Kroszner Takes a Chicago Approach to the Fed

Professor of economics Randall Kroszner heads to Washington DC to join the Federal Reserve, and he's taking with him Chicago GSB's rigorous approach to debating and testing ideas.

The U.S. Senate approved President Bush's nomination of Randall Kroszner for a seat on the Federal Reserve Board of Governors in February. As a member of the board, Kroszner also joins the Federal Open Market Committee, which votes on interest rates. The appointment represents the second time Kroszner has been tapped by the Bush administration; he served on Bush's Council of Economic Advisers from 2001 to 2003.

Kroszner, 43, fills an unexpired term set to end January 31, 2008, at which point he could be appointed to a full 14-year term. He will take a leave of absence from the university while serving the Fed.

The Fed underwent a major shift earlier this year when Alan Greenspan left after 18 years. New chairman Ben Bernanke, who is recognized for his knowledge of monetary policy and macroeconomics, will benefit from Kroszner's expertise in banking and international finance, experts say. "The Fed has for a very long time been in need of a thought leader on what's happening in financial services," Anil Kashyap, Edward Eagle Brown Professor of Economics and Finance, told the Chicago Tribune. "Randy's passion has less to do with the source of them; it's the substance of them. At a paper, who may be putting ideas forward in which there is a lot of independence. Regardless of who may be giving a paper, who may be putting ideas forward — whether it's a new assistant professor or whether it's a Nobel Prize winner — those ideas are on their merits. It's not the source of them; it's the substance of them. At the Federal Reserve Board, I assure you, Senator, that's the approach that I would take."—A.K.

Kroszner assured members of the Senate Committee on Banking, Housing, and Urban Affairs that politics would not influence his work for the Fed. "The central bank cannot be a political animal. It must be an independent animal," he said. "When I'm at the Federal Reserve, I am at the Federal Reserve. I am not part of any administration. I am there as an independent person."

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Anil Kashyap, Edward Eagle Brown Professor of Economics and Finance, in the Chicago Sun-Times

"Kroszner is a great guy—very smart. What he'll bring to the Fed is a deep expertise in banking and international finance."

Glenn Hubbard, former chair of the Council of Economic Advisers, in BusinessWeek

President’s Choice: Economists Randall Kroszner and Anil Kashyap are two of the three people in the world you’d turn to on banking regulation. I think any economist who knows Randy would say, ‘Wow, what a good choice.’”

Austan Goolsbee, Robert P. Gwinn Professor of Economics, in the Chicago Tribune

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Randall Kroszner for a seat on the Federal Reserve Board of Governors made headlines earlier this year. Kroszner previously served on Bush’s Council of Economic Advisers.

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Fast Facts Randall Kroszner

Education

Brown University, ScB, magna cum laude, applied mathematics-economics and history, 1984
Harvard University, MA, economics, 1987, and PhD, economics, 1990
Research Interests

International and domestic banking and financial institutions and their regulation, conflicts of interest in financial services firms, corporate governance, international financial crises, sovereign debt defaults, political economy, and monetary economics.

Chicago GSB Positions

Professor of economics since 1999, faculty member since 1990
Director of the George J. Stigler Center for the Study of the Economy and the State, 2005–present, and associate director, 1999–2005
Policy-Related Highlights

Member of President Bush’s Council of Economic Advisers, 2001–03
Visiting scholar on international financial markets at the U.S. Securities and Exchange Commission, 1992–2000
Junior staff economist on President Reagan’s Council of Economic Advisers, 1987–88

Professional Highlights

Editor of the Journal of Law and Economics, 2000–01 and 2003–present
Faculty research fellow at the National Bureau of Economic Research, 2004–present, and research associate, 1998–2004
Brattle Prize for Best Corporate Finance Paper in the Journal of Finance, 1999

To learn more about Kroszner’s work or to watch his testimony before the U.S. Senate banking committee, visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.
Why E-mail May Not Get You “Heard”

When it comes to e-mail, what you say isn’t necessarily what is perceived—and that can have serious implications in the workplace.

The speed and ease of e-mail exchange can make it seem less like written communication and more like face-to-face interaction. That can lead to a sender’s overconfidence in his or her ability to get intentions across, according to a study coauthored by Nicholas Epley, assistant professor of behavioral science, and published in the Journal of Personality and Social Psychology.

In one experiment, pairs of participants sent each other 20 statements, half of which were intended to be serious and half of which were intended to be sarcastic, on average. One member of each pair relayed the messages by speaking into a tape recorder, while the other composed e-mail. Participants receiving the messages accurately decoded their meaning about 73 percent of the time when the sender used his or her voice, but only 56 percent of the time with e-mail—not statistically different than the 50 percent accuracy of chance alone. However, when sending messages, participants were unaware of the disparity between voice and e-mail, believing they communicated roughly 80 percent of the statements accurately, no matter which method they used. When receiving messages, participants were even more confident, believing they accurately interpreted 90 percent of both voice recordings and e-mail.

The authors attribute this misunderstanding to people’s inability to step outside themselves and consider another’s perspective. According to the tests, e-mailers think they and their addressees have access to the same information—that people “hear” things the same way—but that isn’t always the case. “I think people do have some intuition, abstractly, about the limits of e-mail,” Epley said, “but it doesn’t appear that people apply this abstract knowledge to specific instances and realize that a particular message is unclear.”

Epley said there’s a simple solution to making sure your message gets heard: use the phone. “E-mail is fine if you just want to communicate content, but neither emotions nor intentions are likely to be as clear to your e-mail reader as you expect them to be.”—A.R. with L.M.

To learn more about Epley’s research or to read the paper “Egocentrism over E-mail: Can We Communicate As Well As We Think?” visit gsbwww.uchicago.edu/news/gsbchicago/facultylinks.html.
Faculty Digest

AWARDS

JFE Prizes to Skinner, Fama


Eugene Fama, MBA ’63, PhD ’64, Robert R. McCormick Distinguished Service Professor of Finance, won second place in the Fama/DFA Prizes for Capital Markets and Asset Pricing. Fama coauthored “New Lists: Fundamentals and Survival Rate.”

Dimensional Fund Advisors sponsors the award in recognition of the contributions Fama and the Journal have made toward understanding capital markets and asset pricing.

The winners of the prizes are determined through election by Journal subscribers.

Moskowitz Takes Two

Tobias Moskowitz, professor of finance and Neubauer Family Faculty Fellow, was awarded a 2005 Brattle Prize in Corporate Finance. He coauthored the Distinguished Paper “Testing Agency Theory with Entrepreneur Effort and Wealth,” which was published in the Journal of Finance. Moskowitz also won the second-place 2005 Barclays Global Investors Michael Brennan Award for coauthoring “Confronting Information Asymmetries: Evidence from Real Estate Markets,” which was published in the Review of Financial Studies.

Murphy, Topel Honored

Two faculty members were honored for calculating economic gains from medical research. Kevin Murphy, PhD ’86 (economics), George J. Stigler Distinguished Service Professor of Economics, and Robert Topel, Isadore Brown and Gladys J. Brown Professor in Urban and Labor Economics, received the 2005 Eugene Garfield Economic Impact of Medical and Health Research Award for their study “The Economic Value of Medical Research.” The paper assigns economic value to medical research advances and the resulting gains in U.S. life expectancy. The award is sponsored by ResearchAmerica, a nonprofit organization that promotes health research.

Thaler, Zellner Given Honorary Degrees

Erasmus University Rotterdam awarded honorary doctorates to Richard Thaler, Ralph and Dorothy Keller Distinguished Service Professor of Behavioral Science and Economics, and Arnold Zellner, H. G. B. Alexander Distinguished Service Professor Emeritus of Economics and Statistics. Thaler’s degree was conferred last November by RSM Erasmus, the university’s business school, for his contributions in economics and finance. Zellner is set to receive his degree this June as part of the 50th anniversary of the university’s Econometric Institute. Zellner has been coeditor of the Journal of Econometrics since cofounding it in 1973.

BOOKSHELF

From Beneath the Atlantic to the Middle East: What Faculty Are Reading

GSB faculty read more than research in their areas of expertise. Here’s what one professor had on his bookshelf recently.

Ray Ball

Sidney Davidson Professor of Accounting

Passionate Nomad: The Life of Freya Stark, Jane Fletcher Gennesse (Modern Library, 1999)

“This is a fascinating biography of a truly remarkable person. When Freya Stark died in 1993 at age 100, the Times described her as ‘the last of the Romantic Travelers.’ A tiny but fearless and determined woman, she wandered the Middle East alone. By foot, camel, horse, boat, and the occasional car, truck, or plane, Stark traveled through what currently is known as Libya, Egypt, Israel, Syria, Iran, and Iraq. Along the way she mapped previously unsurveyed territories, discovered ancient ruins, encountered almost every conceivable danger, wrote 30 groundbreaking books and a host of dispatches, was showered with awards, and developed much of the intelligence used by the British in carving up the region after the war. It is worth reading this book to see what a personality like Stark can do. A bonus is what you learn about the prelude to current affairs.”

To learn more about Ball’s research, visit gsbwww.uchicago.edu/ news/gsbchicago/facultylinks.html.

Ray Ball

Sidney Davidson Professor of Accounting

Shadow Divers: The True Adventure of Two Americans Who Risked Everything to Solve One of the Last Mysteries of World War II, Robert Kurson (Random House, 2004)

“Kurson narrates a gripping account of the discovery and eventual identification of a German U-boat sunk off the New Jersey coast in 1945. Two stories are interwoven. The sub-plot concerns the young German crew (the commander was 27, the first officer was 24, and half were teenagers). While the German navy was unaware of Allied advances in code cracking and sonar detection, the entire crew knew one chilling fact: subs were not returning from patrol. The story of these brave young men perishing in their ‘iron coffin’ is told with the same succinct, touching clarity with which they approached their own demise.

“The main story is the transformation of two American scuba divers. We meet them as a pair of losers: clever, adventurous, and skillful divers, but irresponsible, hard-living drifters. During the six years it takes to discover and identify the wreck as U-869 and inform crew families about their fate, the pair show courage, intelligence, and persistence. Their lives also take on a purpose, and their personal growth contrasts in a shocking fashion with the sudden demise of the submariners. I could not put the book down. It makes for great plane or holiday reading.”

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Ray Ball

Sidney Davidson Professor of Accounting


Robert Aliber, professor emeritus of international economics and finance, and Charles Kindleberger

The late Charles Kindleberger’s Manias, Panics, and Crashes, first published in 1978, has become “essential reading on Wall Street after the dot-com bubble and other ‘inefficient-market events’ like the stock market crash in 1987, according to the Economist. A new edition from Robert Aliber brings it up to date. ‘A lot of new material has been added so that now the book is like a monetary history of the last 35 years,’ Aliber said.

‘Manias and panics, and a book will come away with a distinct notion that large quantities of liquid capital sloshing around the world should raise the possibility that they will overflow the container,’ writes Nobel laureate Robert Solow in the book’s forward. ‘More manias, panics, and crashes may plague us; but readers of this book will at least have been inoculated.’”

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