In 2012 the Society of Labor Economists presented the Sherwin Rosen Award to Marianne Bertrand, for outstanding contributions in the field of labor economics.

Bertrand received her PhD from Harvard in 1998. She is the Chris P. Dialynas Professor of Economics and Richard N. Rosett Faculty Fellow at the Booth School of Business at the University of Chicago. She is a research associate of the National Bureau of Economic Research and a coeditor of the American Economic Review.

Her work has covered a number of topics including racial discrimination, CEO pay and incentives, the effects of regulation on employment, and household finance. Her research in these areas has been published widely, including numerous research articles in the Quarterly Journal of Economics, the Journal of Political Economy, and the American Economic Review, as well as several public policy journals.

Bertrand has made outstanding contributions to several areas of labor economics. A first area concerns the connection between product market competition and labor market outcomes. Her Quarterly Journal of Economics (2002) article with Francis Kramarz, “Does Entry Regulation Hinder Job Creation? Evidence from the French Retail Industry,” looks at whether entry regulation in the French retail industry can explain the low rates of job creation observed in that sector over the last 25 years. Since the early 1970s, the French government has required regional zoning board approval for the creation or extension of any large retail store. Using a unique database that provides time and regional variation in boards’ approval decisions, they show that this requirement created barriers to entry in the retail sector, and weakened employment growth in the retail industry. The findings indicate that retail employment could have been more than 10% higher today had entry regulation not been introduced.

Bertrand’s Journal of Labor Economics (2004) paper, “From the Invisible Handshake to the Invisible Hand? How Import Competition Changes the Employment Relationship,” also explores the connection between product market competition and labor market outcomes. The paper focuses on the extent to which employers, after negotiating workers’ wages upon hire, subsequently shield those wages from external labor market conditions. Using exchange rate movements, Bertrand finds that (1) the sensitivity of workers’ wages to the current unemployment rate increases as competition increases, and (2) the sensitivity of workers’ wages to the unemployment rate prevailing upon hire decreases as competition increases. The paper also shows evidence that financial variables such as leveraging and corporate returns affect the sensitivity of the relationship between wages and unemployment.

One particular labor market where the connection between product market performance and compensation is particularly important is the market for corporate executives. Bertrand has written a number of highly influential papers on this topic. For instance, her Quarterly Journal of Economics (2001) paper with Mullainathan, “Are CEOs Rewarded for Luck? The Ones without Principals Are,” empirically examines two competing views of CEO pay. The contracting view of CEO pay assumes that pay is used by shareholders to solve an agency problem. Simple models of the contracting view predict that pay should not be tied to luck, where luck is defined as observable shocks to performance beyond the CEO’s control. Using several measures of luck, they find that CEO pay in fact responds as much to a lucky dollar as to a general dollar. A skimming model, where the CEO has captured the pay-setting process, is consistent with this fact.

Bertrand has also written a number of highly innovative papers on the topic of discrimination on the basis of race and gender in various labor markets. The 2004 American Economic Review paper with
Mullainathan, “Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination” has been hugely influential, and provided the impetus for a large number of follow-up studies looking at related forms of discrimination (against immigrants, ethnic and religious groups, etc.) in the United States and other countries. The paper studies the role of race in the labor market by sending fictitious resumes to help-wanted ads in Boston and Chicago newspapers. To manipulate perceived race, resumes were randomly assigned African-American- or White-sounding names. White names received 50 percent more callbacks for interviews, suggesting substantial discrimination at the early stage of the hiring process.

In addition to these substantive contributions, Bertrand has also written a number of more methodologically oriented papers. The 2004 Quarterly Journal of Economics with Duflo and Mullainathan, “How Much Should We Trust Differences-in-Differences Estimates,” is very highly cited and has had a major impact on how researchers conduct their statistical inference in Differences-in-Differences designs, which are ubiquitous in modern empirical research. The paper shows that traditional standard errors can be highly misleading in the presence of serially correlated outcomes. They suggest several alternative procedures such as block bootstrap to deal with this issue. The paper has had a major impact on econometric practice in labor and other fields.

These few examples illustrate the remarkable breadth of Marianne Bertrand’s contribution to labor economics. Her research is exemplary in terms of using rich and innovative data sets and estimation strategies to answer important questions about the functioning of the labor market. This makes Marianne Bertrand a particularly worthy recipient of the Rosen Prize.

2012 Nominating Committee:
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