27 Février 2012

Introduction of Prof. Sargent lecture:
"United States Then, Europe Now", by Christian Noyer
to be held in Galerie Dorée on 1 March 2012 at 17:00.

It is my great pleasure to introduce tonight's speaker.

Thomas Sargent is the Berkley Professor of Economics and Business at New York University and one of the most distinguished economists in the world. He has served as president of the Society for Economic Dynamics and Control, of the Econometric Society, and of the American Economic Association. He is a fellow of the Econometric Society, a member of the National Academy of Sciences and the American Academy of Arts and Sciences. Most recently and most famously, he received the Prize in Economic Sciences in memory of Alfred Nobel.

Professor Sargent's contributions in the field of macroeconomics have been numerous and far-reaching. The hallmark of his approach has been rigor and care both in the construction of economic models and in their confrontation with the data. In doing so he has, to a rare degree, given equal attention to ideas and to facts.

Macroeconomics is that part of economics that studies aggregate economic systems, with the aim of understanding how they evolve over time, how they are influenced by institutions and policies, and how these systems might deliver better outcomes. These systems are complex and their evolution is difficult to predict. Yet those who live and act in these economies must somehow deal with the two elements of time and inherent uncertainty. They ask themselves: "Should I consume now or should I save? Should I take this job offer or wait for a new one? Will prices rise or fall?" The decisions they make will hinge on their beliefs about the future, and in the aggregate they will determine in part how the system evolves, which is what macroeconomists seek to understand. Describing these beliefs in a rigorous and coherent way is therefore a crucial endeavor and it has been at the core of Professor Sargent's research.

His name is, of course, associated with the so-called Rational Expectations Revolution of the 1970s. That Revolution, like many, was begun by people who sought new answers to old problems. Keynes himself, in his famous beauty contest metaphor, had struggled with the circularity of expectations and actions. The Rational Expectations Hypothesis was an elegant answer to this problem, difficult to implement and to test; which is why Professor Sargent's early achievements were of such importance, but he did not stop there.

The Rational Expectations Hypothesis is, from a conceptual viewpoint, both beautiful and extreme. It assumes that uncertainty is dominant but crystal-clear for the individuals in the economy. Their unstinting gaze looks forward: they do not know which path will be taken, but they know which paths are possible and how likely each one is. There is room for neither error nor disagreement. That radical hypothesis forcefully thrusts the issues of credibility and commitment upon policy-makers. But what if we allowed room for learning and for self-doubt? What if actors do not know the exact measure of the uncertainty around them? What if they know — or better yet, suspect — that they do not know? These questions might seem obvious; finding answers hardly is. That is what Professor Sargent continues to do, with the same rigor and care.

Tonight's lecture will touch some of the themes that have long fascinated Professor Sargent. The subject of money is one that best displays the interactions and interplays between private sector and policy-makers, expectations and actions, beliefs and experience. It is also one that best illustrates the value of history, and Professor Sargent is a distinguished student of history—including, I might add, of French monetary history. Not only has he written on the *assignats* of the French Revolution; I am told that he has read the memoirs of my predecessor, Émile Moreau!

Tonight, American history will provide Professor Sargent with a context for one of his favorite themes: namely, that there is no fundamental separation between fiscal policy and monetary policy, and that some form of coordination between monetary and fiscal authorities must eventually emerge. A point that became popular under the heading of the now famous "Unpleasant Monetary Arithmetic". When there is more than one fiscal authority, designing the institutions that will frame this coordination becomes particularly important. Perhaps we Europeans will find food for thought in this reading of American history through the lens of economic theory.

Before I conclude, let me illustrate another way in which Professor Sargent has had a profound and long-lasting influence on the economics profession, through his teaching. And I will illustrate, quite literally, with the display that you see on the screen behind me. (see the attached figure)

It takes the shape of a flower. In the center of the flower you will have recognized a portrait of tonight's speaker. Around this center comes a first inner circle of petals. Each petal bears a name, a place, and a date: they represent Professor Sargent's students, the institution where they received their doctorate, and the year they received it. The circle begins at the University of Minnesota in 1975, continues through Harvard, Stanford, Chicago, down to New York University at present. Many of these students are now well known in their own right. The second circle contains the names of the students of his students: Professor Sargent's intellectual grandchildren, if you will. The third circle contains names of the students of the students of his students. It is extensive enough, though probably incomplete—and by now a fourth circle could be added.

Professor Sargent has produced and continues to produce ground-breaking research. Decade after decade he has written magisterial textbooks. And he has taught, and continues to teach students (in France, we would say that he has "shaped" them). Many have become his co-authors and have taught their own students; and as the circles grow, the petals multiply.

Let me now give the floor to Prof. Sargent.