

TRANSCRIPT

The Work Goes On

Guest: Robert Topel
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Robert Topel:

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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 Robert Topel, who is the Isidore Brown and Gladys J. Brown Distinguished Service Professor Emeritus at the University of Chicago Graduate School of Business. He is renowned for his work in labor economics. Bob, welcome to The Work Goes On.

Robert Topel:

Thank you for having me. It's good to see you.

Orley Ashenfelter:

Let's start by talking about your background. Where did you grow up?

Robert Topel:

I grew up in Southern California, in a suburb of L.A. called Arcadia, and I grew up three blocks from Santa Anita racetrack. I could hear the trumpets go and the fellow say, "And there they go." My father was a policeman, and my mother was a secretary.

Orley Ashenfelter:

In Arcadia. Well, I know where Arcadia is. I went to college in Southern California. Actually, I'm from Southern California, just like you. High school in Arcadia?

Robert Topel:

High school in Arcadia. Arcadia High School Apaches, and they're still called the Apaches.

Orley Ashenfelter:

I remember it best because one of my very best friends came from nearby there, West Covina, which I think isn't too far away.

Robert Topel:

It's pretty close.

Orley Ashenfelter:

Very interesting, the San Gabriel Valley. Now, I know you went to Santa Barbara as an undergraduate. How did that happen?

Robert Topel:

Well, in high school I was a ne'er-do-well. I didn't think I was going to go anywhere. And then we all took the SAT, and one of my counselors said, "Well, with that score, the University of California has to take you, no matter what you did in high school." But they didn't have to let you go wherever you wanted in the University of California system. So, I was admitted in August for school in August, and I was sent to UC Riverside for a year, and I ended up in Santa Barbara.

Orley Ashenfelter:

You transferred.

Robert Topel:

Yeah. Every major was closed at Santa Barbara, my friends were up there, except English literature. So, I changed my major immediately to English literature and transferred to UC Santa Barbara.

Orley Ashenfelter:

You know, I remember Riverside very well. It was quite small back when you were there, actually. I think it's pretty big now. But it had a reputation as kind of a place for kind of geeky people.

Robert Topel:

I don't know how geeky people were, but there weren't that many people there. And there's no river that it's by the side of, either.

Orley Ashenfelter:

Riverside, California. Well, there's a wonderful inn there. I'm sure you've been to it. Near there, anyway. So, you went to Santa Barbara. Did you end up doing economics finally, or you stayed with English literature?

Robert Topel:

No, I did economics. I actually went up to Santa Barbara because I had friends there. I could move at the drop of a hat, so one of my friends who worked with me in the grocery store said, "We're moving out of the dorms. You want to live with us?" And I immediately transferred in the middle of the academic year.

Orley Ashenfelter:

In the middle?

Robert Topel:

Yeah. It was a great place to go to college. It's got a reputation as a party school, and we did our share. But of my roommates, one is a professor of marine biology at the University of Hawaii. The other is a professor of ichthyology at University of Miami, the Maytag Professor, and now he's the head of the Oceanographic Institute of Marina Biology up at Oregon State. And a third one was a professor of genetics; his father was a professor of physics at Penn. Sadly, he passed away several years ago.

Orley Ashenfelter:

Maybe the parties had a little intellectual aspect to them.

Robert Topel:

Well, maybe. I mean, there are good stories about the parties, but I don't think that's why we're here.

Orley Ashenfelter:

No, it isn't but it's still nice to know. You know, people are always surprised that economists are people, too, and the fact that you went to Santa Barbara and had some parties, even though you ended up surrounded by other academics, is always interesting for folks. Now, I know that you went to graduate school at UCLA. How did that happen?

Robert Topel:

Well, my professors at Santa Barbara actually sent me off to be a theorist at Northwestern, and my advisor was Hugo Sonnenschein.

Orley Ashenfelter:

Hugo was your advisor?

Robert Topel:

Yeah, he was my advisor. And as one of my classmates said, we could prove that competitive equilibrium is Pareto optimal using analysis, calculus, and an abacus, but nobody drew a demand curve on the board for the entire year. And I went to Hugo and I said, "Well, you know, maybe this isn't for me. I'll go back to Southern California." So, that's how I ended up at UCLA.

Orley Ashenfelter:

Hugo had many wonderful students. You know, he was at Princeton for a long time. Many, many wonderful students, theorists, of course, not primarily labor economists. So, who did you work with at UCLA?

Robert Topel:

With Finis Welch and Harold Demsetz. Those were the co-chairs of my dissertation committee. I did both industrial organization and labor. And then I took econometrics with Ed Leamer. And everyone there was influenced by Armen Alchian, who was a charming man and a great teacher.

Orley Ashenfelter:

Very interesting character. I taught for many years with him in a law and economics program. He was much admired by lots of people. And he taught it for a while, just to make sure that right and left were covered properly, with Paul Samuelson. They were quite a pair to see in action, actually.

Robert Topel:

That must have been good.

Orley Ashenfelter:

It was. You know, it's interesting, because they used Samuelson's textbook and they used Alchian's, and of course it was all about microeconomics, so not much different between either one of them. Then one evening they would get them together and ask them to talk about inequality, and then the sparks would fly.

Robert Topel:

Well, I beg to differ about the textbook. Armen's textbook was often called the perfect principles book for people who already have a PhD. And I learned more economics from that book as a teaching

assistant than I could possibly describe to you. One of my close friends, who got his PhD at Michigan, said, "You know, I went through all my exams. I wrote my dissertation, everything, but I felt like I still didn't get it." And somebody handed him a copy of Alchian's principles textbook, and he said, "I finally got it."

Orley Ashenfelter:

What was your dissertation about?

Robert Topel:

It was about layoffs, and substitution between temporary layoffs and physical inventories. You could store your output when demand was low, or you could rely on labor. Layoffs and inventories were kind of substitutes.

Orley Ashenfelter:

So, now, you eventually, of course, ended up at Chicago. Was that your first job?

Robert Topel:

It was. Orley, you'll appreciate this line from my mother, who had a disarming way of bringing you back to earth. She didn't go to college. She didn't know much about what the University of Chicago or Princeton or any of those places might be. And when I got a job at Chicago, I was pretty proud of myself. I called my mother and I said, "Mom, I got a job as assistant professor at the University of Chicago." And she said, "Well, that's nice, dear, but couldn't you have gotten a job at Pasadena City College?"

Orley Ashenfelter:

Well, actually, PCC is pretty good. A lot of very famous actors went there, but not so many economists.

Robert Topel:

Yeah, I took a couple classes there. "The University of Colorado Boulevard," they called it.

Orley Ashenfelter:

It's still a very good school, I think, actually, but it is famous probably more for the actors than the economists. Now, one of the reasons I really wanted to have you on here is because you were at Chicago. It's not the same anymore, I guess. You were at Chicago when there was this whole crowd. In fact, at one point, probably before you were there, Finis Welch had taught at the University of Chicago. And there was a kind of a hotbed, a famous seminar I went to more than once. Can you describe what that was like?

Robert Topel:

Well, for an assistant professor, it was like getting thrown into the deep end of the pool. They didn't make any distinctions. It was tough in those seminars, and you could get into a pretty heated discussion, but everybody respected each other at the end of the day. There was no need to be polite.

I remember in a faculty meeting (the assistant professors voted on senior appointments from outside; not on promotions from inside, but on senior appointments from outside), in one of my first meetings, we were going to hire Robert Barro. I was sitting at one end of the table, and Bob Lucas was running the meeting. And I thought the better part of valor for all us assistant professors was just to keep our mouths shut and our heads down. And Lucas looked right down the table at me and said, "Bob, what do the junior faculty think?"

Orley Ashenfelter:

What did you say?

Robert Topel:

I said, “You know, he seems pretty good to me. I’ve read this paper. I’ve read that paper. Why don’t you guys go ahead and hire him?”

Orley Ashenfelter:

That is good, actually. That’s interesting. I don’t think in most places junior faculty vote on senior appointments, even from the outside. What else can you say about it? Who else was there when you were there at the beginning?

Robert Topel:

Well, it was a remarkable group. You know, Gary Becker, Sherwin Rosen were the people I always saw in that seminar. George Stigler, Jim Heckman, José Scheinkman, Bob Lucas, obviously. Harberger was on the faculty then and was the department chairman. Al was, and is, because Al’s still with us, an interesting guy. He always took a very long time to answer a question. You could pose it to him, and he would rock back and forth in his chair. It was a good thing.

One of the stories I tell, Orley, is that when we were in graduate school, we got the working papers from all kinds of schools. They would be distributed to the graduate students, and you could just check them off and have them copied. And I told Al, “You know, we had that back in graduate school. Couldn’t we have something like that here?” And Al had to think of a reason why we wouldn’t do that, because it would cost money. So, he looked at me, he thought for a while, and he said, “Bob, Bob, Bob, you’re at Chicago now. They read what we write. We don’t read what they write.”

Orley Ashenfelter:

I actually knew him. He visited here for a while, Harberger, and I knew him pretty well, and his wife as well. And he is still alive, I guess. He must be 100 by now.

Robert Topel:

He’s about 102. For the last 15 years or so, I’ve been going to a conference down in Álamos, Mexico, in the mountains of Sonora. It was started by Armen and Clay La Force, in a small little town. It brings together economists and government ministers and the like from across Latin America. And Al was always part of it, so I would see him every year down there. Right up until the last time he came (he can’t make it anymore), he was sharp as a tack.

Orley Ashenfelter:

Let’s talk about your work a little bit. You’ve done work in a lot of areas: immigration, many others. I know that you did some work with Bob LaLonde, one of my favorite people, who died way too young. Let’s talk about that for a second. Immigration is a very hot topic. A difficult topic, in fact. I saw a paper the other day where someone asked why it is so hard to talk about it. What’s your take about the current way we think about immigration in economics?

Robert Topel:

Well, I don’t know if there’s one way we think about immigration in economics. The way Bob and I thought about it was to… I think the controversy at the time was how good a substitute are immigrants are for non-immigrant labor, and who gets impacted. What we looked at was, well, who’s likely to be the best substitute for immigrant labor? A lot of people found, I think David found, that there wasn’t much impact of immigration on non-immigrant wages or employment. So we looked at…

Orley Ashenfelter:

You mean David Card?

Robert Topel:

David Card, yeah. We were looking especially at… Immigration from Mexico was much larger back in those days than it is now. Now it comes from all of Latin America. And we looked at what areas they went to. What we found was that there's an impact on the most recent arrivals. So, the new arrivals hit the people who came just before them, and then the impacts kind of died out the longer you've been here, which is consistent with the assimilation you'd expect to occur. So that's what we did.

Orley Ashenfelter:

Yeah, it is consistent with it. Of course, most of the discussion about immigration in the popular press doesn't really take up the issues that we, as economists, would expect that you take up, including the one you just discussed. Another topic that you've written about is health. And I was impressed when I saw your work with Kevin Murphy about many aspects, but especially valuations. Can you describe that work in a couple of points?

Robert Topel:

Well, yeah. It got started… This comes back to Hugo. Hugo became president of the University of Chicago, and he asked us to come in one day, and he said, "How would you go about figuring out what medical research is worth?"

Orley Ashenfelter:

This is when he was president?

Robert Topel:

He was president. Of course, he had an ulterior motive, because he wanted to get money from the NIH budget, as did a lot of other university presidents. So, we said, "Well, you know, we'll go think about it." And so, we approached it in kind of the way Sherwin Rosen had approached a similar problem before us. We did a lot more empirical work with it. And it was as an economist should think about it, or would think about it, rather than should. It's, you know, what are people willing to pay for things that extend the length of life and the quality of life? We tried to incorporate both. And we were very surprised at how big the numbers are.

You know, a cure for cancer would be worth something like 50 trillion dollars. I'm doing this off the top of my head, Orley. I might miss by a few trillion here and there.

Orley Ashenfelter:

Yeah, but they're big numbers, I understand.

Robert Topel:

They are very big numbers. So, we ended up testifying before Congress about the NIH budget and the like. Of course, medical researchers loved it, because if you ask them, "If we gave you enough money, could you cure cancer?" "Of course we can, send the money." I think Kevin described that as, of his research, the stuff that's got the most legs, which is a remarkable statement, because he's got quite a vita.

Orley Ashenfelter:

Quite a lot of work on inequality and other things that probably people still think about. It is true. I once heard a lecture called "Can We Cure Cancer?" And the answer was basically yes, but not soon.

Robert Topel:

Yeah, it's kind of right around the corner all the time, but we've made tremendous progress.

Orley Ashenfelter Against some parts of it.

Robert Topel

For men, it's still the case, if I remember my data right, that the number one killer remains heart disease, cardiovascular disease. But we've made a lot of progress against that too. So, if you count the advances in what we called health capital, the uncounted contribution to economic growth because of advances in health capital is quite large. And all that stuff doesn't get counted in metrics like GDP per capita or something like that. We did some calculations on that.

Orley Ashenfelter:

And you're right, it's an interesting topic. I guess I'm not surprised that Hugo was interested in medicine, not as a theorist but as the president of a university.

Robert Topel:

Well, you know, it wasn't up Hugo's alley. And when he looked around at Chicago, he said, "Well, which guys could do this?"

Orley Ashenfelter:

You were the chosen characters.

Robert Topel:

Yeah. So that's how I became a health economist.

Orley Ashenfelter:

Yeah, and I think you probably became almost as well known in that field. Maybe not quite as much, but almost as well known as in the field of labor economics.

Robert Topel:

Not long after that, Bob Zimmer asked me to start an energy institute at Chicago. And I said to him, "Bob, I'm not an energy economist." And he said to me, "Yeah, but you weren't a health economist either." So, I did it.

Orley Ashenfelter:

I was not aware of this myself. What have you worked on in the energy world? Certainly, energy is a hot topic right now, too. You seem to always gravitate to them.

Robert Topel:

Well, it was the case that the president comes to you and says, "I want you to think about this." So, we started an institute that eventually became EPIC. And I told Bob, "Look, I'm not the guy to run this in the long term. I can get this thing started. I'll do a little research in energy and things like that. But you really need somebody who's devoted to this." And that's how one of your former students ended up there. He said, "Well, who do I get?" And I said, "There's only one guy on the list. Go get Greenstone." And so, I think Bob flew out to Cambridge and just sat in front of him and put down thousand-dollar bills until he said yes.

Orley Ashenfelter:

Michael.

Robert Topel:

Yeah. So, he runs the institute that I and a physicist actually started.

Orley Ashenfelter:

It is interesting. Of course, Michael is Chicago born and raised. He went home, really.

Robert Topel:

Yeah, he went to the Lab School, grew up in the neighborhood, now lives in the neighborhood. Can't get away.

Orley Ashenfelter:

I guess that's one of the things they say: you can take the Chicago out of the boy, but you can't take the boy out of Chicago.

Well, we're coming to the end of our podcast. I would like to ask you one more very broad question about economics at the University of Chicago. I think the way it is perceived today is quite a bit different from the way it was perceived when Friedman and Stigler were sort of the mother and father, or king and queen, or whatever you want to call it, of a department that had a reputation that was sort of tied to them. What's your take on what's happened to the University of Chicago Graduate School of Business and economics?

Robert Topel:

Well, you know, sometimes, because I knew those guys and knew them well, I sometimes feel like the last Mohican.

Orley Ashenfelter:

Well, that's actually the reason I asked that question. You kind of are the last Mohican.

Robert Topel:

Yeah. Well, Kevin's still around, and we're both emeritus professors, so we don't go in anymore, but we still have an intellectual attachment to the place. Yeah, it's different now. It's moved closer to what other places are like.

One of the things that I thought was a distinguishing characteristic of Chicago, that maybe you weren't thinking of, is that they took a class of first-year PhD students from anywhere. You could come in, and their view was, "We don't know who's going to be good and who's not. And half of them are going to flunk out the first year." But the ones who are really talented are the ones who come out at the end, and some really good economists went through Chicago that way who wouldn't have gotten into the other top departments, because they went to small colleges out in the Midwest somewhere or something like that. That was the character of the department. That's just the way the department was.

The other thing about that PhD program and the faculty is there wasn't a lot of hand-holding for the PhD students. There was kind of an attitude on the faculty: "Well, you know, you're lucky to be here and watch us work, so get on with it." Whereas a school like MIT, I always had the perception that there was a lot more involvement of the faculty in the training of the PhDs to the point where it was a little bit like a vocational program for PhD economists. They were good at it. Those people got good jobs.

When I got to Chicago, the majority of the faculty – Harberger, Rosen, Lucas, Becker, and so on – had gotten their PhDs at Chicago, gone off, and then were called home when they became accomplished economists. And nowadays there's only, I think, one or two people who went to Chicago who are in the department. And so, they hire from the same places as Berkeley and Princeton and Yale and Harvard and MIT. So, in that sense they're much more like those places than we were back in 1979 when I got there, when Chicago always kind of had a very attractive chip on its shoulder.

Orley Ashenfelter:

Well, that's, I think, a very nice way to end our podcast, with the last of the Mohicans giving the final word. Bob, it's been a pleasure having you today. Thanks for joining us.

Robert Topel:

Well, Orley, thanks for having me. Wonderful to talk to you, wonderful to see you. And good luck with the rest of your program.

Orley Ashenfelter:

Our guest today has been Robert Topel, Professor of Economics Emeritus at the Graduate School of Business at the University of Chicago. 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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