

Tyler Cowen

On credentialism, the new math of causation, and the lasting economic influence of youthful experiences

Recent posts by Tyler Cowen on his widely read *Marginal Revolution* blog have offered recommendations of German literature to be read in the original German by non-native speakers; praise for coffee-table picture books as a literary genre; and highlights of papers and articles on polyester, cultural fragmentation in France, and voice actors who do bark-overs and scream-overs. The Harvard-trained George Mason University economics professor also blogs about economics.

Cowen — with George Mason University colleague Alex Tabarrok — has been co-proprietor of *Marginal Revolution* since starting it in 2003. Experienced readers watch for his catchphrases, like “MIE” (markets in everything, usually the offbeat), “solve for the equilibrium” (meaning, figure out where this situation is going to end up), and “there is no great stagnation” (progress is happening; it’s just where no one thought to look).

More recently, in 2018, Cowen founded Emergent Ventures, a program that makes grants, mostly to individuals, “to jumpstart high-risk, high-reward ideas that advance prosperity, opportunity, and wellbeing.” The program has had 20 cohorts of winners with projects in a wide range of fields, from longevity research to nuclear fusion to children’s books based on classical liberal values. In April 2020, soon after the start of the COVID-19 pandemic, Cowen added a fast track under the name Fast Grants for grants related to combating the pandemic. Cowen says the two programs have awarded a total of about \$65 million.

Cowen has authored, co-authored, or edited 22 books. His most recent, written with technology entrepreneur and venture capitalist Daniel Gross and published in May, is *Talent: How to Identify Energizers, Creatives, and Winners Around the World*.

In addition, he is an opinion columnist for Bloomberg and host of the interview podcast “Conversations with Tyler.” He is faculty director of the Mercatus Center, a free-market-oriented research center at George Mason. He and Tabarrok founded and lead *Marginal Revolution* University, which offers free undergraduate-level online lectures on economics principles.

David A. Price interviewed Cowen by videoconference in April 2022.



EF: One of the areas you look at in your new book, *Talent*, is talent-spotting. In your own case, you started as an undergraduate at Rutgers-Newark, then transferred to George Mason University at a time when it didn’t have the stature it does today — and a few years later, you were a doctoral student in Harvard’s economics department. What happened? How were you spotted?

Cowen: I spent my three years at George Mason trying to publish articles in refereed journals, which I managed to do with a few pieces. I think that very strongly helped my application to top schools. I believe I applied to six schools and got into all of them, but Harvard was where I wanted to go. I think the writing was really what made the difference.

More generally, I would say if a person starts trying to do something at a young age, you should weight that highly as a sign of future success whether or not they’ve succeeded with it — simply that they’re trying. If someone is submitting articles to journals at age 18-19, whether or not they’re accepted, I think we should be very interested in that person as a talent.

EF: On the subject of spotting talent, researchers have questioned the value of interviews in hiring. Are job interviews a relic?

Cowen: Most of the best meta studies do show positive value for the interview process. Now, it’s perfectly fine to be skeptical about meta studies, and indeed, social sciences more generally. But look at what’s happening in the market: Companies still do interviews. They devote a lot of energy, money, and resources to it. Highly

successful entrepreneurs such as Elon Musk are often deeply involved in their companies' hiring. I just think people can do hiring better. If it's a zero-sum game to some extent, well, number one, we can make it better, and number two, you want to win that zero-sum game, right?

I've been teaching a number of people who work with me how to interview. One thing to keep in mind is that some of the interview process is just a bunch of people ruling themselves out very quickly, whether you're a good interviewer or not. So there's that value right off the bat. To get beyond that, you need to ask complex questions that get people out of their prep. A lot of even pretty smart interviewers don't do this. If there are 10 to 20 standard questions, they go through them all and the interviewees are usually fine. What would you hope to get out of this job? Everyone halfway intelligent is prepared for those questions. You need to get them out of book, as we would say in chess, and just talking about the world.

How important is the interview relative to the candidate's past history? It depends how senior the person is. Often, the interview's the main thing you have. Say the candidate's 17 or 18 years old. For those very junior people, it's really going to depend a great deal on how well they can articulate some vision of something, even a vision of themselves, compared to not articulating much of anything. And then just ask them, "How ambitious are you?" It's an absurdly straightforward question. It's amazing to me how few people ask that.

It's also amazing to me that people, when asked, tend to give honest answers. The people who aren't ambitious, whether directly or indirectly, will admit that. For many jobs, that's fine. You don't want ambition, necessarily, in a Starbucks cashier. But for many jobs, you do.

EF: Is credentialism a problem in this country?

Cowen: I think it's a massive problem. I see it getting much worse. It wasn't that long ago in America that people without college degrees would be considered for fairly high-level jobs. That's hardly ever the case now. I'm very pleased the Maryland state government just liberated a lot of its jobs from the college-degree requirement. Also, if you want a more

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diverse workplace, that's one good way to get there; a lot of the talent in groups that are currently underrepresented is talent without a college degree.

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EF: Historically, one heard a lot about people starting in the mail-room, starting on the shop floor. What do you think has happened to that?

Cowen: It is vanishing for more than one reason. One reason is simply that because of NIMBY, living in major cities has become so expensive. The idea that you might move to Manhattan, start in a flophouse, wash dishes — just crazy today, right?

You see it in old movies; it was actually done. I'm not saying everyone succeeded with that strategy, but you could try it with a straight face. And a lot of people did work their way up. Try that now in San Francisco.

The other problem, on the demand side, is just excess credentialism. It's a self-fulfilling prophecy. If you tell all the smart people that they have to get credentials, most of them will do it. And then in that equilibrium, the people without credentials, on average, are the less talented. But we put ourselves in that position. A lot of alternatives are evolving now: Thiel Fellowships and GitHub pages, to name a couple. You could call it a different kind of credentialism, but it's a much more diverse credentialism. And it gives people a lot more freedom and mobilizes talent at a younger age than what we've been doing.

EF: You mentioned the Thiel Fellowships. You started a philanthropy, Emergent Ventures, in 2018 with money from the Thiel Foundation and others to make grants to people whom you judge to have a promising project for improving society. What have you learned from this experience?

Cowen: I've learned a great deal doing Emergent Ventures. One thing I've learned is that for all the talk about youth, we're still underrating 14- to 19-year-olds. So many of them are so smart and so on the ball. The world should be working more with them, encouraging them, not producing dumbed-down material for them. We should be giving them more autonomy, empowering them, and in some cases, trusting them with companies. They're just doing fantastic things in all sectors, in large part because of the internet.

Another thing I've learned, and this is to my dismay, is how geographically

concentrated talent is. I don't mean where talent is born; I mean where people end up. I see applications from something like a half-dozen parts of the world, none of which would surprise you, like the New York City area or near London. Talented people already have moved to those areas. Nothing against those areas. But it worries me when I think about like the broader fate of Northern England, or Columbus, Ohio, or a number of other places. Talent is more clustered than I had thought.

I've also learned more about how slow many philanthropic foundations can be, and how much room there is to operate more efficiently. My super-simple application form, which can be done in an hour, does not ask for letters of recommendation and never asks anyone where they went to college. It's part of my war against credentialism. The application is basically, "Who are you? What's your idea? What's your email address?" And a few other questions. That's it. The idea is, here's a blank sheet of paper — impress me. I think it works.

We're more willing to take a chance. Part of the reason is that we have been able to change our own economic incentives. We figured out a way to run Emergent Ventures on 2 percent overhead, which is very low. Commonly in a nonprofit, overhead could be 30 percent or more.

With 2 percent overhead, you aren't carrying a staff. You don't have to keep things going. You don't have to please some particular set of outside parties. You can do what you're doing. And if somehow it goes away, if it can't raise any more money or whatever happens, you just stop it. You're not captured by your own internal interest groups.

It's very commonly the case that at large and even midsize foundations, everything becomes captured by the staff. To maintain their own jobs, they don't want to take too much risk. They set up a lot of labor-intensive processes. We have no incentive to do any of that.

Tyler Cowen

■ PRESENT POSITIONS

Holbert C. Harris Chair of Economics and Professor of Economics, George Mason University

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■ EDUCATION

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Quite the contrary — the labor burden falls on me. A woman who works with me, Shruti Rajagopalan, does Emergent Ventures India as a solo venture. She is autonomous. She does her thing for India. I do my thing for the rest of the world. That's it. Emergent Ventures could go *poof* tomorrow and we would be fine.

The nonprofit sector, I think, is one of the worst sectors of the American economy. And you can't really blame it on government, I might add. My libertarian instincts are somewhat violated when I look at the nonprofit sector.

EF: Over the past two decades or so, the rate at which Americans move has gone down substantially. What do you think is going on?

Cowen: I think there are at least two major developments behind that change. The first is that we're just much more of a service economy and continue to become more and more services based. Say you're a dentist. You don't really think, "Well, I'll move from Dallas to Denver, because Denver is where the teeth are." Right? That wouldn't make sense. In services, for the most part, you just pick where you want to live and you can stay there just fine.

Areas like manufacturing or resource extraction are still there, of course. But a lot of those industries are not that labor intensive. So with the service economy, there are fewer economic reasons to move great distances.

And there was the old idea of, "Oh, let's move to California, it's sunny, it's wonderful." Today, it's not well-run anymore. And it's super expensive. If anything, as you know, people are leaving California.

I think the other factor is that people are just better informed, partly because of the internet. They can figure out where they want to live earlier in life and then just stay there.

Staying put comes with definite upsides. But it's also the case when a downturn comes, maybe your labor markets don't adjust the way they used to because everywhere is stuck in the same predicament. If everywhere looks a bit like Columbus, Ohio, or for that matter, Richmond, Virginia, there's less moving.

EF: Your blog with Alex Tabarrok, *Marginal Revolution*, seems to have an exceptionally high readership within the economics profession. Are you trying to influence the profession in one direction or another?

Cowen: My attitude is that with *Marginal Revolution*, we're trying to showcase work that we think is better, rather than worse. I'm personally pretty reluctant to criticize people or do takedowns or rumor mongering or exposes. We do zero or close to zero of that. Most of all, my vision is a constructive one.

If you've blogged for almost 20 years, what keeps you going is enjoying the process itself and what you learn. I'm not paid in any way to do this. So at most margins, I'm not sitting there thinking about how I can influence the economics profession. I'm very wrapped up in my daily life. Like, do I want to eat a piece of cheese now, do I need some more water? I'm just doing something that will keep myself entertained. Indirectly, that does translate into some algorithm of attempted influence. But I would say don't overrate the intentionality, don't underrate the extent that it's me just trying to have fun.

EF: As you know, Leo Strauss argued that writers and philosophers have often found it helpful or necessary to convey their actual messages under layers of obscurity. In that sense, do you think economics has become more Straussian or less Straussian?

Cowen: I think economics and writing in general has always been Straussian. And in today's age of obvious cancellations, it has become quite clear that no matter how strong the free speech guarantees in the Constitution for writing and people's rhetoric, you can't just always say what you want. And I think in the economics profession, in particular on Twitter, this is especially strong.

But I don't feel that people are using the Straussian technique of being obscure very much. Yes, there are cases where you can find that. But mostly, economists today use the technique of strategic silence. If you're on Twitter as an academic, you're probably left leaning. I don't see those people telling obscure lies. They're just quite silent about a bunch of things that they don't want to talk about. So it's reading through the silence — that's the tactical trick you need to master. That's what I see happening, not deeply encoded messages. Maybe that's in Spinoza, but it's not in the people on Twitter today, as far as I can tell.

EF: You've noted that major economic experiences in a person's youth — such as the 1970s oil crisis or the Great Depression — often affect the person's behavior for years to come. What do you think will be the lasting effects, if any, of the pandemic and other events of today's times?

Cowen: Ulrike Malmendier and Stefan Nagel were co-authors on a paper, and other researchers have also shown, that these effects are quite strong, stronger than I would have thought. And

I did believe in them to begin with. That, to me, is one of the most interesting economics learnings of the last 20 years. I hope that in some manner it wins a Nobel Prize.

My formative years were the 1970s. In the 1970s, this is overstating a bit, but government generally did everything wrong. Milton Friedman was

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right about everything. It made me pretty libertarian. I don't think you could really say the same about the last 20 to 30 years. A whole bunch of things have happened that have run counter to Milton Friedman. You could give some more complex account of how he actually was right, or how he would have said something different now. But I don't think the libertarian view is consistently right in the same way that it was right about so many things back then. In the 1970s, Thatcher really did have to break the back of unions, we really did need the Volcker disinflation, and so on and so on. Libertarianism looked really very good.

I'm still much more libertarian than most people. But I've been more mixed and dicier for a lot of libertarian ideas. I don't think you can be a true libertarian in a pandemic or in a financial crisis. I'm very glad the Fed stepped up and did many of the particular things it did in 2008-2009. One can disagree on details. Maybe they could have or should have done more.

For today's young people, I'm worried about the Ukraine war, the pandemic, even the financial crisis. What is this doing to people? I don't think we know exactly what they are processing it into.

EF: You've said that Americans have become more pessimistic not just about their futures, but also about the broader future of the country. If this is the case, should we be concerned that it may be a self-fulfilling prophecy?

Cowen: We should definitely be concerned. I think since I wrote that my views might have changed a slight bit. What I see is a higher variance along the pessimism-optimism spectrum. But I think a lot of people are more optimistic. If you talk to people building Web 3.0, whatever you think of that project, they're a highly optimistic group of people.

Or when I talk to people in the biomedical sciences, they might be pessimistic about some parts of our country, but they're super optimistic about what they are doing and its potential impact. So I think even in the four or five years since I wrote those words, we've seen a sizable, influential minority become a lot more optimistic. Those people are the doers, and I think it's great.

So I would say higher variance has become the more important trend. But certainly at the median, I still do think Americans are more pessimistic. That's a response to events they've witnessed, and it does concern me.

EF: What research are you most excited about?

Cowen: In economics, it seems to me that we understand labor markets much better than we did 10 or 15 years ago — the nominal, and sometimes real, stickiness of wages, for example. We understand credit channels better. There are just a lot of areas where, before, we had some sense, "Yes, of course, these variables matter," and then we were quite hand-wavy. It seems to me a lot of those pieces have filled in. There have been papers that

have really pretty good causal identification strategies in almost every area of economics. That's a positive.

I think macro has become underrated. One good thing about macro is that it's not obsessed with co-authored papers. Co-authored papers are fine; they're often necessary. Yet there's something inertial or status-quo-prejudiced with a co-authored paper. Everyone does have to agree, right? In macro, single-authored papers may also be in decline, but they're still relatively more common than in micro. And there's something more revolution-friendly about that. Einstein didn't co-author the general theory of relativity.

One of my concerns about economics is we're too consensus-oriented at the refereeing stage, at the editing stage, and even at the co-authoring stage. Again, I don't know how to say co-authoring doesn't make sense. Papers are harder to do than before, and you need all these different skills. But I think it's a problem we should talk about more.

EF: You highlighted that causal identification strategies are better and more widespread now than they used to be. For the benefit of people who may not know what that's

referring to, could you explain a little bit?

Cowen: Several decades ago, a lot of econometrics papers were based on running correlations in various ways and of varying degrees of complexity. Then there'd be some part of the paper later on where you'd wave your hands and tell a story about causation or make some remarks about what you might do someday to address causation. But a lot of what was there was actually fairly lame. You didn't really know what was causing what and things were taken on faith, or you would refer to your theoretical framework. You'd think things like, well, I'm a monetarist or I believe in rational expectations, so I'm going to superimpose this story on the data. A lot of the macro of the 1980s and even the 1990s was like that.

If you try to do that today in papers, maybe you can still publish them in a lesser journal, but they don't become influential papers. You need to set things up in a way that you're actually attempting to see which variable is causing which variable. You do difference-in-differences, for instance, and you see that minimum wage laws were imposed first on these counties

before other counties, and you look at the differential effect that that had. It's not quite proof of causality, but it's way better than what we used to do. We're at the point where you can often believe the result of the paper. That's pretty good; not too long ago, we weren't at that point. That, in a way, is a little scary.

EF: What are you working on now?

Cowen: For the last four years, and in my life as a whole, I've been working on the issue of talent — how do we find it? How do we observe it? That's what I covered with Daniel Gross in *Talent*. I would like to write a sequel to it on what we know about how to cultivate talent.

Longer run, I am working on a book with my personal takes on the people who are plausibly the greatest economists of all time — Smith, Malthus, Keynes, Hayek, Friedman, some other people. It's an attempt at my version of Robert Heilbroner's *The Worldly Philosophers*. It's a slow project. I work on it in bits and pieces when I'm not doing other things. But there's no rush with it. At some point it will come out. **EF**



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