

# Welcome to new Economics graduate students: Advice from Nobel Laureate George Akerlof

*This semester, George A. Akerlof, Koshland Professor of Economics and 2001 Nobel Laureate in Economic Sciences, welcomed the Department's incoming graduate students with the following words of advice and inspiration about the field of economics and how it is practiced at Cal. He closed with some essential questions for economists to ask about the world in which we live.*

It is a great pleasure for me to be the first person to give you an official welcome to the graduate program in economics. I have been at Berkeley for almost 40 years, so I have some perspective on the program. In my opinion, the program is in great shape. The basic courses in theory, econometrics and economic history are popular and well taught. In addition, there are not only good courses, but even depth in every single field. So I think that this is an opportunity and these courses are an opportunity.

I remember meeting a graduate student in history who had taken the economic history courses, which she had found extremely good, because she said that they were very different from the standard graduate course in history, which is a seminar. The same is typically true in sociology, anthropology and psychology. Our economics courses try to give you an overview of their respective fields.

There are two basic requirements of the program:

1. The first is the course and field requirements.
2. The second is that you write a dissertation.

I want to emphasize that both of these requirements are complementary. The aim of a PhD program is to teach you how to do research. I am sure that most of you are at least a little

bit worried at the moment about how you will choose a research topic. I know that I had the same concern when I entered graduate school. One of our students once told me that learning how to do research is like learning a skill.

It is like riding a bike. You concentrate on the idea of riding a bike, and then somehow-at some moment-you suddenly see how to do it.

In the first two years I would like you to try to understand two things:

1. I want you to learn the economics literature sufficiently that you understand what questions have, and what questions have not, been answered. You get that from having an overview of the respective fields, and that is why our taught curriculum is so very helpful. It tells you what practitioners in the field view as to what questions have been answered and also what is the appropriate method for answering them.
2. The second purpose of the courses is that you see what constitutes a research contribution. I want you to try to put yourself in the position of the author, consider what her basic idea may have been, and then see what techniques she used to make it into a paper. I want you to think about what you need to do to ride the bike (to do research) and to try to do it yourself as much as possible.

In other words, I want you to approach this program actively.

Here is an alternative attitude toward

the program. It is to take the approach that now you are here, and you are going to go on a roller-coaster ride and take these courses. Your job is simply to sit there for two years and hang on tight. You are going to take those courses and do extremely well at them. In this view you will be dumped out on the thesis-writing platform two years from now and you will then proceed from there.

I want you to be much more active than that. I want you to have the attitude that what you are trying to do is to do research yourself, and while you are taking these courses you are going to constantly be trying on for size how they might relate to research that you want to do.

In my experience research questions rarely come from direct reading of the existing literature. If they were so clearly there they would be done already. A much more usual way to find a research question is from some kind of triangulation. For that purpose you have to bring your own concerns to bear, and the more you care about them the deeper will be the research that you will do.

Research questions then typically come by two routes, both of which are likely to be complementary. First, they come to you because you have some problem that you want to see answered. Second, they often come from some observation about the real world that is inconsistent with the theory or the existing evidence. You suspect that you have a good idea when you know that your way of looking at the question could not have been answered in the literature. Here is where the advantage of those courses comes in. You may know, for example, that an observation that you have seen in the newspaper is inconsistent with David Card's opinion of labor demand elasticities.



The most important thing that you can do in your first two years of this program is to keep—or to develop—a passion about some important economic problem. If you do so, you will be constantly on the lookout for ways to solve your problem, and also for ways in which it has not been fully answered. You should put yourself actively rather than passively into this research process.

1. Why do we have an economic theory that suggests that we should do nothing (or almost nothing) about global warming?
2. Why should we have an economic theory that says that it is correct to give a dividend tax to the richest people in the US? Is the public finance literature ambiguous about the desirability of such policies? If so, why should there be any ambiguity? How could we try to decide if such policies are right?
3. Why do we have a macroeconomic theory that basically says that monetary policy cannot even stabilize the economic system?
4. Why do we have a theory of contracts and organizations where there is no role for the concept of leadership?
5. Why do we have a system of justice in the United States with such huge disparities between black and white? What can be done to correct these disparities?
6. Why do we have a world in which 1 billion people live in countries that are quite rich, while the rest of the world faces problems of severe disease and hunger? Why are we so inhumane as to allow millions of people to die of AIDS while we spend billions of dollars on armaments, or on luxuries that we barely need?"