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DOKTOR HONORIS CAUSA

Edward C. Prescott

8 października 2018, Warszawa

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A review of Professor Edward C. Prescott's achievements
in relation to the procedure
of awarding the title of Doctor Honoris Causa
by Kozminski University

The possibility to write a review of the achievements of Professor Edward C. Prescott as part of a procedure aiming at awarding him the title of Doctor Honoris Causa by Kozminski University in Warsaw is to be treated most of all as a privilege, an honour, and a pleasure. On the other hand, it is also a considerable challenge, as appraising the GREAT ONES is never easy, and may sometimes be even risky. Edward C. Prescott is an outstanding scientist, who has made a significant impact on the shape of contemporary economics. It's been 14 years since he was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, commonly referred to as the Nobel Prize. Professor Prescott's achievements were known much earlier, but the fact of awarding him the highest honour made them even more significant and popular.

Kozminski University, intending to award Professor Prescott the title of Doctor Honoris Causa, belongs to the elite of Polish academic institutions engaged in research and teaching in the scope of broadly defined economic sciences. Established in 1993, KU is a relatively young academic institution, a business university consistently strengthening its position in the education and research market not only in Poland but also abroad. KU's primacy is mainly a result of its research, teaching, and expert consulting activity pursued by a large number of the university's employees. Kozminski University's leading position has also translated into a broad network of international relationships, where KU plays a significant part and is a highly regarded and respected partner. KU's leadership is further proven by a range of international accreditations and by being holding high positions in prestigious rankings. Indirect proof of the university's renown may also be the list of names of the people and institutions KU works with, including people awarded the title of Doctor Honoris Causa by KU.

An important remark to be made here is that Kozminski University is very consistent in its tradition of awarding the title of Doctor Honoris Causa to those who have made the biggest contribution to the field of business practice or science, and have distinguished themselves by the scope and the frequency of their cooperation with the university. It seems that only a joint fulfilment of these two criteria of naming Doctor Honoris Causa nominees offers a view of Kozminski University that is credible in terms of substance and positive in terms of image. In the light of the above, naming Professor Edward C. Prescott a candidate for the title of Doctor Honoris Causa is the best choice possible. On the one hand, he is an excellent, reputable, highly regarded, and respected figure in the area of economics. On the other, he has been working with Kozminski University for almost 10 years now. He visited KU for the first time in 2009, giving a lecture as part of Kozminski University & TIGER Distinguished Lecture Series (No. 21), entitled "*The Depressed U.S. Economy and Its Consequences for the Polish Economy*".

Professor Edward C. Prescott will be the fifth person awarded the title of Doctor Honoris Causa of Kozminski University. The previous four awardees are: Professor Witold Kieżun (2006), Professor Hermann Simon (2012), Ingvar Kamprad (2013), and Professor Jerzy Dietl (2016).

It seems that the very opinion on awarding the title of Doctor Honoris Causa of Kozminski University in Warsaw to Professor Edward C. Prescott may come preceded by a short reflection on Poland's return to the group of countries with a market economy, open to cooperation in the field of business and science with the entire world. The 30th anniversary of the beginning of the 1989/1990 transformation in Poland is looming on the horizon. One might think it was actually an event of the largest significance in terms of political, economic, and social consequences in post-war Poland. To put it simply, we can say that without the said transformation there would be no Kozminski University and no cooperation between KU and Professor Prescott. This cooperation is perhaps small, minor, yet symbolically significant proof that Poland has made a bold and giant civilizational leap. Great intellectuals, scientists, and politicians have played an invaluable part in the time of transformation. Professor Prescott's involvement with Kozminski University and – in a broader context – with Poland is a perfect example of the perspective in question. Without people like Professor Prescott, the process of restoring Poland's position in the global arena would have proceeded much differently – and more slowly.

When writing an opinion regarding awarding the title of Doctor Honoris Causa, the usual custom is to mention the most important highlights of the candidate's life. Edward C. Prescott was born in 1940. Three academic institutions have played a major role in his education: Swarthmore College – where he was conferred the degree of B.A. in Mathematics in 1962, Case Western Reserve University – where he obtained the title of M.S. in Operations Research in 1963, and Carnegie Mellon University – which is where he earned his Ph.D. in 1967. The main institutions where he has worked as an academic include: the University of Pennsylvania in 1967-1971, Carnegie Mellon University in 1971-1980, the University of Minnesota in 1980-1998 and in 1999-2003, and Arizona State University since 2003. It's important to note that as an academic, Professor Prescott has visited a number of universities, for instance the University of Chicago – as a Ford Foundation Research Professor. Since 1981, Professor Prescott has been working for the Federal Reserve Bank in Minneapolis, whose research division is considered one of the most important centers of macroeconomic research in the US.

Professor Prescott's research and teaching activity pursued outside his alma maters is noteworthy and admirable as well. He has taught at many universities in the US and abroad. They include: in 2004, he was the Maxwell and Mary Pellish Chair in Economics at the University of California in Santa Barbara; in 2006, he became the Shinsei Bank Visiting Professorship at New York University; in 2014, he was appointed an Adjunct Distinguished Professor at the Research School of Economics (RSE) of Australian National University.

Professor Edward C. Prescott's greatest achievement to date is receiving the already mentioned Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, awarded to him and his long-time research partner, Finn Kydland. They were awarded the prize for their contribution to the theory on macroeconomics, which involved explaining the role of time consistency in implementing economic (especially monetary) policy and defining the factors being the driving force behind business cycles. The original wording of the substantiation of the award reads as follows: “for their contributions to dynamic macroeconomics: the time consistency of economic policy and the driving forces behind business cycles”. Thanks to the efforts of both economists, the matter of effectiveness of state-managed economic policies was linked with government credibility and became one of the central points of interest in contemporary macroeconomic studies.

It appears from the above that Professor E. Prescott's research, expert consulting, and teaching activities interpenetrate. Yet, it seems that the said fields of Edward C. Prescott's activity, taking into account the synergy effects stemming from such interpenetration, are dominated by scientific research. His scientific interests and his publications dealing with the former feature several somewhat interconnected problems and issues:

- The issue of time consistency in the implemented economic policy. Considering a number of consecutive periods of a given implemented policy, it is important to focus on the consistency of the solutions adopted in particular periods, i.e. on the application of certain rules as part of such policy. A lack of such rules may lead to a departure from the preliminary adopted solutions, initially considered best.
- A suggestion treating the measures utilized as part of economic policy in a systemic, holistic manner instead of adopting an approach based on isolating and treating such measures individually.
- A combination of an analysis of short-term macroeconomic fluctuations with long-term economic growth. Earlier on, these two research areas used to be treated as separate subjects of analysis. Their synthesis was a major step forward

in contemporary macroeconomics. The main innovation in this context involved approaching modelling macro-economic variables on the basis of microeconomic foundations.

- An accomplishment deserving particular attention is the fact that Professor Prescott is the co-creator of the Hodrick-Prescott filter, used to smoothen fluctuations in time series.

Looking at the vast body of Professor Edward C. Prescott's achievements, the following books seem to stand out in particular:

- E. C. Prescott, N. Wallace, ed. ***Contractual arrangements for intertemporal trade***. Minneapolis, MN: University Minnesota Press, 1987.
- E. C. Prescott, ***The econometrics of the general equilibrium approach to business cycles***. Minneapolis: Federal Reserve Bank, 1990.
- N. L. Stockety, R. E. Lucas, E. C. Prescott. ***Recursive methods in economic dynamics***. London: Harvard University Press, 1993.
- F. E. Kydland, E. C. Prescott, ***The computational experiment: an econometric tool***. Minneapolis: Federal Reserve Bank, 1994.
- S. L. Parente, E. C. Prescott, ***Barriers to riches***. Cambridge, Mass.: Massachusetts Institute of Technology Press, 2000.

Below follows a list of E. C. Prescott's most important articles published in journals and publications written by multiple authors:

- R. E. Lucas Jr, E. C. Prescott, ***A note on price systems in infinite dimensional space***. International Economic Review, 13, 1972 nr 2 s. 416-422.
- E. C. Prescott, ***The multi-period control problem under uncertainty***. Econometrica, 40, 1972 nr 6 s. 1043-1058.
- T. F. Cooley, E. C. Prescott, ***An adaptive regression model***. International Economic Review, 14, 1973 s. 364-371.
- F. E. Kydland, E. C. Prescott, ***Time to build and aggregate fluctuations***. Econometrica 50, 1982 nr 6 s. 1345-1370.
- E. C. Prescott, R. M. Townsend, ***Pareto optima and competitive equilibria with adverse selection and moral hazard***. Econometrica, 52, 1984 nr 1 s. 21-46.
- E. C. Prescott, R. M. Townsend, ***General competitive analysis in an economy with private information***. International Economic Review, 25, 1984 nr 1 s. 1-20.
- J. H. Boyd, E. C. Prescott, ***Dynamic coalitions: engines of growth***. American Economic Review, 77, 1987 nr 2 s. 63-67 (Papers and Proceedings of the Ninety-Ninth Annual Meeting of American Economic Association, May 1987).
- R. J. Hodrick, E. C. Prescott, ***Postwar U.S. business cycles: an empirical investigation***. Journal of Money Credit and Banking, 29, 1997 nr 1 s. 1-16.
- E. C. Prescott, Lawrence R. Klein lecture 1997: ***Needed: a theory of total factor productivity***. International Economic Review, 39, 1998 nr 3 s. 525-551 (a commentary to a lecture by the 1980 Nobel Prize winner).
- S. L. Parente, E. C. Prescott, ***Monopoly rights: a barrier to riches***. American Economic Review, 89, 1999 nr 5 s. 1266-1233.

The list of Professor Prescott's works presented above is to underline that the publications included therein are remarkable – and have been published only by the top publishing houses and in the best journals. It is therefore possible to make a more general observation, one that Professor Prescott's output considered in qualitative terms surpasses his achievements viewed in quantitative terms. It is also important to mention that Edward C. Prescott is among the most often cited contemporary economists.

The most significant examples and effects of Professor Edward C. Prescott's extensive and diverse activity as a scientist-researcher, an academic teacher, and an expert consultant, covered here only briefly, have been acknowledged many

times. Below is a list of several of the most important prizes and distinctions awarded to this outstanding Nobel Prize winner:

- United States National Academy of Sciences (2008)
- Nobel Memorial Prize in Economic Sciences (2004)
- Erwin Plein Nemmers Prize in Economics, Northwestern University (2002)
- Fellow, American Academy of Arts and Sciences (1992)
- Fellow, Econometric Society (1980)
- Alexander Henderson Award, Carnegie Mellon (1967)

The final part of the review should by all means discuss the relationship between Kozminski University and the candidate for the title of Doctor Honoris Causa in question. Since December 2009, Professor Edward C. Prescott has been a member of Kozminski University's International Corporate Advisory Board (ICAB), travelling regularly from the US to Poland to take part in its sessions. ICAB is an advisory body to KU's rector. Members of ICAB are appointed by the rector from among representatives of the business and academic environment from Poland and abroad. ICAB's job is to advise the rector on matters related to the university's strategy, to the tailoring of the offered programs to market practice, and to the development of international research and teaching contacts. Moreover, Professor E. C. Prescott has given a number of open lectures at KU. He also contributes with his expertise to selected research programs carried out at the university, concerning e.g. research on an original indicator, structure and interpretation of which make it possible to present changes and forecasts of the socio-economic situation in Poland in much more detail and offer much more insight than conventional macroeconomic indicators such as e.g. gross domestic product (GDP) or gross national product (GNP).

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To sum up the above considerations, it is necessary to stress that Professor Edward C. Prescott is surely one of the most remarkable and best known contemporary economists dealing with macroeconomics, especially including issues related to economic and monetary policy, and to business cycles, with a special focus on the real business cycle theory. This is substantiated by the rich body of his research achievements covered above and manifested in a number of significant publications. The significance of his achievements cannot be overestimated if only for the fact that the considerable theoretical impact carried therein is accompanied by major practical implications, especially ones pertaining to implemented economic policies. The fact that such an exceptional economist has devoted a part of his professional life to working with Kozminski University should certainly be emphasized in this context.

All of the circumstances discussed above weigh absolutely in favour of supporting the application for awarding Professor Edward C. Prescott the title of Doctor Honoris Causa of Kozminski University in Warsaw. In my opinion, conferring this title to such an extraordinary and prominent economist will be an important element in reinforcing Kozminski University's international position and image.

