

TRANSCRIPT

The Work Goes On

Guest: Richard Freeman

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Richard Freeman:

We currently have American people supporting unions more than they have since literally World War II, the early 50s, but it just doesn't get translated into union membership in the private sector.

Orley Ashenfelter:

Welcome to [The Work Goes On](#), a podcast from the [Industrial Relations Section at Princeton University](#). I'm your host, [Orley Ashenfelter](#), the Joseph Douglas Green 1895 Professor of Economics at [Princeton University](#). In this podcast series of conversations with leading thinkers and practitioners, we are creating an oral history of an entire generation of industrial relations experts and labor economists whose contributions to their fields have been absolutely extraordinary. Our guest today is [Richard Freeman](#), who is the Herbert Ascherman Professor of Economics at Harvard University. He's renowned for his work in labor economics on a very broad range of topics.

Richard, welcome to [The Work Goes On](#).

Richard Freeman:

Very glad to be here.

Orley Ashenfelter:

Let's begin the discussion by talking about your background. Where did you grow up?

Richard Freeman:

Mostly, I grew up in New York City. I was born in one of the worst towns in America, Newburgh, New York. If you look on the internet, you'll see it's often one of the top worst towns. But my father got a different job in New York and that was influential. And then, we moved to New Jersey and that was also influential.

Orley Ashenfelter:

Where did you go to school? Where'd you go to elementary school?

Richard Freeman:

Elementary school started in Newburgh. We lived on a chicken farm indeed. And I would meet chickens regularly.

Orley Ashenfelter:

What then?

Richard Freeman:

Oh, then I got into the New York City school system. Public School 186 in Queens. And I skipped a year of school, which was very good through this special progress program they have in New York.

Orley Ashenfelter:

So, where did you end up in New Jersey?

Richard Freeman:

The town is called Oradell, New Jersey and it's a reasonably wealthy suburb. And I was the tough kid from New York who wanted to go to Greenwich Village and didn't particularly get on with the other kids. I wasn't a bully or bullied, but I didn't quite appreciate their upper middle-class attitudes or whatever.

Orley Ashenfelter:

So, you went to high school in New Jersey?

Richard Freeman:

Yep. And actually, when I first got into high school, the principal brought me to his room and he said, "I see your record in New York as you were a bit of a troublemaker kid. Don't you try any of that here. And what we're going to do is not put you in one of these advanced classes. We're going to put you into a sort of not quite college class because I don't want to have you messing with my kids." And so, I spent my first year actually in a class where the kids were not the fastest and they became my friends. And I think that influenced me throughout my life to paying attention, not just to the hotshots and the smart guys and the rich guys, but fairly normal people.

Orley Ashenfelter:

Richard, that's fascinating. I know you went to Dartmouth. How in the world did that happen?

Richard Freeman:

Very peculiar. And when I got to the New Jersey school, I did not know what an Ivy League college was. I thought all guys who were cool intellectuals and smart people went to Greenwich Village and hung out in coffee shops. And that was my vision of life and all these... Eventually, I did so well in the first class I took, first year, that they upped me to the smart college type kids class. And I was the best kid in that class defending my not so good classmates. I would always tell them, "These guys ain't so good. I'm beating them out in every test."

And then, somebody just said to me, "You should apply to an Ivy League school," and at Dartmouth, they actually asked you to write an essay on your intellectual history and none of the other schools asked anything like that. And I wrote this very truthful essay about wanting to go to Greenwich Village, wanting to do this...some of the things I just told you. And I got back a letter from the president of the university. John Sloan Dickey was his name. And he said, "Kid or young man, we want you here. You have... that all the kinds of cool attributes that we're looking for." And I thought, "That's pretty nice. The president of the university wants me there." I'm sure it went through some committee, and he was told to say this and he didn't write the letter. But at that time, I was, "Oh wow, that's where I'm going." And that's where I went.

Orley Ashenfelter:

That is actually quite a remarkable story. Now, I know that you ended up at Harvard, I believe a student of John Dunlop's. How did that happen?

Richard Freeman:

Well, first I graduated from Dartmouth. I skipped a year cause I had, so I had gotten out very early. I was very young and my professor at Dartmouth was someone in labor economics, Martin Segal. He was a refugee from the Nazis in Poland and had been a hero in the US Army being sent back overseas to do things in... I suppose he was using his Polish language. And he had been a Harvard grad and a student of Dunlop. And so that's, that made the connection for me.

Orley Ashenfelter:

Marty Segal, he was a well-known guy.

Richard Freeman:

Yes, I was very, very close to him. He was probably my best friend in college. And he was really smart, always very thoughtful, very behavioral economics oriented. And I learned a lot from him. Because he would always say, "Well, why is someone doing that?" He didn't say, "I've got an optimizing model. I'm studying the marginal benefits equal to marginal costs." That's fine as a framework, but you got to know what's going on in people's heads if you're going to be modeling that. And he also, God bless him. Cause I really, really was close with him. He always carried a fear that there were going to be Nazis or bad guys coming, from his experience in Poland. And once he had an offer from Michigan to become a professor there, that was clearly a step up in the academic world because he'd have... Dartmouth was only undergraduates, Michigan was graduate students. Michigan had an industrial relations center, and Dartmouth just had him basically.

And for a brief period, him and me as a student. And he said to me, "I can't go to Michigan. I know here there are no Nazis in town." It was very telling about what can happen to somebody when they've been... He and his wife were... he said the only people who were not killed by the Nazis in Warsaw from his high school. So, you could understand it. And yeah, you could see how that created a tremendous bond between him and me.

Orley Ashenfelter:

So now, you're at Harvard and John Dunlop. Now, I actually met him a few times. Very famous guy and I guess extremely important at Harvard. I always thought he was a very formidable kind of off-putting person. How did you get along with him?

Richard Freeman:

Well, at first, I avoided him because for exactly the reasons you said Orley and I wanted to do more mathematical economics, my first goal was to do the math stuff. So, I didn't take his course early on. And I took Simon Kuznets' course, which turned me a little bit against the mathematics and the sense of you have to measure things and it's not much point to writing models if you don't have evidence for the models. And in my second year, I was told by Marty Segal take his course and I did. And yes, he was formidable, but he also was very human. There was one incident where he showed some, I don't know, it made me feel very good. I was supposed to meet him at his Littauer office, and I don't know, it's a say 10 o'clock. And I'd been out the night before with a girlfriend and I didn't get up at 10 o'clock as I should to get there.

And I arrived there at 10:30 and he's pacing outside Littauer because you students had to be let in on a... It was a Saturday or Saturday I'm pretty sure. And he's looking at me, he says, "Why are you late?" And I said, "Thank you for waiting for me outside here." And he said, "Well, you better have some good things to say. Why were you late?" And I said, "Well, I was with a girlfriend." And he said, "Ha ha ha ha ha." And that was a humanity connecting notion. And after that I said, "Okay, he understands people's foibles or that we're human, even graduate students are human." And after that, things went well with him.

Orley Ashenfelter:

What was your dissertation about?

Richard Freeman:

Well, my dissertation was actually, it's my first book. It was the labor market for college graduates. I was not interested in industrial relations. I was interested in the human capital and especially into the science job market in part because my father and I'll say the US government and people were all screaming we need engineers. Nobody was screaming, we need economists. I don't know if you had that. I have this thing of, "You got to go into engineering, the country needs you as an engineer." And I found engineering boring.

And so, I didn't do it. And then, I wondered, that's my PhD. What leads people to choose these fields? And so, my main thesis article was this cobweb model of engineers which showed them varying cyclically. There's too many guys go into engineering and then the wages and job opportunities go down. Then too few go on. And it was very much the kind of behavior you do not see in a perfect rational expectations world or that model doesn't fit that well. And then, I always got a little suspicious after that since it was very clear you just ... You can just see these curves in the data.

Orley Ashenfelter:

Richard, I was going to ask you about your work on scientific employment. STEM now, I guess we call it. I know you've worked in that area actually ever since. What's your take on the current situation? I mean you still hear the same story, which is that very few Americans want to take engineering degrees. Many of our graduate students are from abroad and sometimes there's fights over that. What's your... So, you've actually worked on this problem for most of your life. What's your current take on our policy towards this issue?

Richard Freeman:

Well, I think you're absolutely correct about the people born overseas coming to our country. They make up on the order of 40 percent of the PhDs we graduate. And in engineering and the heavy STEM, we economists can be under some definitions. We're part of the science group. So, where social science can be recognized or it's viewed as not quite in that group, but it's absolutely critical. This country lives has always lived on immigrants coming in and being with us. And right now, it's interesting, there was a big boom in computer science graduates and people who do good coding and things like that. And that market is falling because we have too many guys in it. So, it's very similar to what I did in my thesis. You see, you have periods where there's a shortage. A lot of people get in, takes them three or four years to get their degree by the time they get their degree there's a lot of other guys getting the degree. So, it still has this cyclic component. But the thing that troubles me the most nowadays and before this podcast, I was indeed working on a paper on this. It is the extent to which we have become an incredible

research partner with the Chinese. And that's our big number of our people coming in. And the Chinese as students come to the US because we have a great higher education system. And because obviously they know English and they may not know some other languages for other countries. And that's been the biggest success partnership between two countries, I think ever.

They come here. They work on our science engineering things. They go home. They keep working with us, and the Trump Administration's China initiative put a kick at that. And some of the issues between the US and China are also disturbing that relation. And we may see a decline in that strong connection. And then, the US will probably find a different source country for immigrants to come in. And that'll be India and China will look much more to the Europeans for their partnership. I like to tell my Chinese friends, please come to the US. You don't want to be a partner with the Russians, do you? And then everybody laughs because nobody really wants to work with the Russians.

Orley Ashenfelter:

That's very interesting. And you're still working on this same problem, which is I guess, nothing that's going to end soon. Do you have any explanation for why American students are so reluctant to get into these scientific subjects?

Richard Freeman:

Well, one reason is we have a lot of choice. And I think that's the good thing. If you are in some of the other countries, you are admitted as a student to medicine or to engineering. And it's a tougher business actually getting into university...as we do. We go in, I don't know, when I first went to college, I had no idea what I wanted to major in. I just knew I didn't want to become an engineer cause my father wanted me to. And for one period of time, I was taking only math courses and then I got took economics and I met Professor Segal and I said, "oh that's really interesting what you're doing. And there's math in it and there's optimizing behavior and that's models." And I thought it was great. You wouldn't have that occur that much in most other countries.

So, I think it's a virtue in some sense that we have this more freedom of choice in some sense, more options. And I think people in other countries with the same options would choose what the Americans do too. You can be good in math and good in science and not want to be a nuclear physicist or an engineer.

Orley Ashenfelter:

I think we do have to turn to a subject that I know I'm interested in and I think others too. Your famous book, "What Do Unions Do?" with the late Jim Medoff. That book is certainly well-known to economists, but I think outside of economics it makes you especially well-known. It's a book that's used by people in the law and in all other social sciences. First of all, how did you come to write that book?

Richard Freeman:

The book was written in for probably, I'll say three factors. One, I thought I had nothing much to say about unions because John Dunlop clearly knew all the union leaders and he knew all the business leaders and he helped negotiate agreements and so on and so forth. So man, I'm staying away from that. And then, I was asked to give a paper at an AEA meeting about a very different area. It was Albert Hirschman's analysis of "Exit, Voice, and Loyalty," that book and Hirschman was one of my favorite colleagues at Harvard. He could have... Or he probably did spend a lot of time in coffee houses in New York City or places like that. He had this kind of... I don't know, different than a normal professor things

about him. And then, I looked at his book and I said, "He talked about exit, but he's not talking about people quitting, he's talking about exit in a very abstract way."

And I said, "Oh, this is quit." And what do unions do? They cause people not to quit because they get better work conditions and higher wages. And then, I looked around, I said, "Gee, there's nobody in the industrial relations area who really has nailed this." And that started me going down the route of saying, "Well, what else have people not quantified about trade unions that would put the unions in a more scientific perspective." And then, the second thing was as he said, the late Jim Medoff, he immediately grabbed hold of this and said, "Can I work with you on this and what topic should I touch?" And we had discussions and he then followed with an set of papers. The book came from... He was the editor of Basic Books at the time. He came to my office and I'm telling him what a... He would go to professors and say, "What are you working on?"

And he said, "Why don't you make a book after this?" Bingo. I said, "Oh, okay." And he then helped very much make the book the level that all the people outside of economics would read it and find it valuable. So, the book has very little, almost none I suppose, detailed econometric type things. It refers to papers. And so, that was the style that I learned from him was – do your deep scientific work in papers, but don't do that in a book because you're just going to chase the readers away. And my dissertation book, I had the deep scientific stuff; there was chapters of a dissertation on the college job market and that did not have as anywhere near the impact as you note, Orley, of "What do Unions do?"

And I'm sure if we'd had the econometric stuff that was being done on these different aspects of unionism, it just would've been read by industrial relations and labor experts, but by not too many other people. So, that's a good lesson for everybody. If you want to speak more widely, do not give the details. But if you of course want to get things right, you better have the details someplace.

Orley Ashenfelter:

That's right. You had several papers with Medoff.

Richard Freeman:

And also, in the book was that the unions were reducing profits of companies and then the book was partly had to link these two phenomenon and what was going on. I mean, at one level, if the unions actually reduced productivity and raised labor costs, the companies would go out of business. That was not a good thing. So, what our interpretation ultimately was, yeah, there's some increase in productivity, but the productivity increase was not large enough to restore profits to what they would be without the union. So, companies always had an incentive to fight the unions and the fight was over the profits and the unions always had a reason to keep productivity up or raise it because they would get some of that if it showed up in profits. So, it became much more of a game, theoretical game between two partners where there's a place where you make joint benefits, but in order to have the joint benefits you also have to divide up the pie, and you can fight over that and that's where you get strikes and so on.

Orley Ashenfelter:

I can't resist asking you about, there have been some efforts to unionize recently. Some people are optimistic on the union side, I think that they will be successful, others are not. What do you think?

Richard Freeman:

Well, the one place I will predict that they will succeed is or organizing graduates students and university people. They wanted Harvard; they're trying to organize Boston University. I don't know what they're doing at Princeton, whether they're organizing or not, but I know there has been an organizing committee. So, the unions do seem to be able to attract some kind of labor. And it turns out it's almost the scientific guys that I started working on years ago. And I thought that that would not be the case but it is, outside of that the unions need a completely different model or something way to break the anti-union feelings and strengths of the companies. And at one point I proposed a model, which we called it open-source unionism where they used the internet, and they use sort of social media websites to get workers lined up. And that never took off.

And I think the country needs them. Because we need obviously wage increases for normal people, and we need more of the income to go to normal people. But they're still struggling to find a way to break through the strongest anti-union business community, I would say in the world. It may not.. maybe somewhere there's a country bigger cause in Europe you don't have the same problems. The British unions actually have increased their membership over the last I know, 15, 20 years. And in the US, we currently have American people supporting unions more than they have since literally World War II, the early 50s. But it just doesn't get translated into union membership in the private sector, which is the place they have to organize.

Orley Ashenfelter:

We're coming to the end of our discussion, but there's one more thing I'd like to ask you about that's just been come up recently. I guess you could say. You've probably noticed this too. In the period just really toward the end of COVID, there was this jump in the wage rates of the lowest paid people in the US. But it does look like there was one kind of a... I don't know if you'd describe it as a decrease in, or maybe a decrease in the elasticity of labor supply at the bottom of the distribution or something.

But it seems as if there's been at least some closing of the very bottom of the wage distribution with the rest. That that's probably the first sign we've had of any decrease in inequality in the US. And do you think that could continue? Do you think that we'll continue with the inequality that we have, or do you think it'll go the other way?

Richard Freeman:

Unless there is the more union or other activity. I think it'll diminish. A lot of that boost really, I think was connected with the federal government giving reasonable chunks of money to the people who were unemployed because their restaurant was closed. And that changed some of their attitudes towards work, gave them a sense of, "Okay, the government is actually giving me more than I would've gotten from working for the restaurant for this period. And my labor supply decisions changed as well as other people going and working from home." And so, I think you're right, there's been a change in the attitudes of workers that does show up in the labor supply curve. But the reduction of inequality is... It didn't start a trend, as I think you rephrased it was correct. There was a jump. And since then, it's shown no further trend towards the lower income folk.

If the Federal Reserve keeps raising interest rates, they will ultimately weaken the market for these people. And we will quote control inflation by making sure that average and low paid people suffer, which I think is a very old fashioned and wrong policy for the country. When the inflation has... is mostly due to changes in cost of supplies outside and food prices and other things. It's not workers pushing.

Orley Ashenfelter:

I agree with you, especially because we see the inflation in prices. Of course, wages have not increased nearly as rapidly. So, we have a decline in real wages and have had now for the last two years overall. And I do think it's a little wrong-headed. But in any event, that's a topic for another conversation. I appreciate so much you're coming on. It's just been a great to talk to you. I think I first met you at the University of Chicago long before you were at Harvard. You've been in Harvard a long time.

Richard Freeman:

Yes.

Orley Ashenfelter:

I know you were at Chicago when Greg Lewis was there, I always like to talk about him. Did you have an impression of him?

Richard Freeman:

You see, I loved everybody at Chicago. I think it was a great place except Milton Friedman once through told me not to go to his seminar. That was my major negative thing. And the reason was very... I was raising what you would now say are behavior economics questions. And he took me aside, I'll never forget this. He says, "I don't want to hurt your feelings, Richard, but I don't want you in my seminar if you're going to raise these questions." I thought, "What seminar? You're supposed to raise questions." And he explained why. He said, "We only have our economic tools, and we can't look outside them or we're just going to go blind. We won't know what's going on." And I'm so happy that Chicago is a strong place for behavioral economics now. Because I didn't take offense at him personally. I just was, "Okay, I will go to Gary Becker's seminar where I can say these things, and no one will..." And Gary would never say, "Oh, you can't say that. It's outside the mainstream of optimizing whatever it was." And Greg Lewis was like a sort of father figure there for me.

Orley Ashenfelter:

I always liked him too. Our guest today has been [Richard Freeman](#), the Herbert Ascherman professor of economics at Harvard University. Please join us again for the next episode of [The Work Goes On](#), an Oral History of Industrial Relations and Labor Economics from the [Industrial Relations Section at Princeton University](#). I'm your host Orley Ashenfelter. Thanks for listening.

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