

A Younger Economist's Views on the Market*

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The recent turnabout to a buyer's market particularly affects new PhD's and I shall concentrate on the two issues I think are most important to us: the "crisis" in the market and its roots in the expectations of new graduates, and the reward system in the market which new academics subsequently face.

The "Crisis" and Its Expectational Roots

The rapid increase in the number of new PhD economists and the recent slowdown in the growth rate of academic vacancies has forced increasing numbers of new PhD's to take first jobs in government and industry. The majority of first jobs are still in educational institutions, but this percentage has recently fallen.¹ (See Table 1.) Also, it seems likely that new PhD's are being forced to lower prestige institutions than previously. Nevertheless, while type of employer has changed, as Professor Boddy indicates in his paper, very few PhD economists are actually unemployed.

The much-discussed "crisis" arises, then, not from a failure to obtain employ-

* This paper benefited materially from the comments of Richard Schramm, Cornell University.

¹ There is a good deal of variation among disciplines in the percentage of first jobs that are in educational institutions. Generally, the humanities send the highest percentage back into academe; 86.7 percent of the 1969 doctorate recipients in philosophy went to educational institutions. In the social sciences the figure was highest for sociology (79.6 percent) and lowest for psychology (50.2 percent), while in the sciences the majority of new PhD's did not go into academe. Respective figures for engineering and chemistry were 28.3 percent and 17.7 percent.

ment but rather from disappointment about first jobs and unsatisfied expectations about the start of one's career path. These expectations in turn are determined by a common set of values most of us hold, values which are implicitly or explicitly acknowledged when we chat about what it takes to be a "successful" economist. I think it is useful to articulate these values, for they not only explain current disappointments but also explain why new PhD's may continue to be disappointed in the future.

Professional bliss for most economists seems to be employment at a high-status university and a research career, only lightly sprinkled with teaching responsibilities. Evidence of a successful career is a lengthy bibliography, appointment to A.E.A. committees and the *A.E.R.* editorial board, and now even the chance of a Nobel prize. Put more directly, a "good" economist is a research academician at a big-name university who stresses publication and identifies with other research economists.

What accounts for this widespread emphasis on academic affiliation? Given that an individual wants to pursue a research career, it seems reasonable to argue that opportunities for research can be found outside the university. Admittedly, the intellectual stimulation of an academic department may be missing, but it would seem on balance that government and industry do have challenging research opportunities and the advantage of seeing one's analysis put to use.

TABLE 1—DISTRIBUTION OF FIRST JOB BY TYPE OF EMPLOYER
OF NEW PHD ECONOMISTS: 1967-69
(Percent)

Fiscal Year	Educational	Government	Industry	Non-profit	Unknown	Post-Doctoral Fellowship	Total Number	% Female
1967	67.8	7.4	4.4	3.0	15.4	1.7	700	5.4
1968	68.3	6.4	5.0	3.1	15.4	1.3	756	4.6
1969	64.8	9.3	7.1	3.7	12.3	2.4	799	6.1

Source: National Research Council, *Summary Report* (1967, 1968, 1969): Doctorate Recipients from U.S. Universities (Washington, D.C.: Office of Scientific and Technical Personnel).

Resistance on the part of new PhD's to nonacademic first jobs seems to come from two sources: fear that the trip out of academe is a one-way journey and a suspicion that gaining an audience for one's research in general economics journals (such as the *A.E.R.*) requires an academic affiliation. Since academicians produce PhD's (presumably in their own image), they are perhaps naturally reticent to hire someone outside the academy, someone who by initial or subsequent job choice has not supported the value that the academy is the place to be. The self-fulfilling nature of this value tends in turn to insulate the university from the rest of the world and perhaps gives rise to student charges of "irrelevance." A second implication of this value is that by keeping capable young people in academe, a technological and institutional gulf is created between those who make policy and those with theoretical and methodological expertise.

The suspicion about lack of publishing opportunities for nonacademics and especially government economists has been corroborated by Stigler² and more recently by Coe and Weinstock.³ Stigler

² See George J. Stigler, *Essays in the History of Economics*. (Chicago: University of Chicago Press, 1965), p. 45.

³ Robert K. Coe and Irwin Weinstock, "Editorial Policies of Major Economics Journals," *Quarterly*

found for a time-series sample that academicians contributed about 95 percent of the articles in general economics journals compared with about 3 percent for government economists. Coe and Weinstock found for a more recent cross-section that academicians authored more than 90 percent of the papers written in economics journals. This disproportionate representation of academicians in the journals which they control is not surprising, for given the above set of values, almost by definition a nonacademic is out of the professional mainstream.

An indirect effect of the emphasis on research is that universities, presumably in the business of education as well as the production of knowledge, hire individuals who spurn teaching. New faculty members frequently attempt to minimize their teaching load and presumably the time spent in preparation per course. Both of these activities militate against the university effectively educating its students. Of course, the research emphasis benefits the university to the extent the scholar attracts grant money which pays for overhead and salaries. However, when grants become scarce and tuition income relatively more important, departments find themselves overstaffed with people who do

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not want to teach and who no longer pay their own way.

If we look at the way PhD economists are trained, we find that they not only are imbued with an antiteaching ethic, but, even worse, are not prepared for teaching. Graduate students who do any teaching typically teach freshmen and painfully learn by doing, not by direction.

While the ethic in the profession may be research and publication, in point of fact a majority of academic, PhD economists surveyed in 1965 had not published at all. Of the 3,800 economists with PhD's at educational institutions and who are in the 1966 *National Register of Scientific and Technical Personnel*, 61 percent had nothing cited in the *Index of Economic Journals*. A second observation regarding the research ethic is that while graduate students may be told about the desirability of research and perhaps shown how to do it, many still fail to complete the dissertation, presumed evidence of research competence.

There are several explanations for both of these contradictions between professionally-espoused values and actual behavior. Few economists may wish to do research, few may be capable of it, and/or few may be able to "get along" with the right people to succeed in completing a dissertation or getting a paper published. What does seem clear is that while the value may be to do research, there are many economists who do not actually respond to it.

The Markets for Jobs and Ideas in Academe

The last section discussed the impact of the standard professional values on new PhD's and the extent to which many have actually responded to them. This section examines two kinds of imperfections in the academic labor market which particularly affect younger economists: entry re-

quirements and restrictions on the airing of ideas.

There are several entry requirements affecting the market for academicians. First, there is the obvious, occupational license, the PhD, that is now required of university faculty. Failure to have a sufficient percentage of PhD holders can lead to loss of accreditation which in turn keeps graduate schools in business. Other important entry requirements which can be identified include: race and sex screening, political screening, and profession value screening.

The clear absence of black academic economists is due to several factors. First, there are relatively fewer black BA's than white BA's for each age cohort, so we would expect there to be relatively fewer black graduate students and, hence, black PhD economists. This disparity in percentage going to college in turn is due to unequal provision of primary and secondary schooling, financing problems that reflect not only the high incidence of black poverty but also discriminatory treatment in capital markets, and discriminatory admissions policies in many colleges and universities. Also, previous discrimination in the labor market for black college graduates has created well-known income differentials⁴ which tend to discourage college-going. Secondly, those blacks who do get BA's and aspire for more training typically go into law or medicine which are not only more lucrative than academe, but also less prone to arbitrary administrative behavior. It would seem then that this pronounced absence of black academic economists can be explained by various types of discrimination prior to the academic labor market.

⁴Most recent evidence on this is in Ritchie H. Reed and Herman P. Miller, "Some Determinants of the Variation in Earnings for College Men," *Journal of Human Resources*, Vol. V (Spring 1970), pp. 177-190.

While women may or may not be discriminated against upon entry to graduate school, they do find academicians reluctant to hire them upon graduation. My female colleagues explain that for those with a PhD today the principal screening device is marital status. Apparently, departments are now (but were not previously) willing to hire single women on the same basis as men. Departments discriminate against married women because they are more apt to move for nonprofessional reasons; i.e., their husband's job may change and thus force the department to incur greater search costs. This screening, which may or may not be discriminatory, depending upon how one views this search-cost argument, may still militate against women if equity considerations weigh when salary and rank decisions are made. Since married men have greater income needs owing to greater family size, they will receive greater equity pay and/or experience a faster rate of promotion than the single women who are hired.⁵

The second type of entry restriction relates to political views and activities. Legislative reaction to campus unrest has forced some departments in state universities to consider seriously the political inclinations of young and prospective faculty since budgetary reprisal is a very real threat. I think the pay-pause for all college and university faculty in the California system speaks for itself.⁶ We have all heard rumors of similar pressures in the Midwest, East and South. Reprisals not only affect university budgets but also certain aspects of academic freedom. I think

⁵ Some current research I am doing with W. Lee Hansen and Burton A. Weisbrod indicates that in 1965, academic, female PhD economists earned \$3,000 less in salary and \$5,000 less in income than similar men. This result was obtained after correcting for research output, years since PhD and prestige of academic employer.

⁶ See *Newsweek's* (November 23, 1970) article on the California system.

the pressures are such that those candidates who look potentially embarrassing will simply not be considered for employment.

Coupled with this second entry requirement is the likely stricture that prospective employees have broadly conventional professional opinions. By this I mean one holds the professional values discussed above and economic views within the intellectual boundaries of Chicago and Harvard. For those who find a neo or post-Marxian ("radical") orientation more persuasive than conventional economics, the welcome in academe is apt to be subdued if not hostile.⁷ I recommend the Bronfenbrenner-Davis⁸ exchange in the *A.E.R.* a decade ago to those who have forgotten the McCarthy pressures on leftist faculty and suggest that the current wave of "conservatism" that is sweeping the country will have a chilling effect on nonconventional economic speculations in colleges and universities.

Having survived the above entry requirements, the young economist must find an audience for his research efforts. The second set of imperfections in the market place involves the publishing mechanism per se. Younger scholars, under pressure of tenure considerations, may be more paranoid on this matter than older scholars. However, there is evidence which substantiates the common complaint that journal editors publish works

⁷ Of note is Bronfenbrenner's recent article (Martin Bronfenbrenner, "Radical Economics in America: 1970," *Journal of Economic Literature*, VIII, September, 1970) which encourages the profession at large to hire radical economists. One wonders if Carnegie-Mellon will promote the ultimate irony by hiring those who view Messrs. Carnegie and Mellon as villains rather than heroes.

⁸ Martin Bronfenbrenner, "Notes on Marxian Economics in the U.S.," *American Economic Review*, LIV (December, 1964); Horace B. Davis, "Notes on Marxian Economics in the U.S.: Comment," *ibid.*, LV (September, 1965); and Martin Bronfenbrenner, "Notes on Marxian Economics in the U.S.: Reply," *ibid.*

TABLE 2—FOUR UNIVERSITIES' (%) SHARE OF TOTAL PAGES IN THREE ECONOMICS JOURNALS (*A.E.R.*, *J.P.E.*, *Q.J.E.*): 1950-69

	<i>A.E.R.</i>		<i>J.P.E.</i>		<i>Q.J.E.</i>	
	1950-59 ^a	1960-69 ^a	1950-59 ^b	1960-69 ^c	1950-59 ^b	1960-69 ^c
Total Pages Published by Journal	5663	7207	4652	7471	6291	6486
University (%) Share of Total Pages						
Chicago	3.8	3.8	16.6	10.6	—*	3.2
Harvard	3.8	3.6	—*	1.9	14.5	12.3

^a From Cleary and Edwards, *op. cit.*, Table 3, p. 1013.

^b From Yotopolous, *op. cit.*, Tables 1 and 2, p. 667.

^c From Siegfried, *op. cit.*, Tables 1, 2, and 3, pp. 14-16.

* Less than 100 pages.

of their departmental colleagues and students first, works of their other friends second, and works of others last. The usual reply to this charge is that those departments house the most productive scholars and their excellence explains their success in publishing. However, since productivity is essentially a necessary condition for excellence, there is no direct way to ascertain if this argument is more than circular. Two kinds of evidence can be provided against it and in favor of a favoritism model of the publishing mechanism—evidence on the structure of the mechanism which creates the possibility that favoritism may occur and direct evidence on who publishes where.

Since most journals (including the *A.E.R.*) retain the author's name when sending a manuscript out for review, there is at least the possibility that matters other than merit may weigh during the review process.

Direct evidence on favoritism comes from several sources. Crane⁹ compared institutional affiliations of authors in the *A.E.R.*, which retains the author's identity for review, and in the *American Sociological Review*, which removes author's

⁹ Diane Crane, "The Gatekeepers of Science: Some Factors Affecting the Selection of Articles for Scientific Journals," *The American Sociologist*, II (November, 1967).

identity prior to review, and found that the institutional representation in the *A.S.R.* was more diverse than in the *A.E.R.* A second set of evidence comes from Cleary and Edwards,¹⁰ Yotopolous¹¹ and Siegfried.¹² They tabulated for various years the institutional affiliation of authors in the *A.E.R.*, *Journal of Political Economy* and the *Quarterly Journal of Economics* and found that the name schools dominated these three journals. When we look more closely (Table 2) at who publishes in the *JPE* and *QJE*, we find that Chicago and Harvard dominated their own journals when compared to space each "won" in the open market (*A.E.R.*).¹³ In sum, there appears to be persuasive evidence which supports the charge of favoritism.

The impediments to successful partici-

¹⁰ Frank R. Cleary and Daniel J. Edwards, "The Origins of the Contributors to the *A.E.R.* During the Fifties," *American Economic Review*, LI (March, 1961), No. 1.

¹¹ Pan A. Yotopolous, "Institutional Affiliation of the Contributors to Three Professionals Journals," *American Economic Review*, L (December, 1960).

¹² John S. Siegfried, "Institutional Affiliation of Authors of Economics Papers: 1960-69" (unpublished manuscript, University of Wisconsin, August, 1970).

¹³ The nonrandom pattern of university shares in Table 2 could be explained in a sense by a nonrandom pattern of submittals. However, if one believes authors send their papers to journals which they expect will publish them, then the submittal pattern may merely reflect the underlying pattern of favoritism.

pation in the academic market place are several and perhaps no different in kind from those in other labor markets. Sex and race discrimination are everyday facts of life in our larger society, and getting ahead in the world is often based on matters other than productivity or merit. This observation, that academe reflects general societal practices, is not intended to comfort. Next I offer, by way of conclusion, a series of recommendations to improve the climate in the academy.

Conclusions and Prescriptions

When we combine overall market forecasts with the above themes, we find a scenario that is not very favorable to young economists. Certainly within academe the rate of promotion and institutional mobility of new PhD's will decline as the excess supply to academe grows during the 1970's. I anticipate a further tightening up of the research ethic vis-a-vis tenure at a time when teaching loads are likely to rise because of the grant squeeze. Editors are apt to face larger tides of manuscripts¹⁴ and young faculty wives are apt to see less of their husbands. Also, I expect the clampdown on political activism on campus to continue.

The "trickle down" of young economists will benefit the less prestigious institutions and government and industry as they hire more capable individuals than previously. However, to the extent that young PhD's are more politically active and to the extent that they enlarge the technology gap between younger and older faculty, there are likely to be costs as well as benefits.

What sort of actions can the profession take to make the market for economists more efficient and equitable and simulta-

neously promote the goals of science? In terms of the initial entry restrictions to academe, it would seem that department chairmen should begin obeying the laws with regard to sex and race discrimination. It should be noted that failure to mend one's way is no longer costless—Michigan has been threatened with loss of federal support for alleged sex discrimination in hiring.

For those economists who go to government or industry for employment, there will be problems of expectational adjustment as noted earlier. It seems to me that the avenues to and from academe should be broadened and incentives created to augment the flows. To this end, universities might do well to allow rather long leaves of absence to allow scholars to get involved with a real-world research problem and simultaneously hire industry and government economists to teach about economics in action. Along these lines, the A.E.A. can certainly better organize labor market information for permanent and temporary positions and attend to the related information problems of the future level and composition of demand for PhD economists. With regard to the demand issue *per se*, I think we will find that more applied economists are demanded for non-academic positions, and I would hope that the current panic about employment will not lead graduate institutions to cut back supply until it equals the vacancy rate in academe. The trickle down will have socially beneficial effects.

In terms of the market for ideas, I think there are several very clear things the A.E.A. can do. Certainly it can guarantee anonymity in the review process in its own journal and bring pressure to bear on the other economics journals published in the U.S. to follow suit. Secondly, the Association should increase the number of sponsored journals and encourage more specialization in each. I can envision, for

¹⁴ Coe and Weinstock, *op. cit.*, suggest that the average article acceptance rate of domestic economics journals has fallen, 1966 vs. 1957.

example, a theoretical journal, an empirically-oriented journal, and an economic policy journal, each published quarterly and sent to the membership.

It is patently ridiculous for an association numbering 18,000 members to publish only one association journal.¹⁵ Sociology publishes five and psychology even more.

I have not offered any prescriptions on the matters of political and professional

¹⁵ The Association of course publishes more than one journal; however, only the *American Economic Review* regularly considers unsolicited manuscripts for publication.

screening. It is in these areas that I think reform is most urgent but most difficult. The pressures on the academy to toe the middle of the political road are real and growing; the solution is to convince the funders of higher education of the efficacy of political diversity. With regard to the professional screening issue, I would argue that economics as a profession must diversify if it is to grow out of its current rut. And by this I mean not only must we tolerate in our journals rather different sorts of economics, but the intellectual health of the profession requires that such diversity be actively encouraged.

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