

Laudatio

On the award of an honorary doctorate to **Prof. Dr. David E. Card**,
UC Berkeley, by the Ruhr University Bochum

Bochum, May 04, 2022

Dear **Prime Minister Wüst!**

Dear **Mayor Dewender!**

Magnificence, dear Mr. **Paul!**

Spectabilis, dear Mr. **Roos!**

Dear Mr. **Küchler-Blessing!**

Dear **Colleagues!** Dear **students!**

Ladies and Gentlemen!

And first of all: Dear **Prof. Card**, dear David!

This is an outstanding day, a truly lucky day, for the Faculty of Management and Economics at Ruhr University Bochum and for RWI – Leibniz Institute for Economic Research. Thank you all very much for coming here to the campus of our university to jointly honor Prof. David Card, who is being awarded an honorary doctorate by our faculty and university today.

We would like to thank you, dear David, for coming all this way to accept this honor and to experience this ceremony with us! We know that, at the latest after

the award of the Nobel Prize for Economics last year, many wished they could be in our place today. The fact that you are showing your closeness to us so clearly fills us with great pride.

Who could have even imagined this moment today in the spring of 1988? Somehow it had felt right to me when, on the sidelines of a convivial afternoon of Princeton University faculty and Ph.D. students, I asked you if you would be willing to supervise my second-year entry paper. That you accepted without hesitation at that time was a great stroke of luck for me – and for many in this room. And now the vicissitudes of life have brought us to this wonderful point.

Contributions to the development of the discipline

With today's honorary doctorate, we recognize the invaluable contributions Prof. Card has made to the development of our discipline. For an economist, of course, there can be no more clearly visible tribute than the award of the Alfred Nobel Memorial Prize: To the delight of us all, the Nobel Prize Committee awarded Prof. Card last year "for his empirical contributions to labor economics."

The division of the 2021 award, half to him and half to the other two winners Joshua Angrist and Guido Imbens, illustrates how outstanding his personal contribution is to be classified. Following this ceremony, Prof. Card will discuss his research with faculty and students today, which we look forward to.

David Card was born in 1956 in Guelph (Ontario), not too far from Toronto, grew up on a farm and has retained his down-to-earth nature to this day. David first studied at Queen's University (Kingston, Ontario) and transferred to Princeton University in 1978 for doctoral studies, graduating with a Ph. D. in Economics in

1983. After a brief period as an assistant professor at the Graduate School of Business at the University of Chicago, he returned to Princeton University in 1983 as an assistant professor.

He was promoted to Professor of Economics there in 1987 and remained until 1997, since when he has taught at the University of California, Berkeley, interspersed with visiting professorships at Columbia University (1990-91), Princeton University (2000-01), and Harvard University (2008), among others.

Throughout his career, Prof. Card has received many awards. In 1995, for example, he received the John Bates Clark Medal of the American Economic Association, which is generally regarded as an (obviously meaningful) harbinger of later Nobel Prizes. And he received, the prime minister of our country should be particularly pleased, in 2006 together with the much too early deceased Alan B. Krueger, his longtime companion and co-author, the Prize in Labor Economics of the IZA in Bonn.

Example: The causal effect of an increased minimum wage

Obviously, the multitude of contributions he has made over his long career cannot be summarized in a few words. Nevertheless, some basic lines emerge, which I would like to illustrate using one of Prof. Card's most discussed contributions to empirical labor market research as an example: We now know from his work that an increase in the minimum wage by no means always has to result in a deterioration in the employment prospects of those affected.

Whether or not this is so in a given initial situation is highly relevant for practical economic policy: What politician likes to pass a law that sends people into misery, contrary to good intentions? But instead of asking this question in an open-

ended way, the profession was largely in agreement before David Card's work: simple economic models of the interaction of supply and demand in the labor market clearly suggest that artificially raising the wage above its market-clearing value raises labor costs and thus reduces employment. To question this was considered almost sacrilegious.

However, if one takes a step back and asks the supposedly simple question of whether the pattern so clearly derived from theory actually shows up in the data, things get complicated very quickly. This is because in social sciences it is rarely possible to conduct controlled experiments that form the standard approach in natural sciences or medicine. The labor market of a region simply does not fit into any laboratory.

Empirical evidence that actually reflects the causal effects of a stimulus and not just a correlation could not be generated in a convincing way with the methodological approaches that were used until the 1980s. David Card was not satisfied with this: he proposed a study design whose implementation allowed the effect of the observed impulses to be interpreted as causal effects in each case.

In essence, the aim is to look for variations in the effect of the variable under investigation – in this case, the minimum wage – over which those affected could not exert any influence themselves. For example, institutional changes or natural events can constitute such a "natural experiment". In this case, the study conditions are similar to those in the controlled experiment that the researchers would have liked to implement, but were unable to do so because of the practical obstacles described above.

The source of this exogenous variation obviously always has to be found in a tailor-made way; there is no patent remedy. It may consist, as in the analysis of

the minimum wage, in contrasting actors from the borderlands of neighboring states: For them, except for the fact that the minimum wage was raised only in one state and not in the other, all relevant circumstances are likely to be the same – as in a controlled experiment, except that it is a "natural experiment."

If they want to follow this new paradigm of "natural experiments," economists are thus forced to substantiate their empirical approaches with good arguments; a reference to superior technology is no longer sufficient. And with a better understanding of how an estimation result interpreted as causal came about, i.e., what "study design" was used in the process, the work also opens itself up to criticism from a wider audience. For those who understand the considerations on which the empirical findings are based can have a say in their plausibility.

Subsequently, an overwhelming number of contributions to labor economics and many other fields took their cue from Card's new paradigm. Today, there is widespread agreement in the profession that the credibility of empirically supported recommendations for policy action depends on presenting a convincing study design.

Insight also makes one humble: Those who understand the strength of the assumptions that must be invoked to find convincing evidence will naturally remain modest in communicating their own results. Closely related to this is the realization of how limited even convincingly reasoned results are when it comes to using them to draw conclusions in situations for which there has been no precedent.

Important contributions to the development of RUB and RWI

An honorary doctorate gives a faculty furthermore the opportunity to recognize the contributions of the honoree to the development of its own institution. Prof. Card's commitment and backing were of outstanding importance for the development of the Faculty of Management and Economics and of the RWI – Leibniz Institute for Economic Research in three respects:

- The careers of many of the researchers at both institutions are closely aligned with his pioneering methodological contributions. This is true not only for empirical labor economics, which plays a major role at RWI in particular, but also for health economics, migration research, the economics of education and development economics, among others.
- When RWI ventured a comprehensive new start in 2003, we would probably not have had the chance to develop successfully in the first place without the backing of a research advisory board that was beyond all doubt. Prof. Card, together with his Dortmund colleague Prof. Walter Krämer, provided us with this tailwind as dual leaders of the newly formed Research Advisory Board.
- Over the past two decades, we have purposefully developed further at the institute and in the faculty. For example, together with the universities of Duisburg-Essen and Dortmund, we offer the Ruhr Graduate School in Economics, an internationally competitive doctoral program that is modeled on Ph.D. programs in Princeton or Berkeley. And we strive to follow the example of our mentor David Card: In the way we work together,
 - we are always committed to independent science and have the courage to question supposed certainties;
 - our interest is always in the question of content, not in seductive methodological art for art's sake;

- we always strive to present complex issues as simply as possible, but not simpler;
- we always remain humble, because we know how limited and fragile scientific knowledge must always be; and
- we have the courage to publicly represent our findings, but also resist the temptation to speak out on all issues.

Anyone who has ever had the privilege of accompanying David Card in his work will certainly never forget the impression: David is a meticulous and passionate scientist who works every day, without fail, who has an open door and an open heart for his academic students, to whom he listens attentively and with interest, and to whom he gives his ideas, time, and advice most generously.

He always replies promptly, although you have to be prepared for a long e-mail that would have made a Thomas Mann blanch at its prolixity to be answered with a one-liner, "Great. Thanks, D.". In return for his commitment, however, he clearly expects a passionate commitment to science from his protégés themselves; he clearly takes little pleasure in half-hearted commitment.

Legendary is his sense of humor, which hits the point without hurting. I would like to share one anecdote with you in closing: One of his academic grandsons, Michael Fertig, who sadly passed away a few years ago and whom we would have loved to have among us today, once asked him "David, is Christoph's English really as good as he thinks it is?" – David got to the point without hesitation: "Oh yes, it's just two hundred years old."

Well, it behooves me to humbly come to the end: Dear David, your outstanding scientific achievements and services to science, your manifold contributions to the further development of our institutions, and your role as a great academic

and human role model make you an ideal honorary doctor of the RUB Faculty of Management and Economics! It is the first honorary doctorate this faculty has awarded in decades, we are proud that you receive it! Congratulations!