

TRANSCRIPT

The Work Goes On

Guest: Robert Pollak

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Robert Pollak:

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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 [Robert Pollak](#), the Hernreich Distinguished Service Professor of Economics at the [Washington University in St. Louis](#). He is renowned for his work in labor economics, and especially for his work on cost of living indexes and issues associated with the economics of the family.

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

Robert Pollak:

Thank you so much for inviting me, Orley. I've been looking forward to this.

Orley Ashenfelter:

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

Robert Pollak:

I was born in New York, actually in Brooklyn. My parents moved to Washington D.C. when I was three years old. My father was a lawyer, had been in private practice in New York, and at the beginning of World War II, he accepted a job with the Treasury Department and the family moved to Washington. I lived in the city until I was 12 years old, and then my parents bought a house in Chevy Chase, Maryland, and we moved to the suburbs. So I went to junior high school and high school in Montgomery County, Maryland.

Orley Ashenfelter:

And I know you went to Amherst. How did that happen?

Robert Pollak:

Partly by coincidence; partly because I was rejected by Harvard.

Orley Ashenfelter:

I'm sure you're not the only one.

Robert Pollak:

A friend of mine was going to college interviews at high school. I went to a large, really good suburban high school, and recruiters came. The dean came from Amherst, was interviewing people, and he was going to an interview and said, "why don't you come along?" So I came along and talked to the dean, and actually the two of us wound up going to Amherst.

Orley Ashenfelter:

Now, I know you didn't do economics there, did you?

Robert Pollak:

No, I didn't. I majored in history. I thought initially that I wanted to be a lawyer like my father, changed my mind and decided I'd like to be an academic, teach at a place like Amherst, and would've liked to teach history but I wasn't very good at languages. I was actually much better at math than I was at languages and that pushed me toward economics, which was my minor.

Orley Ashenfelter:

Oh, I see. So you did do economics while you were at Amherst too?

Robert Pollak:

Oh, yes.

Orley Ashenfelter:

What prompted you to go to graduate school?

Robert Pollak:

I had always assumed I was going to go to graduate school of some sort as my father was a lawyer and had graduated from Harvard Law School, and I just assumed part of the pattern here if I was going to be an academic, which I wanted to be, I was, of course, going to go to law school too, well, graduate school. And I applied to both Harvard and MIT and got a Woodrow Wilson which would've let me go to either one. And the economics people at Amherst told me I would have a much better time at MIT than at Harvard. I'd get a wonderful education at either place, but I'd enjoy MIT more, and I think they were absolutely right.

Orley Ashenfelter:

It's interesting. You're not the only economist I know who's a combination of Amherst and MIT, around from the same period, in fact. I guess there was someone interesting at Amherst who helped you to figure out where to go?

Robert Pollak:

James Nelson, who did regulation was. I think the late Dave Bradford, who was your colleague at Princeton, was in in my class at Amherst.

Orley Ashenfelter:

Oh, interesting. He was a lovely person. Of course, he went to Stanford as a graduate student.

Robert Pollak:

Yeah.

Orley Ashenfelter:

So you went to MIT. What'd you think of it?

Robert Pollak:

It really changed my mind about what I wanted to do. I thought I would wind up teaching at a place like Amherst, and decided what I really wanted was a research career, of course, without any assurance that I could succeed. But I was very impressed by Paul Samuelson and Bob Solow and by Frank Fisher, who was the person I worked with.

Orley Ashenfelter:

Oh, you worked with Frank Fisher?

Robert Pollak:

I was afraid of Paul Samuelson.

Orley Ashenfelter:

Yeah. Well, but Fisher, of course, was an econometrician. Was that your dissertation?

Robert Pollak:

My dissertation was a theoretical dissertation on consumer demand, on conditional demand functions, which I eventually published in the QJE. But Frank was just an enormous help to me, a really charismatic person, and helped me both with the thesis and helped me write papers afterwards.

Orley Ashenfelter:

Well, that's interesting to hear, because if I had a guess who you worked with, I would never have thought of Frank Fisher. That reminds me though, there's one thing I wanted to start talking with you about right off the bat. So, I'm mentioning this in part because inflation is a hot topic, and measuring inflation is, it turns out to be a hot topic whenever there's inflation, and you are the guy who wrote the book on measuring inflation, cost-of-living indexes. So, a lot of people don't know this, but there's two places that price indices are constructed really, in the Commerce Department, connected with the national income accounts, and also in the Bureau of Labor Statistics in the Labor Department. And you worked at the BLS for a year, as I recall?

Robert Pollak:

Yes. I was on sabbatical, or on leave, from Penn for a year, and my wife and I and our children moved essentially to where we had gone to high school. My parents and her parents lived in the Maryland suburbs of Washington, and we lived in Bethesda, rented a house, and I saw this as an interesting way to do research for a year on a topic I was interested in. And I continued to write on the theory of the cost-of-living index in a series of working papers, many of them published as articles, eventually coming together as a book.

Orley Ashenfelter:

It's a wonderful topic, in a way, because I doubt if everyone is aware of this, that the theory of consumer behavior really is the background theoretical basis for cost of living indexes. But you must have done some work that was empirical too?

Robert Pollak:

I did not do empirical work on the cost of living index. I did a lot of empirical work with Terry Wales on consumer demand analysis, estimating systems of demand functions, and we published a book on that also.

Orley Ashenfelter:

Can I go back to the cost of living? So, what's your take on how well the current CPI... Well, I guess there are many cost of living indexes, actually. Do you think that it's a good measure of inflation now?

Robert Pollak:

I haven't been following this really for the last 30 years. I got out of the business of cost of living indexes, and moved on to other things, so I don't want to speak to what it's doing now. I think the real innovations have been in using microdata rather than having people going into stores and buying things, and I think that has really made a difference, but I couldn't tell you how effective it's been in terms of measuring inflation.

Orley Ashenfelter:

It's interesting, because the cost of living index has many purposes, one of them is macroeconomic short-term forecasting and so on, and the other one is really to index contracts and the like. And I think that probably the two of them are not inconsistent, but they're probably not designed for exactly the same purpose.

Robert Pollak:

And probably not for the same populations. One of the issues, of course, is precisely whose cost-of-living index this is, whose preferences it's supposed to represent, or whose expenditure pattern it's supposed to represent.

Orley Ashenfelter:

Yes, I know. Isn't it called, it's the cost of the living index for urban wage earners, as I recall.

Robert Pollak:

Yes.

Orley Ashenfelter:

So the official name is pretty clear, but most people use it without really paying much attention to it.

Robert Pollak:

But the geographical differences are really quite important, and it's not obvious how you think about the relationship between the geographical indexes and the aggregate index.

Orley Ashenfelter:

Yeah, I agree. Because there are individual indexes now for... And basically, inflation rates at the level of the MSA. They're not used very much, but I think they are available, and there's even some that are comparable across areas. Well, I knew that you'd worked on that and wrote the book on that topic, but I know you also moved on and have spent a long, long period of time working on, I guess I'd call it issues related to the economics of the family. How did you get started in that topic?

Robert Pollak:

There's a sense in which consumer demand theory more or less suggests the economics of the family, but that really wasn't the way I got into it. Penn just had a remarkable crew of people who I became friends with and co-authors with, Jerry Behrman and Paul Taubman, for example. Paul was an innovator in working on twins' data. And Jerry and Paul, of course, were much more empirical than I am. I tend to be the theorist on a number of papers looking at a whole range of issues, involving the family, and, for example, investment in children's human capital. So, we have a series of papers on that and a book, a University of Chicago Press book, called ["From Parent to Child,"](#) in which we essentially collected a number of those papers.

Orley Ashenfelter:

It's very interesting you mentioned Paul Taubman. Steve Ross was there too. Was he there when you were there?

Robert Pollak:

Steve was there, and Steve and his wife Carol became very good friends with me and my wife Vivian. I never wrote with Steve, but he was a wonderful person and I miss him.

Orley Ashenfelter:

Yeah, Paul Taubman. I always enjoyed him. He was such a... kind of ebullient. Died young too, actually.

Robert Pollak:

Yes, he did.

Orley Ashenfelter:

He was an ebullient character, always enthusiastic. He helped us to organize... We used to have a Penn-Princeton seminar, we would meet halfway in between, if we could, for dinner. Closer to Philadelphia typically than Princeton, I have to say.

Now, I know you have done a lot of work with Shelly Lundberg, in fact, on the economics of the family. I wanted to ask you about one paper in particular that I found really interesting. The simplest model of

the family was one that was pioneered by someone like Jacob Mincer, where the idea was that resources were pooled in the family, all the members of the family pooled their resources and that model really depends on the total income of the family, not on the income of individuals in the family. And you have a paper where you actually test that proposition, a difficult one to test, using a natural experiment in the UK. I found that interesting. How did you get onto that? How you even found out that that change in the family allowance worked still is amazing.

Robert Pollak:

I think the person who told me about the British child allowance was Amartya Sen, and I started looking into it, and it turned out that the structure of the British child allowance changed when Margaret Thatcher was Prime Minister. She changed it from a system in which the payments of the child allowance, which was not means tested. This was essentially to everybody.

Orley Ashenfelter:

I know that, partly because my wife received it at one point.

Robert Pollak:

But before Margaret Thatcher's innovation, it essentially went through the pay packet, which typically went to the husband who was the wage earner. And what Margaret Thatcher did was to change it to a system in which the child allowance, the child benefit, was paid in cash to mothers at the post office.

Orley Ashenfelter:

That's funny. That's how my wife got hers.

Robert Pollak:

This was not an accident. This was a strategy on the part of the government, characterized in Parliament as changing resources from the wallet to the purse. And the question, of course, as you're suggesting, is did it matter if we have a unitary model of the household in which spouses pooled their income? Of course, it doesn't matter, because the pool stays the same size. And the question is, did this change affect expenditure patterns?

So we looked at... Remember, I have all this experience with Terry Wales estimating demand systems, and Shelly and I and Terry Wales collaborated on a paper in which we used the British household data to see whether expenditure patterns had changed. And the expenditure pattern we focused on was men's clothing, women's clothing, and children's clothing, because obviously we need something that is going to be gendered and is going to show up in the household expenditure survey. And it turns out that the result, or at least associated with this change was an increase in expenditure on children's clothing, which, in a sense, was the intended purpose of this, to make sure that this money went to the children, and on women's clothing, and a decrease in expenditure on men's clothing.

So, it's quite a neat result and it's an important result because if you're going to look at the effect of control over resources within the household, you can, of course, just look at the raw data. And the problem with that is that the women who are earning more compared with other women are likely to be women who are more capable in a variety of dimensions, and whose children may well do better, not because they have more resources but simply because they have more capable mothers. And of course, using the British child allowance the way we did avoids that problem because the change affected

everybody -- really competent women, average women, really incompetent women, essentially everyone, all the women got more resources.

Orley Ashenfelter:

I didn't realize it was Margaret Thatcher, she's normally thought of as the Iron Queen, or the Iron Maiden.

Robert Pollak:

Right.

Orley Ashenfelter:

It sounds like a much more gentle side, a feminine aspect.

Robert Pollak:

I think it's a really interesting development that she was the person who was responsible for pushing this through. There's been some subsequent work. There's a very nice paper by Jennifer Ward-Batts, who was a student of Shelly Lundberg, in which she looked at the data on alcohol and tobacco. Not much happened with alcohol, but with tobacco, she distinguished between what she called men's tobacco, that is pipe tobacco and cigars, and women's tobacco, namely cigarettes. And what she found following this change in the child allowance was an increase in cigarettes, women's tobacco, and a decrease in cigar and pipe tobacco.

Orley Ashenfelter:

It's not clear that was a good thing, though.

Robert Pollak:

It's not clear it was a good thing, but it's evidence, which is very attractive here.

Orley Ashenfelter:

Yeah. And you're very well known, I think, for developing models in which, and there are many aspects to this, so I think you should feel free to talk about them as you wish, many models in which there's an element of bargaining in the family structure, which presumably is based part on the fact that a model at which people pull resources doesn't seem to capture all the interesting phenomenon that go on. How would you describe what those models look like?

Robert Pollak:

Well, let me go back to the history of this, because I actually have an association with this that goes back to my days at Penn when I was editing the *International Economic Review*, that I was the editor who accepted the original bargaining papers by Manser and Brown.

Orley Ashenfelter:

Oh, I remember those papers. Manser and Brown, they were the first really that did this kind of work.

Robert Pollak:

They were the first, and then McElroy and Horney, which is the second of these papers, published in 1980 and 1981. So, I think that was a situation in which no other editor of a respectable journal would've published this paper.

Orley Ashenfelter:

Well, I would've, but I wasn't an editor then.

Robert Pollak:

This really departed from the norm in many ways. But in any case, Shelly and I started working on these issues, really following to some extent, in the shoes of Manser and Brown and McElroy and Horney. Both of those papers used cooperative bargaining models in which the threat point was divorce. And what Shelly and I did, our innovation here was to build a model in which the threat point could be internal to the marriage and a non-cooperative equilibrium within the marriage, which was not Pareto efficient, and which depended on conventional gender norms in terms of who did what. And that became the threat point in the cooperative models we developed, and that was one important class of models. Now, a property of the cooperative models, of course, is that the equilibrium are Pareto efficient, we were not wedded to the notion of Pareto efficiency as an outcome.

We also have a paper in the AER in which we look at non-cooperative bargaining models of marriage, which deal with, obviously, the possibility that the equilibrium will be an inefficient one. And an important point about this is that in dynamic models where choices made today affect bargaining power tomorrow, you need to think through the implications of a model in which people can make binding commitments, and alternatively, models in which they can't. First, it turns out that in the standard collective model, the assumption is that prospective spouses make binding agreements in the marriage market about how to divide things up in marriage. And many economists are unaware of the fact that courts won't enforce agreements of that sort, which should make you a little suspicious of what's going on. As we've all heard of prenuptial agreements. What many of us are unaware of, it turns out, is that courts will only enforce prenuptial agreements that are directly related to what happens when the marriage ends, and there are two ways marriage ends, either by death or divorce. But you can't use them to make contracts, essentially, about distribution within marriage.

So, if we're bargaining over, for example, whether to move to a city where I have a really good job offer and will have a lot of bargaining power as opposed to my wife who has a job offer somewhere else, well, she'll get more bargaining power. You might think that the ideal solution would be to negotiate an agreement not to exploit those differences in bargaining power, but it turns out there's no way to do that.

Orley Ashenfelter:

This brings up a point that I wanted to ask you about too. You've had various co-authors, some at Penn, University of Pennsylvania, some at the University of Washington, and then ultimately, you moved to a different Washington, the Washington University in St. Louis. You actually had cooperation with co-authors in all those places. Why did you move around so much?

Robert Pollak:

To solve a two career problem.

Orley Ashenfelter:

I brought it up on purpose, because you were just discussing the two career problem.

Robert Pollak:

Oh, yes.

Orley Ashenfelter:

And you actually solved the two career problem, in one way or another.

Robert Pollak:

We did. My wife is now emerita, she was professor of English here at Washington University. She writes on American poetry. She had a not very good job in Philadelphia where our children grew up and wrote her way out.

Orley Ashenfelter:

Wrote her way out of it.

Robert Pollak:

She wrote her way out of it. She wrote a widely acclaimed book on Emily Dickinson, and got a call from a search committee at the University of Washington in Seattle asking her if she'd like to be considered for a job, and the answer was yes. But it was not bargaining. We were each ambitious for ourselves, but also for the other. And it was at a good time for us in the sense that our younger son was a senior in high school when she got that call and was about to start at Penn and really had very little use for us. We found it a very hard decision to make. Neither of us was unambivalent about wanting to go, but at one point it looked as if the opportunity was about to vanish, and at that point we realized that we did really want to go, and the opportunity had not vanished, and we went to Seattle as visitors.

After a year, she accepted the offer she had. I continued as a visitor. I had an open offer but continued as a visitor. And because Penn is on semesters and the University of Washington is on quarters, we were able to spend half the year in Philadelphia and half the year in Seattle. That is, I could teach at Penn in the fall semester and teach at the University of Washington in the winter and spring quarters. And this arrangement continued from 1985 until 1990 when both schools became dissatisfied with it. Penn now has a rule limiting the amount of time that a faculty member can be on leave, and it is referred to as the "Pollak Rule."

Orley Ashenfelter:

I see. You made history.

Robert Pollak:

Apparently I made history. But at one point, we had two houses and four cars.

Orley Ashenfelter:

I hope you didn't have two dogs and two cats.

Robert Pollak:

We did not have pets with us, no.

Orley Ashenfelter:

Now, that isn't the end of the story though, because I know you met Shelly Lundberg at the University of Washington but then you moved on to the other Washington University in St. Louis. And how did that happen? Is that another poetry writing book?

Robert Pollak:

No. Well, there were other poetry writing books. She's actually been quite productive, and she has a Walt Whitman book and a book on American women poets reading Emily Dickinson. But in any case, it came about because Bob Hernreich, a graduate of the Olin Business School, gave Washington University money for an endowed professorship that was to be shared between the Olin Business School and Arts and Sciences, where the economics department is located. And a former student of mine, Phil Dybvig, who you have no doubt heard of-

Orley Ashenfelter:

Yeah, he was on our faculty at one time.

Robert Pollak:

... since he just won the Nobel Prize. Phil called me up and said he was on a search committee, and would we be interested in talking with Washington University in St. Louis? And I said, yes, we would be, but we needed two jobs, and it worked out. Both her parents and my parents were living in the Maryland suburbs of Washington at that point, and it was too far away, we were also far from our children at that point. We had a son in Philadelphia, and our other son was in graduate school in Cambridge. Actually, he wasn't. He had more or less dropped out of the philosophy program and was doing a post-bacc pre-med. But in any case, he and his wife then moved to Michigan, so we then had a child, a son, in Michigan, and a son in Philadelphia, parents in Washington D.C.

And I was starting to run a network for the MacArthur Foundation on the family and the economy. The MacArthur Foundation is located in Chicago, which from an East Coast perspective sounds like it's in the middle of the country, but it turns out it's not. It's about a third of the way across the country, or if you're starting from Seattle, about two thirds of the way. This was a really good location for us in a lot of ways.

Orley Ashenfelter:

That's so interesting. Our podcast is coming to an end here now, but there is just one last question I wanted to ask you about. I've asked this question a couple of other times, actually, to other people, once to Fran Blau and Larry Kahn, and I'm curious if you have any advice for economists or for academics who are confronting the two body problem, which you did on more than one occasion. Is there any aspect of it that you can say made it easier?

Robert Pollak:

No, it's really hard, and I think one reason my younger son dropped out of the philosophy program he was in at Harvard... He got a master's degree in philosophy, was thinking about getting a PhD was because his fiancée was getting her PhD in psychology at Harvard, and I think part of his motivation may have been to avoid these two career issues that academics face. And in fact, she got a job at Michigan as an assistant professor, and he started medical school at Michigan.

Orley Ashenfelter:

Interesting.

Robert Pollak:

And she now has an endowed professorship at Michigan. But to get two high-end careers for academics is remarkably difficult. I think students particularly have an exaggerated sense of what the academic job market looks like after you are not talking about the top, say, 100 institutions.

Orley Ashenfelter:

Yeah, I appreciate that point, and I know a lot of people, students, have to think about it. Well, our guest today has been [Robert Pollak](#), the Hernreich Distinguished Service Professor of Economics at the [Washington University in St. Louis](#). 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.

Announcer:

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