My Economic Interests

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My primary interests in the field of economics are game theory, monetary policy, and markets. I have always had a deep passion for games, specifically a stock market game I played as a child, and I have continued this passion throughout my life. While others in my family are drawn to the competition aspect, I have always found that discovering optimal play strategies is the most enjoyable part of these games. Board games still hold a fascination for me; more broadly, I see "investor psychology" and Federal Reserve policy as extensions of the same strategic thinking, whether participants view it that way or not. (Kahneman and Tversky, 1979; Shiller, 2000; Woodford, 2003)

In my view, investors are the most incentivized of any class of game players and have an almost infinite set of strategies to accomplish their goals. For individuals, incentives can change dramatically throughout the life cycle or with different pools of capital. Similarly, corporations have increasingly realized the benefits of stock incentives for their employees and leadership but still face a complex set of incentives and decisions. In addition, the regulatory bodies of these markets operate in a constantly shifting landscape with similarly shifting incentive sets. I am not certain which avenue I will be most drawn to in the future, but I am confident there is ample opportunity to write compelling research.

Federal Reserve officials similarly face a game of their own. The "dual mandate" pursued by the U.S. Federal Reserve is a closely watched and frequently debated decision environment globally. Central banks around the world also face decision sets that are

supremely interesting and have myriad choices in how to direct their economies. The power of these institutions can influence outcomes in war and trade like few others, and they face appropriate scrutiny for their actions. Since COVID, many of these institutions are confronting more difficult decisions than in the two decades prior, and I am excited both by the future and by what we can glean from the past for governments facing debt challenges today. (Friedman, 1968; Taylor, 1993; Kydland and Prescott, 1977; Woodford, 2003)

What made me officially jump from my former job to an economics PhD was a wonderful book by George Soros titled *The Alchemy of Finance*. Soros has an interesting background, earning a doctorate in philosophy before transitioning to the world of investing. His understanding of economics and finance is fundamentally different from what the standard models would suggest. Most notably, he argues that rather than trending toward equilibrium, markets and investors often move toward disequilibrium due to a concept he calls "reflexivity." The book was widely criticized at the time of publication, in part because some economists argued that "reflexivity" was merely the idea that expectations influence outcomes—a point already familiar in economics. However, Soros documents episodes in which the free market was stabilized by Federal Reserve and World Bank interventions, and he explains how major asset cycles can be amplified by investor behavior and cross-border flows. His novel lens on understanding markets was inspiring in a field I had previously thought was stagnant. (Soros, 1987)

Overall, I am not certain what I will write about specifically, but learning more about the field has been a genuine joy. I look forward to formalizing my ideas in a more rigorous way, especially using the tools we will learn in this class.

Debt dynamics identity:

$$b_{t+1} = \frac{1+r}{1+g}\, b_t - s_t, \tag{1}$$

where b_t is public debt as a share of GDP, r the effective interest rate, g real GDP growth,

and s_t the primary surplus. (e.g., Woodford, 2003)

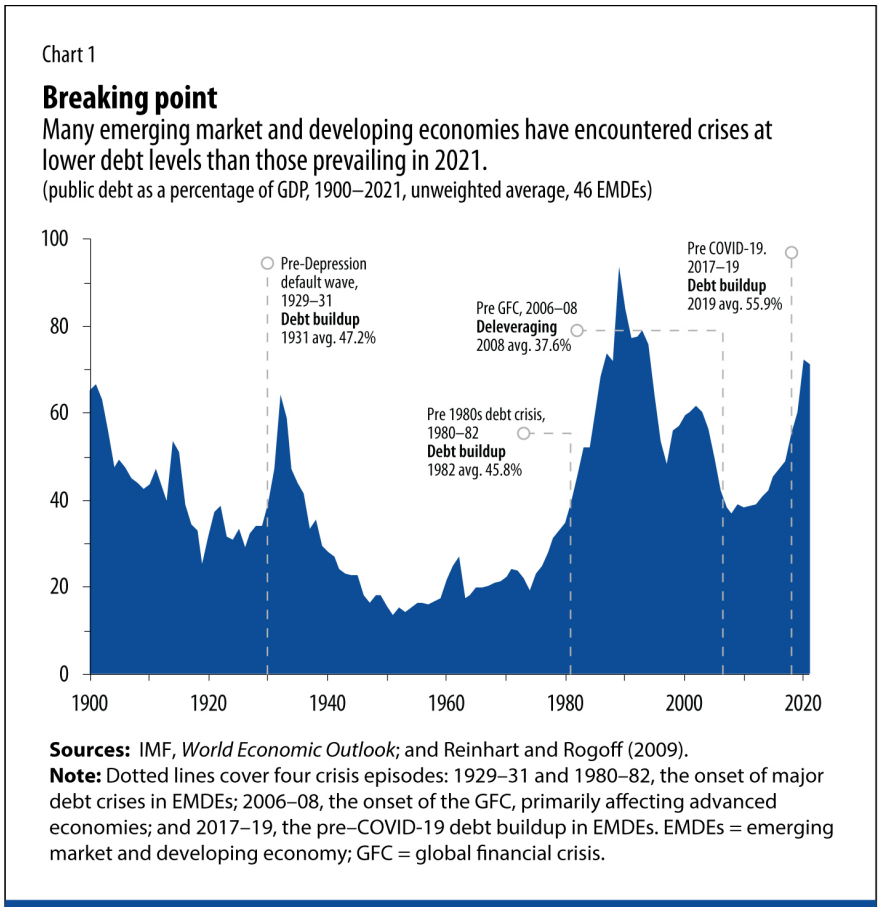

Figure 1: Public debt as a percent of GDP for EMDEs, 1900–2021. Sources: IMF *World Economic Outlook*; Reinhart and Rogoff (2009).

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