



Laudation

for

Richard B. Freeman

IZA Prize Winner 2007

Harvard University
London School of Economics
National Bureau of Economic Research

by

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(English translation of the speech delivered in German)

Dear Mr. President,
Ladies and Gentlemen,
Dear IZA Fellows,
and – most importantly –

Dear Richard!

With generous support from Deutsche Post, IZA today presents the sixth IZA Prize to an outstanding labor economist. All past prize-winners have been extraordinary in their own right: Jacob Mincer, Orley Ashenfelter (who is among us today), Edward Lazear, Dale Mortensen and Christopher Pissarides, David Card and Alan Krueger – they have all contributed to making labor economics the important discipline as which it is recognized today.

So now Richard Freeman joins the circle. He is certainly one of the most active and influential economists worldwide – and has been for more than three decades! I am very pleased that we now confer upon him the honor he richly deserves.

Freeman is Professor of Economics at Harvard, Visiting Professor at the equally renowned London School of Economics, and Director of the Labor Studies Program at the National Bureau of Economic Research (NBER) – just to name a few of his various functions.

- He has published countless papers of the highest academic standard, and he is an exceptionally talented teacher.
- He teaches in the Ivory League, but he is by no means an ivory-tower researcher.
- He is always found at the forefront of economic and labor policy, even if his voice is not always heard.
- He has performed numerous advisory functions, e.g. for the World Bank, the International Labour Organization and the European Union.
- He has helped with the design of South Africa's labor market policy, U.S. tax reform, and the "Working America" initiative.
- He is a man of conviction, who works where a labor economist's job is most exciting: at the intersection between science and policymaking.

In short: It is not an exaggeration to call him a "star" in labor economics – but he is a star without airs and graces, who has always preserved a fresh dynamism, originality, and a contagious smile.

His research centers around truly exciting questions:

- He studies the effects of globalization on international labor markets and structural change in Europe's welfare states.
- He analyzes income distribution, social inequality, and crime.
- He scrutinizes the role of unions and their responsibility for the labor market.
- And he undertakes a comparative assessment of the interactions between labor market institutions in order to define the conditions under which some regulations may be transferable to another country.
- All these questions are highly relevant for German economic and social policy.

As Klaus Zumwinkel has noted, one of our main motivations in awarding Richard the IZA Prize in Labor Economics is his innovative work on the role of unions.

Freeman has shown that pragmatically thinking and acting unions have important functions far beyond their role as collective bargainers. Rather than limiting themselves to this role, modern unions should also provide a direct channel of communication between workers and management. In fact, a key role for unions is to serve as an institution of collective voice, which provides workers with a say in job-related matters and enables them to articulate their interests or discomfort. Unions thereby help to create and foster long-term employment relationships. It is certainly not a bad idea for labor market agents to be aware of these important tasks – and to act accordingly.

Put in concrete terms, Freeman has proven that unionism significantly reduces quits. His message to unions is that they are well advised to channel employee interests in a fair way and act as a reliable partner for employers. By enhancing job satisfaction and firm loyalty, they will thus help to reduce job turnover, which in turn provides an incentive for employers to invest in firm-specific, productivity-enhancing skills.

Freeman has also shown how the role of unions has changed with new forms of communication, and how unions could regain some their influence by making use of these new media.

I am sure that Richard will not object if I interpret his work as both an encouragement and an admonition for union leaders to recognize their great social responsibility – and to use it as a trump card.

But even the voice of Richard Freeman, of course, is not always heard. If you ask him, he will easily admit that his advice has been rejected more than once – for instance, when he tried to convince the Venezuelan government to divide its oil

revenues as lump sum payments to citizens, or when he attempted to get the UK to buy the IRA guns and put the money into a fund for schools and hospitals. And yet, even his “failed” proposals reflect top-level economic expertise, originality and the right dose of thinking outside the box that makes Richard Freeman so unique.

The Award Statement of the IZA Prize Committees certainly speaks for itself: “Richard Freeman has made several path-breaking contributions in a variety of areas in labor economics that have had a massive influence on the profession. His highly original studies combine theory and empirical research to address important policy-relevant issues.”

By awarding the IZA Prize in Labor Economics to Richard Freeman, IZA honors an outstanding economist, a pioneer, and a lateral thinker. Without his impulses, labor economics would not have become what it is today. But also as a teacher and a human being, Richard is definitely someone special!

(continued in English:)

Dear Richard,

We admire your scientific excellence, your esprit, and your very special sense for the key issues of our time. Your work has been highly influential and path-breaking. We are grateful for your friendship and support, and we all hope that you will continue to inspire us in the future.