate people who congregated around him as students and colleagues, I learned much. My interactions with him and his group shaped my lifetime research agenda.

We are all grateful to Jacob Mincer for illuminating the study of empirical economics.

REFERENCES

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 early1950s?
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 ‘passè’, one needs econo-
metrics. 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.