



## Some Reflections on Jacob Mincer

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## Some Reflections on Jacob Mincer

This issue of the *Journal of Labor Economics* is dedicated to Jacob Mincer. All the papers were written by Mincer's colleagues and students for a conference held at Columbia University in May 1990 to celebrate his contributions to labor economics.

Mincer was born in Poland in 1922. He came to the United States in 1948, and earned his B.A. degree from Emory University in 1950. In 1957 he received his Ph.D. from Columbia University. Except for brief spells elsewhere, he has spent his entire career at Columbia.

In the 1960s and early 1970s, as colleagues at Columbia University, Mincer and Gary Becker initiated and pursued a program of labor research that fully embraced modern economics and that helped labor economics to outgrow a rather stale institutional tradition. Three key elements defined their research agenda: first, the consistent application of modern price theory to the analysis of labor market phenomena; second, the insistence that economists develop empirically testable theories; and third, the reliance on the latest data sets and the use of straightforward empirical approaches to test their theories.

While they never coauthored a paper, the influence that Mincer and Becker have had on each other's work is unmistakable. For example, Mincer's use of husbands' income as a proxy for wives' nonlabor income in his seminal 1962 paper enabled him to demonstrate the empirical importance of income and substitution effects in the study of female labor supply and the value of treating the family as an economic decision-making unit. These findings motivated, in part, Becker's subsequent formulation of the household production function and his studies of the family (summarized in his 1981 *Treatise on the Family* [Cambridge, Mass.: Harvard University Press]). As another example, the ground-breaking line of research Mincer began in his 1957 thesis, in which he examined the influence of schooling on labor earnings, contributed to Becker's monumental theory of human capital accumulation and labor earnings. This theory, in turn, influenced Mincer's development of the human capital earnings function, a regression equation that relates the natural logarithm of labor earnings to years of schooling, years of work experience, and the square of years of work experience. More than 2 decades after its development, this regression equation, known commonly as "the Mincer model," remains the workhorse of economists' approach to analyzing individual-level earnings data.



Mincer has always been a pioneer in the use of new data sets, statistical methods, and more powerful computers. One can trace the development of many of these tools by following his use of them. Early in his career, when computing power was limited, his research relied heavily on frequency distributions and bivariate regressions. In his later work, he fit multiple regression models to a variety of cross-sectional data sets on individuals. When panel data on individuals became available, he was one of the first to construct accurate measures of women's labor market experience and to demonstrate the importance of experience in the study of female earnings. He also used panel data to control for unobserved individual differences in his studies of earnings growth, union wage differentials, and the linkages between wages and mobility.

Although Mincer's work reflects a deep appreciation of the power of econometrics, he has always been rather skeptical about the use of sophisticated econometric corrections that depend on unverifiable assumptions to "repair" highly imperfect data. In general, his view is that if the data to address a question using elementary techniques are not available, one should look for, and if need be, hold out for, better data. While the profession as a whole had embraced sophisticated econometrics as a solution to various data problems in the 1970s and early 1980s, recently it has in large part returned to Mincer's style from which he had never deviated.

As indicated above, Mincer's two most important contributions to labor economics concern the labor supply of women and the determination of labor earnings. Prior to Mincer's dissertation research, which was published in the *Journal of Political Economy* in 1958, most economists believed that variations in incomes across individuals were due primarily to variations in bequests and abilities and to luck. Inspired in part by Friedman and Kuznets' 1945 study of the earnings of self-employed professionals, Mincer argued—and demonstrated empirically—that variations in formal schooling and in learning by doing on the job, both interpreted as human capital investment, could explain considerable variation in labor earnings across individuals. Mincer's work in this area culminated in his classic 1974 book *Schooling, Experience, and Earnings* (recently reprinted by Gregg Revivals).

Mincer's celebrated 1962 paper on female labor supply was motivated by the well-known discrepancy between the time-series increase in the U.S. female labor force participation rate (which occurred during a period of steady growth of average earnings) and the negative correlation between wives' labor force participation and husbands' incomes in cross-sectional data. Applying (in a family context) Robbins' theoretical division of the gross labor supply elasticity into an income and a substitution effect, Mincer provided the first empirical estimates of those effects using cross-sectional data. He used variation across cities in women's earnings to capture the substitution effect and variation across cities in husbands' incomes to capture the income effect in a regression with the citywide female labor force

participation rate as the dependent variable. His estimates provided evidence of a positive substitution effect and a negative income effect and could, on balance, explain roughly half of the secular rise in female labor force participation from the 1920s to the 1960s. This paper was truly a tour de force, a landmark example of a masterful blend of theoretical and empirical work in economics.

In addition to his pioneering research on labor earnings and female labor supply, Mincer has also made fundamental contributions to the study of job mobility. Early economic thinking on job mobility provided little guidance for empirical work beyond the simple prediction that individuals would move when they had a pecuniary incentive to do so. Mincer's first work on mobility focused on family migration decisions. Mincer used the family to provide testable restrictions concerning mobility behavior, arguing, for example, that if a wife does not work, her labor income is unaffected by a migration decision, implying a greater likelihood of family mobility. Mincer's empirical work confirmed this proposition by finding that single people and husbands with nonworking wives are relatively more likely to migrate.

Mincer was among the first to recognize the importance of job matching in explaining interfirm mobility. In a study with Boyan Jovanovic, he hypothesized that interfirm mobility is generated by at least two distinct processes: first, individuals change jobs so that they can find a better match; and second, some individuals have an inherently greater propensity to move than others, which over their life-cycle results in their accumulating less firm-specific human capital and thereby increases their likelihood of further mobility. By showing empirically that the risk of job separation is higher for workers with more previous moves, Mincer and Jovanovic provided support for the existence of unobserved heterogeneity. They also found that the elasticity of the risk of current job separation with respect to previous moves is larger for older workers than for younger workers, which they interpret as evidence of job matching by young workers who are not heavily penalized for job shopping because they have not had the opportunity to accumulate much specific human capital.

More recently, Mincer and Yoshio Higuchi have shown that differences in wage profiles and interfirm mobility between the United States and Japan can be explained by Japanese firms' provision of relatively more specific training, which leads them to screen job applicants more intensively in their search for a good job match. Job mobility has become, over the years, a central area of inquiry for Mincer, as well as a major pillar of his (and the profession's) expanded view of earnings determination.

Unlike the life-cycle behavior of most empirical economists, Mincer is still doing empirical research. Part of his current work is on the interaction between technical change and human capital accumulation. He has shown that variations in research and development expenditures per worker can

account for a sizable portion of variations in the rate of return to schooling. The search for the causes of rising educational premiums has recently attracted much attention among labor economists, with mixed success. Mincer's discovery of a major determinant of increased returns to schooling in the 1980s shows that he continues to be at the forefront of empirical research in labor economics.

In addition to his research accomplishments, no review of Mincer's career would be complete without noting the devotion he has shown to his graduate students over the years. This commitment to training young economists is apparent in the large number of theses he has supervised and in the frequency with which he has coauthored papers with his students. In addition, he deserves credit for training many of the most accomplished female labor economists. In terms of his intellectual standards, his sense of fairness, and his generosity and warmth, Mincer exemplifies the best that American higher education has to offer.

On behalf of an exceedingly long and distinguished list of colleagues, students, and other admirers, including many still to come, we take this opportunity to honor Jacob Mincer and his lifetime of outstanding contributions to economics.

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