Remarks in Honour of Kenneth Rogoff

Thomas Philippon, NYU

Munich, November 18, 2014

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Ladies and Gentlemen, Mr President, Professor Huber, Professor Sinn,

It is a pleasure and an honor for me to introduce this year's Distinguished CES Fellow, Professor Kenneth Rogoff.

Meine Damen und Herren, Herr President, Professor Huber, Professor Sinn, Es ist eine Freude für mich Professor Kenneth Rogoff einzuführen.

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It is my pleasure to introduce to you a superb scholar and an influential policy maker.

To prepare this little speech, I read some earlier laudations, laudations given here for previous Distinguished Fellows. In 1998, it was Stan Fisher who introduced Rudi Dornbusch as that year's Fellow. You probably know that Ken was a student of Rudi at MIT. And Stan was also one of his advisors.

The first part of Ken's career could be called: From Bobby Fischer to Stanley Fischer.

Long before going to MIT, Ken was a chess prodigy. I know very little about chess, I am really not the right person to speak about this part of Ken's career. I do encourage you, however, to read the short biography that Ken has written about his years as a chess player, dropping out of school and travelling around Europe. It makes for a fascinating read. To paraphrase James Joyce, it is a little like "A portrait of the economist as a young chess player".

But let us return to Ken as an economist. As far as economics is concerned, it really took off at MIT with Rudi Dornbusch. After completing his PhD from MIT, Ken started his career at the IMF and at the Board of Governors of the Federal Reserve System. He then moved to Wisconsin and later to Berkeley.

These were the years of some important contributions to international finance:

- A first important empirical contribution: contrary to what many people thought, and what most models predicted, exchange rates seem to follow random walks.
    - Ken and Richard Meese showed this in *"Empirical Exchange Rate Models of the Seventies: Do They Fit Out of Sample?" JIE 1983.*
    - This is of course a central fact in the debate about carry trades
- An important idea for the theory of central banking: It makes sense for a democratic society to appoint a conservative central banker
    - *"The optimal degree of commitment to an intermediate monetary target" QJE, 1985.*
    - Who should be central banker? Ken's paper shows that it should be someone who is typically more conservative than the society that appoints him or her.
    - But not completely conservative either in the sense, the conservative central banker should still put significant weight on unemployment.

It is also during that period in the 1980s that we can observe Ken's interest in sovereign debt (default, incentives to repay, etc.) in a series of paper written with Jeremy Bulow

- One of my favorites is the paper with Jeremy Bulow that shows that maintaining a reputation for repayment is never enough to ensure repayment and sustain borrowing.
  - *"Sovereign Debt: Is to Forgive to Forget?" American Economic Review, 1989*
  - In other words, if countries only have their external reputation, we would see no sovereign debt market.
  - *The Buyback Boondoggle, Brookings Papers on Economic Activity, 1988*

Ken moved to Princeton in 1992 and stayed there until 1999. I tend to associate the Princeton years mostly with his work with Maury Obstfeld. Ken's research agenda then was quite ambitious. It was, essentially, to replace the Mundell-Fleming-Dornbusch with a modern, micro-founded model grounded. This effort culminated in:

- A well-known paper

    - *"Exchange Rate Dynamics Redux," (with Maurice Obstfeld), Journal of Political Economy, 1995*
- A celebrated textbook
    - Foundations of international macroeconomics

These efforts helped launch the "New Open Economy Macroeconomics" literature.

In 1999, Ken moved to Harvard, and in 2001 he took the job of Chief Economist at the IMF

- *Economic Counsellor and Director, Research Department of the International Monetary Fund from August 2001 to September 2003.*

Ken proved to be an excellent policy maker. This was not obvious, since the qualities that make a good policy maker are quite different from the qualities that make a good academic. Indeed, there are quite a few examples of very smart theorists making poor policy decisions.

How much Ken enjoyed his time as a policy maker, I am not quite sure. Perhaps he will tell us. I think that he was happy to return to academia. I can only offer one anecdote. I was also a policy maker for some time, albeit not at the same level as Ken was. From May 2012 to August 2013, I was the economic advisor of the French finance minister. When I quit that job to go back to academia, Ken wrote me the following email.

"Thomas: I hope you will find, as I did,

that the best part of being a policymaker is being a former policymaker."

Coming back to academia in 2002, Ken embarked on a long project with Carmen Reinhart, a project that would lead to their best selling book "*This Time is Different*" published 7 years later, in 2009.

For 7 years, Carmen and Ken gathered data on financial crisis, looking at 70 countries over 800 years. The book is a tour-de-force of data collection. The book is also the best study of financial crisis since Kindleberger's "*Manias, Panics and Crashes*".

What was less obvious then was that the book would also become a best seller. Clearly, the timing was lucky since the book came out in 2009, at a time where everyone was desperate for a coherent account of what was happening. On the other hand, this is a scholarly book, full of data, tables and footnotes. I think that Carmen and Ken were the first to be surprised by the phenomenal success of their books.

Of course, these were the years before Thomas Piketty's "*Capital in the 21st century*" so what we mean by "phenomenal success" for a scholarly book might have changed a bit. But one can see some similarities between the two books, in their historical breadth and willingness to tackle a big issue.

Like all great scholars, Ken asks big questions.

Like all great scholars, Ken works hard to find the right answer.

And like all great economists, he has his share of controversies. I remember well the one with Joe Stiglitz about the role of the IMF during the Asian crisis on 1997; and more recently with Paul Krugman, about the risk of high sovereign debt.

Controversies are unavoidable, although they can be painful. Avoiding controversies is the surest way to do irrelevant research. Ken's research has never been more relevant, and this is what we are here to celebrate today.

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Dear Ken: Congratulations for this award, it is well deserved. Like many other researchers in macroeconomics and international finance, I have learned a tremendous amount from your papers and your books, and I look forward to your Munich lectures.