

DECISION MAKING IN DEAL OR NO DEAL • WHY MARRIED MEN ARE WORKING SO MUCH

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GREAT MINDS
IN ECONOMICS:
MILTON FRIEDMAN

5 Hot Minds in Economics



Keith Chen headlines a crop of rising stars bringing a fresh perspective to the dismal science

PLUS ARTHUR LAFFER AND ROBERT SHILLER





Young Guns:

From the streets of New Haven and Cambridge to the hills of Princeton; from the frost of a Wisconsin winter to the heat of a Czech Republic summer – the next generation of economists has arrived. M. Keith Chen, Rohini Pande, Markus Brunnermeier, Laura Schechter, and Thomas Sedláček – none of them a day over 40 – are among the bright stars rising to prominence in the field. They may not be superheroes, but these five young economists have launched an attack on the discipline's staid reputation with a repertoire of unconventional ideas.

With backgrounds as diverse as their topics of study, each brings a fresh perspective to an established body of research – Chen on the evolutionary basis of human behavior, Pande on public policy in developing nations, Brunnermeier on behavioral finance, Schechter on trust, and Sedláček on reforming a communist economy. Their work has touched the United States, the Czech Republic, India, and Paraguay. They have experimented with monkeys, worked with the Federal Reserve Bank of New York, and advised presidents. While these five may not be household names, their work is already turning heads.

5 Hot Minds in Economics

TOMÁŠ SEDLÁČEK

Chief Macroeconomic Strategist, ČSOB

While most young economists enter the workforce as interns or junior analysts, Tomáš Sedláček's first job, at age 24, brought him to President Havel of the Czech Republic as an economic adviser. Five years later, Sedláček, still not even 30, has seen work as a non-political expert advisor to the First Deputy Prime Minister and Czech Minister of Finance and currently works as the Chief Macroeconomic Strategist at the largest bank in the Czech Republic, ČSOB.

But Sedláček's quick ascent got off to a rather inauspicious start. Two weeks after Sedláček received his doctorate, the Dean of Charles University in Prague notified him of a job offer from a man named 'Mr. Fischer', who was the President's chief advisor seeking an economic analyst at 'the office'. Thinking immediately of the well-known travel agency Cestovní Kancelář Fischer (Fischer Travel Office), and

deciding that the industry was not his cup of tea, Sedláček kindly declined the opportunity. Only once the dean promptly called back, asking him to reconsider his refusal of a request from President Havel himself, did Sedláček realize he was being given the chance to work in the Presidential Office and not at the local travel agency.

President Havel eagerly traded other candidates' political experience for Sedláček's educational detachment from the political and economic

communist rhetoric of the former era. Born in the former Czechoslovakia, but having grown up in Finland and attended a British boarding school in Denmark, Sedláček developed a taste for different cultures and international experiences at a young age. He planned to pursue history until a decisive conversation with his father, who recommended that he study economics instead. Sedláček's father maintained that an emerging post-communist democracy like the Czech Republic was in strong need of economic experts who could stabilize the transition from a command economy to a market economy. President Havel agreed; in a country keen for new leadership and fresh ideas, Sedláček's older colleagues were particularly supportive of his role and contributions.

When Sedláček later on asked why he had been hired instead of

someone more experienced, one of his mentors answered, "We did have other economists that were more experienced than you, but we didn't want to choose them because they're experienced in the wrong way. We'd rather pick somebody who is inexperienced and not tainted by the communist mentality and who'd have a fresh way of looking at things."

At the present moment, Sedláček is a World Fellow for the 2006-2007 academic session at Yale University. He enjoys the opportunity to take a step back from day-to-day economics – something not always afforded to those in government or policy work, where fiscal matters transpire too rapidly for introspective scrutiny.

Sedláček's professional interests lie in the effects of European integration on the new member states in East Central Europe. He believes that in spite of the political setbacks occurring within the region, the economies of Poland, the Czech Republic, and Slovakia have experienced tremendous growth. But he cautions that the greatest weakness of the country is its strength, for these growths have similarly enabled the ruling governments to ignore the need for reforms: "It's like in the Old Testament, when you have seven good years you should prepare for the seven bad years which are likely to come. Rich years are an ideal time to undertake painful economic reforms, yet ironically this is the most difficult time to win the political support for the reforms. When all goes seemingly well on the surface, it's very hard to convince the politicians and the public that we still have to undergo serious reforms and that something is wrong with the economy even though our GDP is growing at almost seven percent per year. You almost need crisis to drive the message home." It was in fact his job, while serving as an advisor the Minister of Finance, to work on the decreasing of the budget deficit, to put together a tax reform and initiate the work in the reform of pension and healthcare systems.

In spite of East Central Europe's fragmented governments and political instability, Sedláček contends that the countries' macroeconomic performance will not necessarily destabilize. He cites his own personal experience navigating a hostile partisan divide to reform the Czech pension system. Despite antagonistic political stances, a non-partisan and independent committee supervised and drafted an effective reform, alleviating the deadlock of opinions and improving the antiquated system.

While Sedláček is ready to offer his services to the public sector in the future, his current focus is to play an active role in the private field and yet be part of the public debate (he offers commentaries and writes articles in media on macroeconomic development in the region). He also wants to continue teaching at one of the oldest Universities in Europe, Charles University where he lectures on topics such as philosophy of economics, ethics and the history of economic thought).

Whereas just five years ago he stood in the office of the Czech president, classically trained but inexperienced, Sedláček now boasts one of the country's most distinguished resumes, in both academic study and public policy, intent on merging these two areas into one overarching discipline.

