TRANSCRIPT

The Work Goes On

Guest: Charles Brown
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Charles Brown:

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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, emeritus 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 Charles Brown, who is professor of economics and research professor of the Survey Research Center, emeritus at the University of Michigan. He is renowned for his work in labor economics and industrial relations, and especially for his work on measurement in labor markets. Charlie, welcome to The Work Goes On.

Charles Brown:

Thanks for having me, Orley.

Orley Ashenfelter:

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

Charles Brown:

I grew up in a suburb of Cleveland called Mayfield Heights, Ohio. If you start in Cleveland and head east, you get to the suburbs that other people have heard of, Shaker Heights and Cleveland Heights. And then if you go far enough, you get out to the territory that my mom and dad could afford, which was Mayfield Heights, a very working-class suburb. Mom and dad had high school, but that was about it. And so that's kind of where I grew up, and my mom lived in that house until she died a few years ago. So, there was no interesting geographic mobility to report until I got wings and got out of Cleveland.

Orley Ashenfelter:

I was going to ask you that. So, you ended up in Boston for an undergraduate degree. Where did you go to school?

Charles Brown:

So, my mom and dad were really conscious of the fact that their lives would've been better if dad in particular had had college. So, they were really gung-ho on I was going to go to college, and as part of making that happen they sent me to Cleveland Saint Ignatius High School, which is on the near west side of Cleveland. So, every morning we had to go from 13 miles east of the city to a couple miles west and get there for classes that began as high school classes do an ungodly hour. So, my dad either had to drive or organize a carpool with another family that was making a similar decision. So, I went to St. Ignatius in Cleveland, and there was a tendency stronger then, I think, than now to kind of nudge people to other Jesuit universities or schools for college or schools that were run by the Jesuits. And I kind of thought maybe I wanted to do economics. It was not a deep commitment at that point, but BC was known even then for having a very solid economics department. So, of the choices on my choice set or in my choice set, that was the one that stood up and I ended up there.

Orley Ashenfelter:

So, Boston College. Interesting thing about Boston in general, I always like to think of it as a place. It's like Ben and Jerry's Ice Cream. There are many, many flavors!

Charles Brown:

Oh, yeah. Well, I think they graduate a lot of very wonderful PhDs, some of whom actually want to stay and are willing to give up a little in terms of prestige or whatever to make that happen. And Boston College certainly played that ticket very well when I was there. There were several MIT PhDs who took very, very, very good care of me when I was an econ major there.

Orley Ashenfelter:

That's interesting actually, the Boston College connection, and of course you didn't go very far to go to graduate school.

Charles Brown:

No. Well, so I had two really important people in college. One was David Belsley who taught intermediate micro and econometrics, and kind of somehow he was demanding, but somehow I got the sense that I could do this stuff, which was an interesting kind of juxtaposition of a demanding professor who still kind of played to my skillset. I was not a math whiz. I had four semesters of calculus, and I think it got Bs the last two semesters. So, those of you who are listening now, don't try.

Orley Ashenfelter:

Yeah, welcome to… I'm in the same boat, by the way.

Charles Brown:

And then my advisor, which I think was randomly appointed, was a money and banking economist named Ed Kane.

Orley Ashenfelter:

Oh, Ed Kane. He was at Princeton before he was at Boston College.

Charles Brown:

Yeah, and he was Burt Malkiel's co-author, and I actually… Ed hired me as an RA on that project. Interestingly, he hired me after my sophomore year of college. So, I went from a dollar, 30 an hour working retail in Mayfield Heights to 2.85 an hour doing computer programming for Ed and Burt, I guess, indirectly. Ed promised me 2.85, the university had a two-dollar, 50 cent maximum for paying undergraduate RAs. So, Ed introduced me to the concept of the workaround. I won't go into details, but your colleague Burt Malkiel was implicated in that workaround. And then Ed was my thesis advisor, wrote recommendations. And I mean, you would not be talking to me if it were not for Ed Kane.

Orley Ashenfelter:

He is a remarkable man. I inherited his notes when I first taught econometrics. He wrote an econometrics book, and I inherited his notes when I first started teaching econometrics at Princeton. And they were fantastic. They were enormously good. He must've been a fantastic teacher, was he?

Charles Brown:

So, I actually never took him for a class. I just kind of gave him things to read and he would read them all too carefully. Taught me that way. And then of course, working for him… He and Zvi Griliches both had the uncanny ability to spot errors in work that I would've sworn was absolutely perfect. And it kind of either straightened me out or scared me straight for life, but I would do something and pour over it. Okay, this time I got it right. Ed would find some small mistake. And so, I got carefully trained at least in what mistakes to look for when I was working for Ed.

Orley Ashenfelter:

So, now of course Harvard shows up. How did that happen?

Charles Brown:

Well, I applied. Ed wrote a strong letter, I'm guessing, got into Harvard, MIT, and Princeton. I applied to three places, got into three. I'm no genius, so the letters must have been very strong.

Orley Ashenfelter:

Interesting. And who did you work with at Harvard?

Charles Brown:

Well, so when I got there, there was… First of all, I wasn't sure I was going to do labor economics, and secondly, they didn't actually have a labor economics class, but they did have an income distribution course that was taught mostly by Sam Bowles and a little bit by Herb Gintis. And again, that was one of these things where this was interesting and it kind of felt like it played to my skillset. I could do this. So that got me started. I took public finance from Richard Musgrave and Marty Feldstein, and again, big debts to both of them. I spent my whole career wanting to be as good a lecturer, classroom lecturer, as Marty was and never got there. And then Zvi hired me as a teaching assistant. Zvi Griliches hired me as a teaching assistant for his graduate micro class. And so that's how I got to know Zvi, and working for him as an RA or as a teaching assistant kind of became working with him as a graduate student, and I think he put me onto Richard Freeman. So, I had Zvi and Richard as my thesis advisors. And for first gen kid who stumbled into the whole thing, I did pretty good!

Orley Ashenfelter:

You got the A list. Yeah. You stumbled into the A list. In fact, even mentioning Sam Bowles is… I did a podcast with him. It was really quite extraordinary. I think everybody enjoyed it. So, you have a real cast of characters there.

Charles Brown:

Yeah. Well, Sam was interesting because he was a quote radical economist, but he grew up on standard tools, and so he could talk to people who, like me, I wasn't really a radical, but I mean, I was interested in what he was doing and he was using basically the same toolkit that Zvi was using. And so, it turned out to be a really, really good experience. And I'm certainly indebted to Sam for making, particularly the first year… He accepted first year students in his graduate class and first year of graduate school was not a lot of fun at Harvard as it isn't at most places. And keeping me sane that year was one of Sam's subliminal duties.

Orley Ashenfelter:

What was your dissertation about?

Charles Brown:

Well, so it was a model testing Yoram Ben-Porath's model of optimal human capital accumulation. Short answer, it didn't fit the data. So, the story there basically is that people invest in their skills, and they slow the investment when the present value of a dollar over their remaining career leads them to do so. And the earnings profiles flattened out too quickly for that to be a plausible version of the story. So, as Zvi said, when I showed him the results, he goes, well, if these results don't improve, it doesn't mean you don't have a dissertation, but you will have to wrap the garbage carefully, and I wrapped the garbage carefully enough to Zvi and Richard's satisfaction after many iterations.

Orley Ashenfelter:

I've never heard that before, but that's one…. Sadly, Zvi left us too early, so we won't be able to have him in a podcast.

Charles Brown:

Well, and again, I think I tell this story to people, and they think, God, what a terrible thing to say to a third-year graduate student. And in context, I mean, he knew me, I knew him. I took it the way he meant it. I still remember and tell it, but I wouldn't want anybody to think that he was an ogre. He was just a wonderful person. And the fact that we were comfortable enough with each other that he could say something like that and not worry that I'd run into the corner and suck my thumb for an hour. It was kind of a mark of how well we got along.

Orley Ashenfelter:

I think you have a good enough sense of humor that you could get along with that. You did a couple of papers early on in your academic career that I've always been very fond of, and I think they hold up in some ways that maybe other papers that we all do don't necessarily hold up. And I want to ask you about them. The first is the one you did was quite provocative at the time, I think published in the *Quarterly Journal of Economics* on compensating differentials. How did that come about?

Charles Brown:

Well, so the fixed effect estimators were something that was in the air when I was a graduate student at Harvard. I mean, Zvi was teaching it. And one day it just kind of hit me that this was a good way to control for these unmeasured individual productivity differences. So, I tell the graduate students that your best ideas typically come when you're showering and shaving, not when you're kind of sitting in the library thinking about something. And so this one must've come when I was showering and shaving, but I remember reading the literature thinking, gee, this seems weird, because the argument for why there should be compensating differentials struck me as, I mean there's parts of the applied micro approach to labor that kind of makes people seem way smarter than they really are. But this one kind of had an intuitive appeal to me that if a job sucks--to stay on it, they're going to have to pay you more. I mean, so the inability of researchers to find much evidence for compensating differentials was kind of a puzzle. And the omitted personal characteristics was, I'm pretty sure I wasn't the first person to use that as a conjectured explanation, but just kind of that background and the fact that Zvi was teaching fixed effects, not for firms, but for farms, I guess Mundlak's work…

They just, I'm told there's an old psych paper which I've never been able to find that if you put a chimp in cage with a rock and a coconut, the chance that we'll use the coconut to crack the rock is vastly enhanced if they're in the same line of sight simultaneously. Well, that's kind of the way I think of paper ideas coming about, and that rock in this coconut kind of lined up in my line of sight.

Orley Ashenfelter:

So how would you describe the results?

Charles Brown:

Disappointing. Just something went wrong somewhere. I mean, I've made a career out of that time. I mean, I told you that the model didn't fit, this didn't work.

Orley Ashenfelter:

Yes. I mean, we always teach about, I love Chapter 10 in Adam Smith and this compensating differentials, and he provides, if you ever look at it again, he provides what I guess I'd call casual evidence. A very annoying thing about Smith is much of the stuff he writes about is empirical, but he never tells you anything about where he got the data or what it's about. So, you're looking at this and wondering, well, how did he find this? I can't find it in my data. So, what is the story? And I guess that was the message that came out of your paper. The surprise about it, of course, is that it would've been antithetical to what many economists think. So, how did you get it published?

Charles Brown:

I just sent it in, and the God smiled. I mean, I think it was the first place I sent it in. And there is a large random component to when papers… I know you were editor of the AEI, so I didn't maybe say that. There was a large random component….

Orley Ashenfelter:

You're absolutely right.

Charles Brown:

…to papers getting accepted or not and I got lucky on this one, and I think it's held up pretty well.

Orley Ashenfelter:

It has, it's very, very difficult to find evidence for compensating differentials in the usual way. I think everybody has found that very…

Charles Brown:

Well. There's been more recent work, which I think is actually pretty sensible, which is that the model I had in mind was a model where your ability is fixed. And so, if you change jobs, there's basically just an income effect, and you're going to use some of that in higher wages and some of that in better working conditions. And that's the problem that we need to take care of. The more recent work suggests that a lot of job changes or changes along a job ladder where the market realizes you are smarter than they thought you were. And that doesn't provide positive confirmation for the theory, but again, it makes it a little easier to understand why we have so much trouble finding it.

Orley Ashenfelter:

The other paper that you did early on was with the storied Jim Medoff, a paper about, another one that I think was a surprise to a lot of people, about unions and productivity. It's a shame we can't have Medoff. I know he died some years ago.

Charles Brown:

Very sad.

Orley Ashenfelter:

Yes. Yeah. But that paper, I think, also has been very influential. How did you two come together to write that?

Charles Brown:

Well, we were graduate student classmates. We studied for prelims together. We'd actually written a brief comment in graduate school together with a third author, George Fane. So, we had a little background of working together and trading insults, as you can imagine. And just thinking back, this had to have been Jim's idea. This was much more kind of in line with where he was coming from than where I was coming from at the time. But we started working on it and started thinking about data and thinking about methods and stuff like that. I think the idea of looking for this, I got to say, was Jim's. I can't remember how the data discovery process worked. There weren't a lot of options in those days, and the data are probably not the strongest part of that paper. And then a lot of the footnotes were mine.

Orley Ashenfelter:

Well, and the results are, I think, for a lot of people were quite surprising. How would you describe them?

Charles Brown:

Well, so first of all, there was a fight between the two of us. So, this was exactly what Jim Medoff expected, and this was absolutely not what I expected. So, there's a certain credibility that comes from papers that are produced by authors with diametrically different priors, as long as they stay together. And eventually, I threw in the towel and said, yes, this is what the data say. We had reasons why a positive result could emerge. Some of them you might think of as spurious. So, if higher wages let unions hire better workers, that'll show up as a productivity effect. But it's really moving more productive workers into your firm, not making your firm more productive. The idea that it would reduce quit rates and stuff like that didn't seem… That all seemed… So if we'd gotten a small positive effect, I would've found that really not surprising and we probably would've finished the paper a year earlier, but we've got a very large positive effect, which was a good thing because the standard errors were big enough that if we'd gotten a positive effect in line with my prior, it wouldn't have gotten any asterisks, and we probably wouldn't be talking about the paper today.

Orley Ashenfelter:

Yes. Well, I think for some people it was a bombshell. Unions increased productivity. It's not exactly what people used to say during that period.

Charles Brown:

Yeah, maybe not the paper you want to write when you're coming up for tenure, but it all worked out.

Orley Ashenfelter:

Yeah, no, and of course, Medoff subsequently with Dick Freeman wrote this incredibly famous book, “What Do Unions Do?” And it kind of led into, for him, a career-defining experience. I think that book is highly cited even today, especially outside of economics as well as inside of economics.

Charles Brown:

I still point students to it.

Orley Ashenfelter:

Yeah, it's a very well written book and it covers a lot of material. There are a few books like that in labor economics. Not very many. Most of us don't write books. I guess you didn't write any. I haven't written any.

Charles Brown:

Well, Medoff and I wrote a book on firm size, large employers, but it was not a hot seller. If it's not on your shelf, you'll be forgiven.

Orley Ashenfelter:

We should talk about data. In fact, you were director, I just noticed this, of the Panel Survey of Income Dynamics for several, despite your claim that you have no organizational skills.

Charles Brown:

To reinforce that.

Orley Ashenfelter:

You were director well for about five years. So that's a pretty long time. You've been involved actually in the origins of data collection for quite a long time too.

Charles Brown:

Yeah.

Orley Ashenfelter:

How would you characterize your work there?

Charles Brown:

Well, for the most part… I mean the time being director of PSID was really uncharacteristic. What's much more characteristic is for me to play bass in bands that where other people are the horn players out front. So, I became director for PSID partly because I'd worked informally on PSID for a while and then switched to the health and retirement study when it was being launched, and I think had a bigger role really in the health and retirement study than I did the PSID. And then Bob Schoeni was diagnosed with ALS and it was important that we at least have some sort of transitional plan for directing the PSID. And I was kind of the obvious person, and I did, I inherited an absolutely fantastic staff from Bob. So, it went much better than those who know my organizational skills would have predicted.

Orley Ashenfelter:

It's a legendary data set in some ways. Just about everybody I know has used it at one time or another, and it came through that…. I want to also ask you about the Survey Research Center, because that's not just an economics thing by any means. It's….

Charles Brown:

Not by… No, no. In fact, the economists are almost an endangered species these days. It's mostly non-economists.

Orley Ashenfelter:

I think it was started by political scientists, wasn't it?

Charles Brown:

Well, the ISR was created by a group of people of varying disciplinary orientations. None of them you would've said was a mainline economist. George Katona was a social psychologist, very much interested in economic behavior, and I think he was one of the big bang founders. And then Jim Morgan joined shortly thereafter and was responsible really for the PSID happening, was responsible for its design, which has kept it alive and then kind of ran it for, geez, I'd have to look at probably 15 or 20 years. So yeah. The Institute for Social Research is like the Arts and Sciences College. And then there are centers, most of which are discipline specific. So, there's a political science center, a psychology center, a demography center, and then the Survey Research Center, which has economists and sociologists and social psychologists and epidemiologists and all kinds of folks. So, for a place where there's an interesting seminar going on just about every day at lunchtime, it's been a wonderful place to work.

Orley Ashenfelter:

Well, it's quite a jewel. It's really a jewel for the University of Michigan. I'm not sure if the administrators appreciate it as much as we who take advantage of their spoils, but yes, it's a jewel at the university, one of the great things that's happened there. Now, I think we're coming to the end of our podcast, and I think we should talk a little bit about data reliability and the use of it by public figures. I don't want to do that in a way that's political, but we just… Not long ago, the president of the United States decided that the commissioner of the Bureau of Labor Statistics had fiddled with the numbers and made him look bad in the employment figures and fired her. From what I can tell, hardly any economists thought that was a good idea. What can you say, what would you say about the reliability of data from the BLS? Most people don't know that we have two different organizations that produce data for us, the Census Bureau and the BLS, and they're not aware of that. And they're probably not aware of the fact that the employment data are coming from the BLS, but they're really from a different source than the unemployment figures and the labor force data that come from the census. What do you think, from your overall view, having been so involved with it, what would you say about the reliability of this enterprise?

Charles Brown:

Well, so I think what teed off the president particularly were the revisions in the establishment employment data. And those revisions are a regrettable implication of the difficulty of the job that the BLS is designed to do. So, not all the reports come in on time. When you get a late report, what do you do? Do you pretend it didn't exist, or do you? So, generating the establishment reports of employment is actually a very difficult job, and it leads to periodic revisions. Finding ways of reducing those revisions would be a good thing. It would cost money and that's definitely not the direction that the BLS budget has been heading in recent years.

I mean, I can understand the president's being disappointed by the revisions. If I were him, I would've spun them a little differently but that's a whole different matter. Thinking that they are the result of some nefarious behavior by the commissioner of BLS…should I say she couldn't and she wouldn't because both are true. And I'm not sure which I should say first and more loudly, she wouldn't. And if she wanted to, she couldn't. And anybody who understands how those numbers are produced would or should have known that. So, I guess I wasn't terribly surprised by the president's reaction. I'm depressed that no one in the administration has basically stuck up for the commissioner and explained that the president is just off base on this, and now we've got a new person nominated, and my God, talk about a poisoned chalice. I mean, the president has fired this person who, in my view was totally blameless, and now you're going to come in and top that. And so even in the best of circumstances, I would've thought this would be a very hard job for the person coming in. And the background of the person who was nominated probably is not, well, it certainly is not the background I would've hoped. If you started out understanding, people will be skeptical about the appointment, and you realize you're swimming upstream trying to restore the credibility of the BLS, having somebody who is a technocrat would, in my view, have been a much better choice, but wasn't my call to make.

Orley Ashenfelter:

No, I understand. It is interesting how, for example, the unemployment figures, of course, don't get revised. And it is difficult, I think, for people to understand that there's two primary sources for the data. Unemployment figures come from asking people about what they're doing, and the employment data comes from the fact of querying establishments about how many people they've employed. And what's evolved, of course, is that the employment figures have much smaller sampling errors in the establishment survey than they do in the household survey so that's what gets focused on. But there are employment figures in the household survey too, but of course, they bounce all over the place and therefore no one pays any attention to them. I think maybe there's a sense of spurious accuracy, perhaps. Maybe that's one of the problems that people have gotten in their heads.

Charles Brown:

Well, I mean, the household survey standard errors are a function of how much money we want to spend collecting the household survey, too. And this is a choice. We don't exactly choose the standard. We don't choose to have high standard errors, but we choose a budget that produces higher standard errors than could otherwise be. Does that sound like somebody who works for a data collection agency, Orley?

Orley Ashenfelter:

Very well. That's very well put, and yes, and if you want to make sure that the data are noisier, just don't spend as much money on it. That'll make it noisier. Yeah, exactly.

Charles Brown:

I think I've just taken myself out of consideration for the job too, by the way.

Orley Ashenfelter:

That's possible. Charlie, it's just been a pleasure to have you here, and I want to thank you for all the things you've said and for all the work you've done over the years.

Charles Brown:

Thanks for having me. I mean, this has been really a lot of fun to do, so thanks.

Orley Ashenfelter:

Our guest today has been Charlie Brown, professor of economics, emeritus at the University of Michigan. 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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