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James J. Heckman [Ideological Profiles of the Economics Laureates]

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Abstract

James J. Heckman is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

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James J. Heckman

by Daniel B. Klein and Ryan Daza

James Heckman (1944–) was born in Chicago, of a family of modest means. Heckman was raised under a tradition of fundamentalist Protestant Christianity. At the age of eight he was a child minister who gave sermons on Sunday evenings. By fifteen, however, he decided against becoming a minister (Heckman 2009, 300-301). Heckman described the change in his religious attitudes:

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I respected the sincerity of the beliefs held by my family and by members of my congregation, but I no longer shared them. My doubts were later reinforced by the virulent anti-Catholic rhetoric produced by many fundamentalist churches in the 1960 campaign of John F. Kennedy. The intolerance, bigotry and unwillingness of most of the elders in my church to discuss ideas left me deeply dissatisfied. I found that I was unable to accept authority qua authority, a trait that has characterized me ever since. At the same time, my break with the church isolated me from my family and friends. I learned to go it alone without much support at an early age. Having a deep faith and then abandoning it because of my intellectual doubt was a wrenching experience. At the same time, I learned early to live off my own intellectual and emotional resources. My ability to go it alone, without the approval of others, has been a major asset to my career. I learned to stick to my guns irrespective of what other around me thought. (Heckman 2009, 302)

Heckman continued:

Both my sister and I...received strong encouragement from our parents to get the college degrees that they lacked. There were books around our home, and my mother took us on frequent trips to museums, cultural events, and historical sites. The first institution of higher learning I ever saw was the University of Chicago, and my father always spoke with admiration about it. Thus began my relationship with an institution that has had a profound influence on my life. (Heckman 2009, 300)

Heckman (2009, 302) writes of events in his high school years: “At about the same time I broke with fundamentalist Christianity ... a whole new world of ideas opened up to me thanks to the accidental introduction of Frank Oppenheimer into my life. Frank Oppenheimer was the brother of J. Robert Oppenheimer, the famous physicist and head of the Manhattan Project.” Heckman notes that Frank Oppenheimer “had been a member of the Communist Party” (ibid.). It is unclear whether Heckman was affected by Frank Oppenheimer’s ideological outlook—Heckman speaks of his exposure to him as a “truly life-transforming” experience—but clearly he was affected by Oppenheimer’s scientific outlook. “The objective nature of physics and the ability of those laws of physics to predict empirical irregularities is a splendid alternative to a religion and authority I no longer accepted” (ibid., 303). Heckman also stated: “I have moved from religion to

economics. I believe that there is a provisional truth. Not an absolute unchanging truth, but a sense that there is a reality out there waiting to be discovered. There is something out there that can be understood with data and models. ... I found an alternative to religion in empirical research” (Heckman 2010a, 550, 551).

Heckman stumbled across economics while majoring in mathematics and physics at Colorado College, a liberal arts school. Heckman reflected on his drift into economics:

After a few semesters [at Colorado College], I found the physics there disappointing and gravitated towards math and just about everything else. The liberal arts environment let me try my hand at many things: anthropology, philosophy, English literature, political science, and economics. I edited the student paper, protested civil rights abuses, fought anti-semitism, and anti-black restrictive policies by fraternities and took a trip through the segregated South with my Nigerian roommate, which led to some hair-raising encounters in Birmingham, Alabama, and Hattiesburg, Mississippi, which we wrote about in student newspapers. I also interacted with the organizers of the Freedom School, a libertarian organization near Colorado College where I learned about Friedrich Hayek, Frédéric Bastiat, Ayn Rand, and Milton Friedman. (Heckman 2009, 304-305)

For a course on economic development, Heckman read Adam Smith and David Ricardo, as well as such modern economists as Arthur Lewis. He says that Paul Samuelson’s *Foundations of Economic Analysis* had a major impact on him: “It demonstrated to me that economics could be as rigorous and empirically relevant as physics. The theorem-proof format of the book appealed to my mathematical side” (Heckman 2009, 305). The subject piqued his interest, and fit well with his background in policy debate and love of history (Heckman and McFadden 2000). Drawn by Lewis’s work, Heckman went to Princeton to pursue his Ph.D. in economics. He drifted away from development economics and into labor econometrics.

Between Colorado and Princeton, Heckman “briefly attended the University of Chicago in economics. I found Milton Friedman fascinating and also enjoyed the lectures of Harry Johnson” (Heckman 2001). He chose Princeton over Chicago, however, because he did not like “the impersonality of Chicago or the cult of Friedman that characterized the graduate program at that time” (Heckman 2009, 307). He added: “Although I greatly valued my interactions with Friedman and found him brilliant, open, and stimulating, I did not like the uncritical, almost religious devotion to his ideas by many of my fellow students. The followers were

much worse than the master and created a subculture imbued with religious zeal reminiscent of the zeal of the groups I had recently rejected” (ibid., 307). At Princeton, Heckman found the intellectual environment stimulating. “The econometrics group was young and interactive. The ethos at Princeton at that time encouraged the application of economic theory and econometric methods to solve policy problems” (Heckman 2001).

Heckman states that his wife, Lynne Pettler-Heckman, has had a big influence on him: “She is trained in sociology. She worked on occupational attainment and social networks. ... Talking to her and reading her books and journals, I got a broad education in social science. ... A long time ago, my wife and I were going to some event. We got into an argument and we were overheard. I was making some point and her rebuttal was, ‘Just because Milton Friedman said it is correct, doesn’t make it correct.’ Her remark became known at the time among the students at Chicago. So she has always been a very tough critic, and in that sense, very helpful” (Heckman 2010a, 553).

After completing his Ph.D. work, Heckman joined the faculty at the University of Chicago. Heckman reflected on the influence of Chicago:

Chicago...had an aversion to the technocratic vision of economic policy making then favored by many leading schools. Rather than endorsing the concept that a brilliant elite should make policy for the masses, Chicago believed in the innate common sense of the common man if an argument were presented clearly. There was the belief that anything really important could be conveyed in a simple, effective manner. Friedman’s steady stream of clearly written *Newsweek* policy columns was the best demonstration of this approach to public policy. People should be educated to make informed choices, not managed by technocrats who know more than they do. (Heckman 2009, 320-321)

John J. Donohue writes that Heckman was less outspoken than some of his University of Chicago counterparts (Donohue 2002, 29). Donohue, a social democrat, describes Heckman in relation to Friedman and Stigler as follows:

Heckman’s manner of letting truth trump ideology makes him the ideal scholar and sets him apart from other University of Chicago Nobel luminaries such as Milton Friedman and George Stigler, who, despite their very important contributions to economics, were at times ruled by their rigid conservative ideologies. (Donohue 2002, 29)

Heckman finds himself outside the economics mainstream: “For a variety of reasons, I have always felt myself an outsider. I don’t know how to classify

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myself in economics. I am a loner. I do not like groupthink, which, if anything, has become more important in economics. In addition, a lot of the values I hold are not the mainstream values in the profession” (Heckman 2010a, 557). Heckman also eschews the idea of the economist-cum-public intellectual:

First of all, I think most public intellectuals are frauds. I know there are people around who believe they have answers to almost every question. I wish that were true, that they did have valid answers. They don't and I don't. ... The scale of publicity and the interaction with journalists has increased in our profession. Economists have gone public. Economists are making bold and often unsupported statements. The amazing thing is that the public listens to some of these people. In truth, they really don't have much to say. But how would a journalist know that? As a group, journalists are very ignorant people. They don't have a clue about economics. They want somebody to give them something smooth and simple. The danger is that there is an ample supply of people willing to give simple answers to hard problems. This depreciates the reputation of economics as a serious empirical science. I am not a party to that. I could be, you could be. There are lots of forums that I have turned down routinely. Within a year or so of winning the Nobel Prize, I realized that what I wanted to do was what I had been doing before I won, which was basically being an academic and discussing ideas and talking with people whom I respect, not masses of people who are impressed by some award. (Heckman 2010a, 569, 571)

In an interview Heckman was asked if economics was a science. Heckman responded:

By and large no. I wish it were and I think there is a group of us who have a vision of economics as a science. I hope that economics will become a science. When I see some of the popular books that are out there, the cute papers, the *New Yorker*-style articles that have become common (they're perfect for coffee tables but not for science labs), I get depressed about the future of economics. And I get depressed about some of the younger people who get drawn into being clever or cute. Cuteness sells in some quarters. Journalists like it. The cute and the coy seem more prevalent than in the past.

I'm lucky. When I entered economics, there was a belief that economics was a science. Like I was saying earlier, with the success of

the Kennedy tax cuts in the early 1960's, it seemed that economists could solve the problem of the business cycle, and knew a lot about the economy. The word used then was "fine tuning." It was thought that economists could solve many social problems. The Nobel Prize in economics was established in that era. That pretense to knowledge later blew up in our faces. What has happened in a lot of areas in economics is either degeneration to cuteness or formality; formalism has replaced science in many quarters. Both responses evade economic reality.

Formal economics solves problems, gives logically consistent solutions, and is happy to stop at that. I respect this approach because it is intellectually well defined. It sharpens thinking, can guide empirical work, and can suggest hypotheses. Economic theory is very important. However, some if it is like philosophy, it's like mathematics. It's very intellectually interesting, and I learn from it, but it's not science because it's not making contact with data. However, when it stimulates empirical work, it is science. On the other hand, some people who make contact with data view empirical analysis as an exercise in the cute: producing something scintillating, but not something with lasting value. It's not science. It's journalism. (Heckman 2010a, 572-574)

Heckman sees microeconometrics as data- and policy-driven (Heckman 2000, 674). In his econometric work, Heckman developed a way to deal with what is known as the self-selection problem that leads to biased data samples. In 2000, he received the Nobel Prize in Economics, along with Daniel McFadden, "for his development of theory and methods for analyzing selective samples."

Much of Heckman's work has focused on policy analysis. One enduring focus of Heckman's econometric research has been discrimination, an interest sparked in his youth. In a 1989 article, Heckman and Brook Payner found that following the Civil Rights Act, black employment and wages rose suddenly (Donohue 2002, 30). Donohue reports that the work of which Heckman "was most proud was his evaluation of the impact of title VII" of the Act (ibid., 29-30). Heckman also has analyzed racial differences in economic outcomes. He found that the black-white wage gap has not fallen to the extent that others have claimed, noting that most of the change was due to black workers leaving the labor force (Heckman 2000, 699-700).

Heckman has recently branched into studying education. He says that although he respected the motivation behind the Great Society and other social policies to address poverty, he thinks they failed. He said:

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Giving people money to change poverty and hopefully raise the standards of the next generation didn't seem to be doing much good. ... The poverty was parenting. Of course, when the kid is starving and doesn't get any iron, then of course money would matter. But we're not typically at that level; it's much more what the quality of the early environments are. (Heckman 2013a)

Heckman commented elsewhere:

The era of the 1960s was one of great optimism. Many thought that Lyndon Johnson's "War on Poverty" was going to eliminate all poverty, not just between blacks and whites, but throughout the entire society. One of my great surprises was the failure of many of its programs. In fact, many things really didn't change that much. Some things did change. Overt discrimination definitely ended. It was amazing how quickly that happened.

Much later I wrote about this change in a paper about South Carolina in Butler et al. (1989) and Heckman and Payner (1989). But I have to admit my ulterior motive. When I started that work on South Carolina, my motive was to follow the Chicago school line, which was that social change was not that important a factor in black economic progress. I thought blacks were getting more educated, and that there were secular forces that would have ended segregation without any need for government intervention. George Stigler had very strong political views that government could do little good. By the time I was studying the South Carolina data, I was on the Chicago faculty.

Any careful look at the data actually shows a big break in the time series, showing changes in relative black economic status around the time of the passage of the 1964 Civil Rights Act. There is no way around that fact. I spent years trying to show otherwise, and finally I said, "No, I can't do it." (Heckman 2010a, 551-552)

High-quality education, Heckman says, bears strong returns to both society and individuals (Heckman 2013b). In 2001, Heckman co-authored a paper on high-school dropouts and found GED recipients had lower outcomes than other dropouts. "Our finding," they wrote, "challenges the conventional signaling literature, which assumes a single skill" (Heckman and Rubinstein 2001, 146).

Heckman has supported government intervention in early childhood programs to reduce achievement gaps. He has also suggested that the government engage the private sector, for resources: "Despite strained government budgets, it

would be possible to fund effective new programs if they replaced the numerous ineffective programs that currently receive government support. Few public programs of any sort would meet the standard set by the high rates of return earned by early childhood programs. Implementing high-quality early childhood programs would ease the budgetary burden of remediation. Engaging the private sector—including philanthropic, community, and religious organizations—would bolster the resource base supporting early childhood. Bringing in diverse partners would encourage experimentation with new approaches that build on the success of templates” (Heckman 2011, 83).

Heckman signed a petition in favor of increasing immigration to the United States (Hedengren et al. 2010).

When asked whether the 2008 financial crisis indicted Chicago economics and the coordinative role of prices, Heckman responded: “I tend to think of it more in terms of the market reacting too slowly.... For a long time, though, the market was sending the right signals. People made a lot of money—the traders, and so on. It turned out not to be socially optimal, but that is a different issue” (Heckman 2010b).

He went on to say, “I think you could fault the regulators as much as the market” (Heckman 2010b). He added: “People did react to incentives—clearly they did. It turned out that the incentives they were reacting to weren’t socially beneficial, but they definitely reacted to them” (ibid.). Elsewhere he said: “‘Markets are perfect’ is the vulgar view of Chicago economics.... The Chicago School never said we wanted blind deregulation” (Heckman quoted in Fitzgerald 2009).

Heckman summarized his approach: “[W]hat I take from Chicago is not some hard line about minimum wages or anything of the sort, but understanding that incentives really matter” (Heckman 2013a).

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John R. Hicks

by Daniel B. Klein and Ryan Daza

John Richard Hicks (1904–1989) was born in Warwick, England. Edward Hicks, John's father, was a journalist for the *Warwick Advisor* and the *Birmingham Post* (Hamouda 1993, 2). Hicks initially was educated at home by his mother. At the age of 7, he started on Latin. In high school, between the age of 9 and 11, Hicks took lessons in Greek, algebra and geometry. He developed a passion for history, like his father, at this time, independently at a local public library. Hicks' family,