Letters from Alumni
life after the PhD thesis defense

In the middle of a crisis
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Federal Reserve Board of Governors

It feels a bit odd to be writing a “letter from an alumnus” after graduating from the Tinbergen Institute just over a year ago. But an alumnus I am indeed, so I am going to try and make a valiant effort to describe that short period. Unlucky for many, but lucky for me in this case, the financial world has provided me with plenty of material to write about the relatively short period of time since I heard the “hora est”.

Before doing so, however, I first want to go back to my days as a PhD student. When I started my PhD track in econometrics at the Tinbergen Institute and the Econometric Institute in 2003 I was not entirely convinced if it would be something that I would necessarily be enthusiastic about. Before I started, I had had doubts about whether I wanted to work in practice, after having completed several internships at ABN AMRO Asset Management and Deutsche Bank, or whether I wanted to go to academia. Looking back now, I am quite happy that I decided to pursue a PhD, and that I was fortunate enough to do it at the Tinbergen Institute. During the first year and a half, I completed the TI MPhil program. Although it was already a high quality program back then (even if it lacked a proper finance trajectory) it seems to have gained more and more momentum in the five years that have passed since then. During the actual research stage of my PhD I was lucky to have an advisor who encouraged me to explore different fields of financial econometrics and to try to spend time abroad. I quickly realized that being a PhD student is a unique period ideally suited to trying out, experiencing and learning as much as possible. All this led to my thesis work consisting initially of modelling the dynamic behaviour of financial market volatility, and later that of interest rates, and to several stays abroad at the University of Chicago and, again, Deutsche Bank. Equally important to having a broad training was being part of a great group of fellow PhD students to laugh and have fun with, but also to bounce ideas off of. The members of the group I grew up with as a PhD student are now all working at high-level institutions with somewhat of an interesting bias towards central banks.

I am contributing to this bias as well, because in July of this year I started as an economist at the Federal Reserve Board in Washington D.C. When I was in the final stages of my PhD I revisited the question of where I wanted to go next: practice or academia. My dilemma has by now been resolved because “the Board” (in my, obviously subjective, view) seems to offer the best of both worlds: the ability to do academic research as well as having strong links with financial markets, the latter albeit of course primarily from a monetary and financial policy perspective.

Around about the time I was defending my thesis last year the current financial crisis began to erupt in full force. Due to a persistent visa issue, my start at the Board was delayed substantially, but when I was finally able to start I initially joked that I had missed out on so many developments. I have very quickly realized since then, however, that during my still short period at the Board I have seen more upheaval in financial markets than I ever could have imagined. The Federal Reserve has already played a pivotal role in trying to stem the current crisis by being very active in terms of monetary policy actions and setting up several programs to provide liquidity to (global) markets.

There is a world of difference between reading about policy actions by the Federal Reserve in the past and witnessing these actions being taken up close and personal. Despite the seriousness of being in an economic downturn, I cannot think of many better places at the moment from which to witness how the financial crisis is unfolding, and, more importantly, how policymakers here at the Board and elsewhere are doing everything within their power to turn the tide.

Although our usual disclaimer dictates that the views expressed in this letter are solely the responsibility of the author (me), and that these should not be interpreted as reflecting the views of the Board of Governors of the Federal Reserve or of any other employee of the Federal Reserve System, I think that every Board employee, and will, agree with me when I say that the Board is an extremely exciting place to work!