

Mincer Award Winners 2008:

Reuben Gronau

Presented by Robert Willis

Reuben Gronau is Professor Emeritus of Economics at Hebrew University of Jerusalem. It is especially fitting for Reuben to win the award with this name in this place, because he received his Ph.D. in 1967 from Columbia, studying under Jacob Mincer and Gary Becker.

During his career he has also spent periods as visiting professor at many leading American universities including Chicago, Columbia, Northwestern, Princeton, MIT, Stanford and UCLA. After the fall of communism, he played a key role in introducing graduate study of Western economics at the New Economic School in Moscow and Charles University in Prague. He has received a number of important honors including Fellow of the Econometric Society, Fellow of the Society of Labor Economists, and President of the Israeli Economic Society. He is also a winner of the Landau Award for research on the economy of Israel in recognition of his service on public committees that have studied the setting of rates for telephones, ports, hospitals, electricity and water as well as studies of taxi cab licensing and mass transit systems.

I first met Reuben in 1970 at the NBER, which was then located in New York City at 37th and Madison, where I was a post-doc doing research on fertility behavior. The NBER in those days was literally a crucible for the foundation of modern labor economics. Many of the best students of Mincer and Becker from Columbia worked at the NBER on dissertations and stayed on afterward as post-docs, visitors or junior faculty in the New York area. In addition to Reuben, they included Mike Grossman, Arleen Leibowitz, Bill and Lisa Landes and Bob Michael among many others. The NBER also attracted young labor economists from elsewhere including Lee Lillard, Jim Heckman, Sherwin Rosen, Jim Smith, Yoram Weiss, and Finis Welch. Ken Wolpin, at CUNY, and Mark Rosenzweig, at Columbia, were graduate students. Even in this distinguished crowd, Reuben was outstanding. His first contribution is contained in a 1970 *AER* article, "The Effect of Traveling Time on the Demand for Passenger Transportation" that was based on his dissertation and an NBER book. He showed why the demand for air travel was highly income elastic because the relative cost of air travel relative to slower modes tends to decline with the value of time, measured by market wages. To my disappointment as a person from Boeing's home in Seattle, Reuben also showed why, despite its speed, the supersonic transport would tend to be inefficient because of the fixed time and money costs of getting to and from the airport. To my knowledge, however, Reuben is not responsible for the Seattle Supersonics' upcoming move to Oklahoma City.

From then until now, Reuben has continued to make path-breaking contributions to theory of the allocation of time, toward developing methods to measure the value of time, and to investigating the implications of the value of time for labor supply, household production and other aspects of household behavior. In the early 1970s, he tackled the problem of measuring the value of housewives' time, pointing out that non-working women reveal that the shadow price of their time in household production is greater than their market wage when they refrain from working. In a seminal 1974 *JPE* paper, "Wage Comparisons -- A Selectivity Bias," he developed a grouped-data method of estimating the value of time for non-working women that was a precursor to Heckman's papers on selection bias. My own favorite paper of Reuben's is his 1977 *JPE* paper, "Leisure, Home Production and Work -- The Theory of the Allocation of Time Revisited." This paper, which I have referred to as "The Gronau Model" to several generations of students, formalizes the trichotomy of leisure, work at home and work in the market by assuming that home-produced goods and market goods are perfect substitutes. An increase in the market wage leads to a reduction of home-produced goods while its effect on leisure and market work is indeterminate. An increase in income increases leisure, reduces market work, and leaves home work unchanged. I have found this model to provide an extremely useful framework in thinking about how the economic functions and behavior of the family vary across levels of economic development ranging from low income agrarian societies to modern service-dominated economies.

When I tried to notify Reuben that he had won the Mincer Award last week, he was nowhere to be found. I would like to thank Yoram and Menucha Weiss for their excellent detective work in finding Reuben in York, England where he was attending the wedding of his son, Ariel, and alerting him to the need to find subsonic transportation to New York. This has been quite a week for Reuben, honoring a lifetime of contribution to both the theory and practice of household production and the allocation of time.

References

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- "Information and Frictional Unemployment," *American Economic Review*, 61:3, June 1971.
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- "Wage Comparisons -- A Selectivity Bias," *Journal of Political Economy*, 82:6, November/December 1974.
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John Pencavel

Presented by Orley Ashenfelter

John Pencavel is the Pauline K. Levin-Robert L. Levin and Pauline C. Levin-Abraham Levin Professor in the School of Humanities and Sciences, Stanford University. He received both an undergraduate degree with first class honors and an M.Sc. degree with distinction in

economics at University College, London. He then crossed the Atlantic to accept the prestigious Jane Eliza Proctor Visiting Fellowship at Princeton University, where he received his Ph.D. in economics.

Pencavel has been a Guggenheim Fellow and a National Fellow of the Hoover Institution, and he has been elected a fellow of the Econometric Society as well as a fellow of his alma mater University College, London. He was President of the Society of Labor Economists in 2005.

Pencavel's dissertation research started a lifelong fascination with the study of the nature and determination of the employment relationship. This research helped provide the basis for both our modern studies of personnel economics and for the now fashionable study of the way morale and job satisfaction affect productivity and life satisfaction. This work used market outcomes, such as quit rates, to infer worker satisfaction. Pencavel's finding that higher wage rates were associated with lower quit rates forms the most credible basis for much of the modern research in this area. His "Wages, Specific Training, and Labor Turnover in U.S. Manufacturing Industries," published 35 years ago in the *International Economic Review* remains a model of how economic theory and empirical analysis can be joined. In subsequent years Pencavel spent a considerable amount of time bringing the same analytical and empirical skills to bear on the complex role that trade unions play in the employment relationship. His *Labor Markets under Trade Unionism: Employment, Wages, and Hours*, published in 1991 and awarded the Richard A. Lester Prize for the Outstanding Book in Industrial Relations or Labor Economics published in that year is a fitting and elegant summary of over 20 years of Pencavel's research on this topic.

It would be oversimplifying matters to focus only on Pencavel's research on trade unions, labor cooperatives, and the complexities of the employment relationship. He also played an important role in the analysis of the pioneering Seattle/Denver income maintenance experiments, which were among the earliest randomized field experiments in the area of social policy. And what student of labor economics is not familiar with his masterful and highly influential survey of labor supply in the first edition of the *Handbook of Labor Economics*?

John Pencavel has spent his entire academic career at Stanford University, where he has displayed the extraordinary devotion to his obligations that only the English seem to bring to their work. John has served in Stanford's faculty senate, as department chair (twice), and on countless committees that govern the University. For many years he taught in the core microeconomics sequence to graduate students because of his view that "economic theory is far too important to be taught by theorists alone."

It is especially fitting that John Pencavel receive the Jacob Mincer Career Achievement Award for Lifetime Contributions to the Field of Labor Economics. His work truly represents a lifetime of accomplishment and it embodies the finest aspirations for using economic analysis to interpret and explain how labor markets work and how they can be improved.

2008 Nominating Committee:

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Finis Welch (Chair)
Robert Willis (*Ex Officio*)



Reuben Gronau, Flora Mincer, John Pencavel

David Wentworth/Columbia University