



TRANSCRIPT

The Work Goes On

Guest: John Kennan

Record Date: February 26, 2026

Posting Date: April 6, 2025

LINK to podcast: <https://on.soundcloud.com/LLnPWLj2B96VL7fzb9>

John Kennan:

Once you start trying to put numbers on the gains from allowing people to move are just enormous. Or to put it another way, the costs of immigration restrictions are extremely high.

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 [John Kennan](#), who is Juli Plant Grainger Distinguished Chair in Economics at the [University of Wisconsin at Madison](#). He is especially well known for his use of economic theory to organize empirical studies in important topics in labor economics, and especially the role of migration in the labor market. John, welcome to [The Work Goes On](#).

John Kennan:

Thank you. Delighted to be here.

Orley Ashenfelter:

I'm glad we could have you. Let's begin the discussion by talking about your background. Where did you grow up?

John Kennan:

I grew up in Dublin on the north side of the city, which is the less respectable side.

Orley Ashenfelter:

And what does that mean, less respectable?

John Kennan:

Well, the people with more money tend to live on the south side of the city, south of the Liffey. It's still true today, I think. We were basically the middle-class family. My father was a civil servant. My mother had been a teacher, had to stop being a teacher when she got married, because that was the rule then. We were doing pretty well. And I grew up in a neighborhood called Whitehall, and just down the road was where my wife grew up. So, we've known each other since we were actually little kids.

Orley Ashenfelter:

Really that long, not just high school sweethearts, but little kid sweethearts.

John Kennan:

Yeah. Well, we were in different high schools because there was a boys high school, girls high school. So, once you got to age seven or so, it was split apart. There was no co-ed schools at that point.

Orley Ashenfelter:

I had completely forgotten until you mentioned it that Ireland was quite famous for the treatment of women, maybe not the best treatment of women. And I guess that's all changed, but you must have grown up in a time when it hadn't changed.

John Kennan:

There was this idea that women were supposed to be at home and they were basically excluded from jobs once they got married. But I wouldn't say that the treatment of women was especially bad at that time in general.

Orley Ashenfelter:

Well, now you went to University College. I know that's a very distinguished place. How did that happen?

John Kennan:

So, I went to high school in a Christian brothers high school, O'Connell School. And it was kind of an academic school. Sports were important. Gilbert and Sullivan was important, but otherwise the academics were pretty serious. And the classes were streamed. So, I was in the A class, and at the end of every term, there would be a set of exams and the people who placed last in these exams, two people would get relegated to the B class and two people from the B class would get promoted. It was basically like the Premier League. There was an emphasis on academic stuff, but it wasn't a very good preparation for college. By the time I got to UCD, I realized that... some subjects were pretty good, but we'd been mostly studying stuff for exams, not so much how to think about it.

I mean, actually in high school, the class that I learned the most from was taught by one of these Christian brothers who was quite an ignorant individual. We were going through Euclid and the idea was you were told the day before that you were going to have to present Proposition 3A or whatever it might be in Euclid the next day. And so, you would have to go up to the board and go through the proof of this proposition. And this guy had no idea whether you were getting it right or not. The other kids in the room knew what was going on and this guy was very good at reading the room. And he had a big leather strap that he used to maintain discipline. So, I actually learned a tremendous amount from that class. I learned something about teaching. It's not so much about what the teacher knows.

It's about how the students learn. University College Dublin was not a very good university at the time, except the math department was very good and kind of typical. You have a good math department almost anywhere. And I spent a lot of time learning math. The economics department was, well, it was political economy. And there were one or two people who had done PhDs in the US and taught basic intermediate micro courses and so on. But again, the course that I learned the most from was taught by a professor who was running a tutorial. So, we would meet once a week and we were going through Keynes, not *The General Theory [of Empowerment, Interest and Money]*, but the *Treatise on Money*, which is kind of a hard book. And every week this guy would make comments about the material that we'd been reading that were very impressive. And then I would have trouble understanding what he was saying.

So, I would go back and spend more time reading the material in the book and trying to figure out what he meant by all of these remarks that he was making. And this went on week after week. And then finally at the end of the course, I realized that this guy actually had no idea what he was talking about. He was a very impressive talker and I suppose I should have been able to figure this out sooner, but the result of it was... again, I learned a tremendous amount by working my way through this book, which is a very interesting book and thinking, well, pretty soon I'll learn what this guy knows ... But in the meantime, the learning actually was pretty sophisticated.

Orley Ashenfelter:

So, both of these cases, actually, the first is Euclid. Euclid of course was a geometer. So, you were studying geometry.

John Kennan:

Yup.

Orley Ashenfelter:

In the second case, you were studying Keynes's money book. How interesting.

John Kennan:

Yeah.

Orley Ashenfelter:

Very, very interesting. I must admit, I had an experience in high school with a guy. He was the basketball coach, and I loved geometry. He taught it, and we used to sort of ... He actually did know what he was doing, even though he was the basketball coach. I did enjoy actually the course in geometry. Of course, we don't really use geometry in economics except to display things, and we don't use them to actually prove things. So, you're at University College.

John Kennan:

Yes. So, I was mostly doing math. There was an honors math sequence and the course was, it was a combination. It was math and economics, but I didn't really learn much economics. I did learn quite a lot of math. And it was a small class. There might've been maybe eight of us in the class and my impression was that nearly all of these guys subsequently went mad in one way or another. It was a very strange group of people.

Orley Ashenfelter:

Say that again. They went what?

John Kennan:

They went a little bit crazy. I mean, it was that kind of mind that people had. But I had the economics courses as a kind of comic relief when the math course got too hard.

Orley Ashenfelter:

I happened to know that you still teach. You might be the only person who really normally works in labor economics. You still teach mathematics for economists, don't you?

John Kennan:

Yeah. This is this math camp that we have for incoming PhD students at the beginning of each semester. So, I've been teaching that the past couple of years. I'll do it again this August. And it's kind of fun. It's a funny course to teach because some of these kids come in knowing more math than I do, and some of them coming in knowing not much at all. So, it's a tricky proposition, but it's mostly about teaching them what a proof is and how to think systematically about stuff, rather than a course about tools that they're going to use later. I got an email from Tyler Cowen, I guess it was, that when I was teaching this course, said he was coming to town to meet with his sons and would I like to have lunch. So, I said, "Fine. Yeah, it'd be fun. I look forward to meeting your sons." Turned out, he said, "Well, you've been teaching them for the past six weeks." They were in this math course, identical twins.

Orley Ashenfelter:

Oh, really?

John Kennan:

And not only that, but one of two pairs of identical twins in the same incoming PhDs. Yeah. You're a big twins expert. You wouldn't expect that.

Orley Ashenfelter:

If they're identical, they're actually quite rare. I usually play a game because of the twins thing, of course. And the game being, I ask one of them what their name is, and then I guess what the other ones ... Perfect example. Ronald and Donald are the two typical names that male twins, identical twins have. So, if one says, "I'm Ronald," I always say, "Well, I bet your brother's name is Donald." And I'm right about a third of the time. Sometimes they mess me up a little bit. Karen and Sharon is another one. Now, it must have been quite a giant jump for you to move from Dublin, University College Dublin to Northwestern. How did that happen?

John Kennan:

Well, so I had two offers. One was a teaching assistantship at Duke in the math department, and the other was a fellowship at Northwestern, and that was it. And the reason for the Northwestern Fellowship had a lot to do with the Vietnam War. The draft deferment had just been abolished for graduate students, and they were worried that the PhD students were going to get drafted. And so, they actually decided to have a fair number of people who weren't subject to the draft come in. So, they read

people from abroad. I don't remember applying to many places, so I'm not sure exactly what triggered this. It was a job.

Orley Ashenfelter:

How did you get the idea? I was going to say, how did you get the idea even to come to the U.S. rather than say go to Britain?

John Kennan:

Well, I was Irish after all.

Orley Ashenfelter:

True. That's true.

John Kennan:

No, it just seemed, in some sense, more interesting. I mean, I'd had jobs in England during the summer. It wouldn't have been all that new, but going to the U.S. seemed more interesting. I mean, I didn't really know what I was doing at the time. I mean, at this point, I was 21, had just gotten married. And so, it was a jump in the dark, but it was a good place to be.

Orley Ashenfelter:

And you went to Northwestern, I guess Dale Mortenson. Who did you work with there?

John Kennan:

Yeah, Dale, he was still junior and kind of like with Ron Ehrenberg, he couldn't be the formal dissertation advisor because he didn't have tenure. The advisor was Frank Brechling. He was a very good empirical economist. And Dale, of course, was very good at models. And they were working jointly on an NSF grant, and I got hired as the RA on this grant. And you might wonder what did they produce? And the answer to that is almost nothing. I mean, one of them was a very good empiricist and the other one was a very good model builder. And I mean, I remember we would meet once a week so I could get instructions. And one meeting started out, they were talking about the meaning of the notation ΔX_T and they immediately agreed that this means it's X_T minus X_{T-1} , or maybe it's X_T plus one minus X_{T-1} .

And the immediate agreement was it didn't matter which way you did it as long as you were consistent. And then the rest of the hour was spent arguing about which way to do it. It wasn't so surprising that not much came out of the project.

Orley Ashenfelter:

They were great. I met them often together. They were great friends.

John Kennan:

Yeah, yeah, absolutely. And Frank was a great advisor. He had this gift that I would love to be able to emulate that when you came out of his office after telling him what you'd been doing on your dissertation the past week or so, I would come out just all fired up to do stuff. And it wasn't that he had kind of magic insights about what to do next. He just had this way of, I don't know, motivating you to kind of convincing you that this is worthwhile.

Orley Ashenfelter:

He was enthusiastic, I think. I always liked that about him. He was an enthusiastic guy. British guy too, wasn't he?

John Kennan:

He was originally German, from East Germany, but then he was in England for quite a bit.

Orley Ashenfelter:

So, what was your dissertation about?

John Kennan:

It was about dynamic factor demand. There were various people at Northwestern at the time thinking about adjustment costs, and so this was kind of what Dale and Frank were working on as well. So, I was doing demand for labor and capital from the point of view of a forward-looking firm that's uncertain about what the factor prices are going to be in the future and how to decide on how much labor to hire and how much capital to hire, given that it would be costly to change your mind after the fact. So, this was, I don't know what field it was supposed to be. Actually, I never took a labor course at Northwestern. And the time came to go on the job market. I met with the placement guy, Stan Reiter. He was a theorist, a very good theorist. He looks at my draft CV and the fields were microeconomics, macroeconomics, and econometrics.

And he looks at me and he says, "Come on, that won't do." And then he looks at the title of the dissertation and he says, "Factor demand. Labor is a factor, isn't it?" He wasn't too sure about it but being a theorist, so I say, "Yeah." So, "okay, you're a labor economist, put yourself down as a labor economist." And then somebody rigged up an interview at the meetings, at the annual meetings and at that point, it wasn't unusual that you would go to the meetings and you wouldn't have a schedule of interviews lined up, but some of the interviews would be arranged on the spot. And somebody rigged me up to meet with Brown, and the interview consisted of showing up at the Brown cocktail party and being cornered by Robert Barro, who was at Brown at the time, grilling me about adjustment costs, which he had been working on to some extent.

And so, I ended up at Brown.

Orley Ashenfelter:

They made you an offer at the cocktail party.

John Kennan:

No, no, not quite then. In fact, they took their sweet time. There was an offer from Rice, which came earlier, and my wife was not at all keen about the idea of living in Houston. Rice was fine, but Houston, not so much, but eventually Brown came through. And so, I became a labor economist by teaching labor economics.

Orley Ashenfelter:

A lot of us learn a lot by teaching labor economics often even if you took a class. At the time that you would've done it, many people would've taken classes that wouldn't look anything like the course that you would take today ... That certainly was the case in my case.

John Kennan:

Yeah.

Orley Ashenfelter:

Now, how long were you at Brown?

John Kennan:

I was there from 1972 when I started when I was 25. Then I was there until 1980 with a couple of years we were in Hamilton. I was at McMaster visiting for a couple of years. So, it was a three-year contract followed by a three-year contract. At the end of the first three-year contract, the other guy who had been hired at the same time that I had was let go and I was kept on. The reason was that he had published stuff and I hadn't. So, they figured that I still had option value, and they had seen what he was capable of. But then of course, when the tenure decision came along, I still hadn't basically published anything. So, the writing was on the wall at that stage. But it was a good experience in terms of learning a kind of economics that I hadn't really learned at Northwestern.

This place was dominated by Chicago people. And so, every day at lunch at the faculty club, they would sort of emulate the faculty club at Chicago, and there would be all these discussions about price theory, which were very useful from my point of view.

Orley Ashenfelter:

Where did you go next?

John Kennan:

I went to Iowa. The department at Iowa, this was 1980. They had decided that they were going to hire a bunch of people all at the same time, and they would turn the department over to the new crowd, and they were very good about this. I guess they hired five of us at that point. Don McCloskey was one, John Solow, Chuck Whiteman. I think Bob Forsythe maybe came a little later, but it was a very active group. It was a very good place to be at the time.

Orley Ashenfelter:

I visited there once to give a talk or two, but I don't think you were there at that time. I'm not sure. I may be wrong.

John Kennan:

So, I was there from 1980 to 1992.

Orley Ashenfelter:

And then Wisconsin.

John Kennan:

Actually, in '89, I almost went to Wisconsin, but our younger son was still in high school at that point. He had been born when I was a second-year assistant professor at Brown. The older son was born the month before prelims at Northwestern, so he was already out of the household. But the younger son

visited the high school in Madison when we were thinking of going there in 1989, and he took a very dim view of the high school there. In the end, we held off.

Orley Ashenfelter:

We don't have a whole lot of time left, and I do want to talk about a topic that you've worked on in the last decade or so that is extremely relevant for today, and that's your work on migration, which I should say to people that aren't familiar with it. One of the characteristics I've always admired in your work is there's always an attempt to use real economic theory, but also to try to find some way to measure what you're trying to talk about. Now, you've done, I don't know how many papers on migration, in sort of different versions. I know one is about college graduate migration and others about the European Union, and it's too much for us to cover in great detail, but could you summarize two or three things you think you learned from that work?

John Kennan:

The first project was on internal migration in the U.S. That was with Jim Walker. And I did learn a lot from that and a lot from interacting with Jim. But the other main one is [a paper on open borders](#). And the idea of that paper is to ask what would happen if we went back to a world where you could move wherever you want without restriction and how to quantify the implications of that from the point of view of the people who are actually moving, as opposed to asking, how is this going to affect us when we have people coming in? And I think the big lesson was once you start trying to put numbers on the gains from allowing people to move are just enormous, or to put it another way, the costs of immigration restrictions are extremely high. Now, of course, trying to convince people that it would be a good idea to open the borders is hard work.

I mean, one way to think about it is that, I mean, there's a line from Keynes where he says that practical men who think they have no intellectual influences are often the slaves of some defunct economists. So, I kind of aspire to be one of these defunct economists that put our subsequently slaves up. But the point of it was we have all of these schemes for foreign aid and for helping people in less developed countries, but the way that I was thinking about modeling it was that people have much lower productivity if they're working in Syria or Haiti or Zimbabwe or someplace and you take that same person and put them in Germany or France or the U.S. or Canada, and they're just a whole lot more productive in that environment. And so it was modeled in that way with basically these productivity differences and then using that to revive the old theories of factor price equalization, that you look at the data it doesn't look at all like factor price equalization, but once you start adjusting for efficiency units of labor, you can actually make it work.

But the big lesson was just the enormous cost of restricting people in terms of where they're allowed to work. Now, of course, the other side of it is you're thinking, well, you open up the border with Mexico, everybody from Mexico moves to the U.S., and it's not like that at all. I mean, there's an open border with Puerto Rico. They don't all move out of Puerto Rico, but some people do, and the reason they don't is something that had come up in the work with Jim Walker, the attachment to place. People just like to be where they grew up, even if it's not such a great place.

Orley Ashenfelter:

I always use that Puerto Rican example, of course, because if factor prices equalized, wage rates would be the same in Puerto Rico and the U.S., and of course they're not.

John Kennan:

No, but if in fact people find it difficult to be productive in Puerto Rico and much easier to be productive in New York City, then you can get the factor price equalization result back. And it's something that Dan Trebler showed.

Orley Ashenfelter:

Well, yes, but I still think it's from the simplest point of view that's the reason there's a motivation to move. It doesn't really explain anything really. But of course, there are differences within the U.S. too. Let me ask you this though. So, there's the other side of that, of course. I think what people worry about with migration is the people who don't migrate, the ones that are being migrated, the areas that are being migrated to feel as if they'll be at a loss. So, what's your response to that?

John Kennan:

I haven't actually built that into any of the models that I've been working with. And I think it's a little hard to quantify that. I mean, there are these ideas that there are spillovers, that people become more productive because they're surrounded by other people who are more productive. Maybe that's true. It's pretty hard to pin that down. And I'm not sure that the people who stay are necessarily all that worried about it. They have the option to leave if they're deciding that everybody else is going, they should go too. But no, I haven't actually worked on that side of it.

Orley Ashenfelter:

Well, what I really meant though was the place that receives the migrants. That's the concern, I think, right? When you think about the politics of migration today, that Americans all think, well, we'll be inundated by foreigners who will drive wages down.

John Kennan:

That I did work on, and you can quantify that. The effects that I was getting are actually quite small. What's happening is the effect on wages is brought about by increasing the effect of supply of labor. So, you're bringing in people who, first, you have more people, but also these people are more productive in the new location. You've augmented the supply of labor. That by itself would drive wages down to some extent, not to a very large extent, it turns out, if you try and measure it, so for a given capital stock. But the other thing is, to the extent that you have this reduction in real wages, you've increased the return to capital. And so, once you start thinking about the longer run implications, the capital labor ratio is what ultimately is going to determine real wages and that comes back to normal.

It might take a while, but it might not take actually all that long if the influx is seen in advance. So, I did spend a fair amount of time trying to quantify the real wage effects, and they're nowhere near as big as you might suppose.

Orley Ashenfelter:

I'm not surprised by that. There's lots of other evidence that suggests the same, but I just ask one final question about this topic. It's pretty clear that politically there's an incredible effort to stop all kinds of migration, not just in the U.S., but elsewhere. What do you think drives that?

John Kennan:

I don't know. That's a very hard question. I mean, there are kind of fragmentary answers. Obviously, there's some concern about criminal activity being brought into the country that wouldn't otherwise be there, but some of it just has to be animosity toward people who don't look the same as us.

Orley Ashenfelter:

They don't look like me, I know, because I'm so old, but otherwise maybe. John, it's just been wonderful talking to you. It's a great opportunity. Thanks so much for coming on today.

John Kennan:

Glad to be here, and thanks for doing it.

Orley Ashenfelter:

Our guest today has been [John Kennan](#), Juli Plant Granger Distinguished Chair in Economics at the [University of Wisconsin at Madison](#). 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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