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Alan Krueger Mattered

Jonathan Gruber

Abstract:

Alan Krueger mattered in so many different ways that it's hard to capture. Alan and his colleagues at Princeton single-handedly changed the way the economics profession addresses issues of causality versus correlation. Alan also mattered because he was an amazing mentor. It's hard to find a person in empirical economics that doesn't have a story about Alan. Finally, Alan mattered because he made change happen. Along every dimension I cared about, be it academic success, policy influence, even doing fun stuff, Alan was there. I hope that we all can realize that when people matter to us, when they matter to the world, that we to let them know.

Key words:

Alan Krueger

Empirical Economics

Economic Policy

Depression

Biography:

Dr. Jonathan Gruber is the Ford Professor of Economics at the Massachusetts Institute of Technology, where he has taught since 1992. He is also the Director of the Health Care Program at the National Bureau of Economic Research, and President of the American Society of Health Economists. He is a member of the Institute of Medicine, the American Academy of Arts and Sciences, the National Academy of Social Insurance, and the Econometric Society. He has published more than 160 research articles, has edited six research volumes, and is the author of *Public Finance and Public Policy*, a leading undergraduate text, and *Health Care Reform*, a graphic novel. In 2006 he received the American Society of Health Economists Inaugural Medal for the best health economist in the nation aged 40 and under. During the 1997-1998 academic year, Dr. Gruber was on leave as Deputy Assistant Secretary for Economic Policy at the Treasury Department. From 2003-2006 he was a key architect of Massachusetts' ambitious health reform effort, and in 2006 became an inaugural member of the Health Connector Board, the main implementing body for that effort. During 2009-2010 he served as a technical consultant to the Obama Administration and worked with both the Administration and Congress to help craft the Patient Protection and Affordable Care Act. In 2011 he was named "One of the Top 25 Most Innovative and Practical Thinkers of Our Time" by *Slate* Magazine. In both 2006 and 2012 he was rated as one of the top 100 most powerful people in health care in the United States by *Modern Healthcare* Magazine. Dr. Gruber is the Chair of the Industry Advisory Board for Flare Capital Partners and is on the board of the Health Care Cost Institute.

Alan Krueger Mattered

00:28:39;04 I want to thank NABE so much for this session. This is really meaningful and important. I want to thank my fellow panelists for really great comments.

This session is supposed to be about Alan Krueger and labor supply. When we talk about labor supply, one of the key concepts we teach and learn about is the marginal product of labor: how much you add to the production process for each hour of your work. It's hard to think about anyone with a higher marginal product of labor than Alan Krueger.

00:29:07;15 To put it in English, Alan Krueger mattered. Alan Krueger mattered in so many different ways that it's hard to capture. Of course, we're here today to talk about how he mattered as an impressive and path-breaking scholar with work that's been cited in a wide variety of areas: From the minimum wage, to the

effect of non-compete clause in franchising, to the economics of happiness, to the role of unions in labor market institutions, Alan's name was always in the mix.

00:29:37;01 All the reading lists in labor economics have his name over and over and over again. Because in every one of these areas, he was a key player. The scope and reach of his work was remarkable, but that's not what I really want to focus on. I want to focus on something different, which is the methodological revolution that Alan led.

00:29:54;21 When Alan finished graduate school in 1987, empirical work in economics looked nothing like it does today. When Alan graduated in 1987, empirical work either hand-waved about causation versus correlation, or wrote down some enormously complicated bullshit model that basically didn't really deal with it but pretended to.

00:30:18;04 Alan and his colleagues at Princeton single-handedly changed the way the economics profession addresses issues of causality versus correlation. They introduced the importance of worrying about whether A causes B and not just is A correlated with B. Through things like focusing on novel and important instrumental variables and quasi-experimental variation, they actually led a change that I lived through. I entered graduate school the year Alan graduated. I lived through this and watched this and saw it happen.

00:30:51;10 Just to think about those old NBER summer institute sessions in the early 1990s, and to see this revolution happening in real time, and to see Alan making presentations and people's minds just blown about, "Wow, that's a really great way to think about it." It wasn't just the topics. It was that he changed the way we thought. He mattered.

00:31:09;01 Now, consider the case of the returns to education, which was the issue he was working on when I first got to know Alan. We all, as economists, believe to some extent in the human capital model. But it's hard to imagine how little convincing evidence there was for the human capital model in the mid-1980s.

00:31:26;22 There were lots of regressions. We regressed wages on education, and you find there's about a 7% rate of return to education. But that did not distinguish whether education was making people more productive, or whether just more able people got more education. We couldn't distinguish those models.

00:31:42;24 We tried regressions with more and more controls, but they just couldn't get at it, until Alan, and his colleagues, David Card, Josh Angrist, and others, led a revolution to how to think about this. Things like Alan Krueger and Josh Angrist noticing that two individuals who were identical, but happened to be born in a different quarter of the year, could get very different levels of education.

00:32:02;24 Because one half, those born before September, started school at age five; those born after September, started school at age six. That meant at a given age down the road, the two groups had very different levels of education. You could use that to look at the effects of education on earnings.

00:32:15;20 Things like the fact that if you got drawn a low Vietnam draft lottery number, that meant you were more likely to get drafted unless you went to college. People with low draft lottery numbers were more likely to go to college, that was random. You could use that to show the returns to college. This stuff is all the stuff of legend, now, in economics. Alan was leading this. He really mattered.

00:32:42;24 Alan also mattered because he was an amazing mentor. Alan was my first co-author in economics. I always hold a soft spot in my heart for the faculty who don't ignore graduate students. I was fortunate enough to be hanging around the superstars at the NBER from a young age. You go to these meetings and all the young faculty want to talk to the senior faculty who write the tenure letters. Senior faculty want to talk to the senior faculty they've been hanging out with for a while. And the graduate students sort of huddle around the Cokes, not knowing what to do.

00:33:11;16 There is a rare set of academics, like Jim Poterba, like Alan, who will actually engage the grad students and talk to them. Alan engaged me enough that he said, "Wow, you're actually interested in

something that I'm interested in. Why don't we work together on a project?" I was like, "Great." I was just a third-year graduate student.

00:33:30;07 We worked together on a project. I can picture the Saturday afternoon sitting in the NBER in front of the computer, watching the SAS code scroll along, and Alan saying to me, "Okay, that's what we should look at. That's important. That's not important." We basically did the paper in a day (Gruber and Krueger 1991)

00:33:45;02 I just, literally, got to see how research got done at the ground level. It was tremendous. It was incredibly bittersweet for me, because when I wrote my new book with Simon Johnson (Gruber and Johnson, 2019), one of the first people, of course, I thought about showing it to was Alan. He liked it enough that he said he wanted to blurb it. The day he died was the day the book arrived on my desk. It was incredibly bittersweet to see his quote on the back of my book, and to think about all the advice and help he'd given me over the years on that day.

00:34:18;07 But it's not just me. It's hard to find a person in empirical economics that doesn't have a story to tell like that about Alan. It's incredible. The set of people who say, "Yeah, I was a conference. He made a great comment." "When he came to visit my university to give a seminar, he really showed interest in my work and gave great comments."

00:34:34;24 He just cared. He mattered. And I got to see this firsthand. My first economics conference ever was when Alan and I presented the work we had done together: *An Initial Meeting on Tax Policy and the Economy* in Washington DC in 1990 or 1991. Jim Poterba presented a terrific paper on gas taxes. I was sitting, taking it all in. I noticed Alan was furiously scribbling during his talk. I was sitting next to him. I'm thinking, "What's going on?" After the talk, he went, I don't know if Jim remembers, up to Jim, and gave him a whole set of cogent, really important comments on what Jim had done. And that was just Alan. He just cared about getting it right, and about helping other people. And so he mattered there.

00:35:18;24 And then, finally, Alan mattered because he made change happen. If you think about the typical applied academic economist, and you draw the pie chart, ninety-nine percent of our time is estimating stuff, and 1 percent is explaining it. We're the kings of finding well-identified elasticities. But when politicians call us to testify, we go down and say, "Well, the elasticity's here, or this is a confidence interval, it could be this, it could be that, it could be good, it could not be good, I don't know." And the politicians find us useless, okay? Alan understood that. He knew that it wasn't just doing the cutting-edge, quality research that mattered. It was explaining it. It was translating it.

00:35:59;17 So when he did his work on the minimum wage, he went to Washington. He talked about it. He single-handedly played a role in raising the minimum wage. When he was the labor economist to the Clinton Administration, he played a role. He mattered.

00:36:14;20 Now, a very difficult challenge with going to Washington, is that people who go to Washington, find it hard to come back as a serious academic. I remember I did it for a year, and I came back and spent the whole summer waiting for the phone to ring. In Washington you never sit and think. It's very rare that someone could be gone as long as Alan and come back. But he came back and hit the ground running. After his initial stint in the Clinton Administration, he wrote very important papers: looking at the effect of class size on educational attainment using Project Star in Tennessee; looking at the effect of Union strife on product quality in tire manufacturing.

00:36:57;21 But, he still wanted to change the world. When President Obama got elected and there was a chance to go back in, he did. He went back in and once again, he mattered. He played a critical role on topics like the auto bailout. Basically, a critical role in helping get this country out of recession, and on things like the Affordable Care Act, where I talked to him multiple times. He clearly was involved and cared.

00:37:17;20 I really love what Erica said, because I think there's one last way Alan can matter, which is to help us think seriously about mental health. It strikes me, as primarily a health economist, these days that people don't think of mental health as real health.

00:37:37;23 You know, I did a project with Amy Finkelstein and Kate Baicker called *The Oregon Health Insurance Experiment* (Finkelstein, et al, 2012) In that experiment, we found that there were no real measurable effects on physical health, but getting people health insurance lowered the rate of depression by 30%. It was astonishing. The greatest effect on depression anyone's ever found anywhere.

00:37:56;18 And all the newspaper articles read, "*Oregon Health Insurance Experiment* finds no effect on health." And the last paragraph would say, "Oh, yeah. And people were less depressed." That's not how we should think about health. Mental health is health. And I think Erica put it very well.

00:38:11;06 But I think there's other thing that Alan leaves us with that's really important. After he passed, I was talking to Jim Poterba. I was talking about how Alan was just a hero to me. That along every dimension I cared about, be it academic success, policy influence, even doing fun stuff like *Rockonomics* (Krueger, 2019), Alan was there.

00:38:30;24 Jim said I was one of about seven people who'd come and told him that Alan was, their professional hero. You know what? I don't know if any of us told him. I didn't tell him. None of us did. I think it's not just about kindness. It's about recognizing people who influence and matter in our lives, and telling them. Not just criticizing their regression coefficients or criticizing their business cycle projections, but actually saying to the people who matter in our lives that they matter. Letting them know. I didn't with Alan, and I'll regret that forever. I hope that we all can realize that when people matter to us, when they matter to the world, that we need to do that.

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