



opinion

By Johan Fourie

THOUGHT LEADERS



Five young economists to listen to

... and how their ideas might shape our future.

Ideas, and the people that give birth to them, shape our future. So with this final issue of 2018, let us look at five young economists, and their ideas at the frontiers of the field, that will shape our lives, consciously or otherwise, in 2019 and beyond.

One of the most vexing questions social scientists grapple with is how to build a society where everyone has an equal opportunity of reaching the top. Inequality is not in itself unfair: we all know that rare skills, like those possessed by soccer star Lionel Messi or Tesla founder Elon Musk, should be rewarded better. But what we deem unfair is when someone with those skills or abilities cannot, for whatever reason, realise their potential.

In the US, as in South Africa, there are too many children without equal opportunities for success. How to give these children better chances of succeeding is, in short, the research programme of **Raj Chetty, professor of economics at Harvard University and director of US think tank Opportunity Insights.**

Somewhat of a child prodigy, receiving his PhD from Harvard in 2003 (at the age of 23), his most recent project, together with several other colleagues, uses big data to map the US neighbourhoods that offer children the best chances of climbing the income ladder. Their freely available interactive mapping tool shows how outcomes like poverty and incarceration can be traced back to the neighbourhoods in which children grew up. It also helps to develop customised solutions that will improve the outcomes of children in those "bad" neighbourhoods.

One of Chetty's younger colleagues is **Melissa Dell, Graduating with a PhD from MIT in 2012** Dell spent time at Harvard and Stanford before joining Harvard in 2018 as a tenured professor. Dell is fascinated by the factors that underpin long-run development. For her PhD, she investigated the Mita – a system of forced labour several hundred years ago – to assess its persistent effects on levels of Peruvian income today. She has since worked on the persistent differences between north and south Vietnam, the long-run effects of the Mexican revolution and the consequences of the Dutch cultivation system in colonial Java.

Dell has a severe visual impairment, yet this has not prevented her from, aside from asking fascinating research questions, starting a foundation in Peru or running ultra-long-distance races, including the Comrades.

Claudia Olivetti, professor of economics at Boston College (with a PhD in 2001 from the University of Pennsylvania), is one of several scholars who wants to understand which factors prevent women from entering the labour market, and why they move up the corporate ladder at a slower pace. Olivetti's latest research shows that the best thing governments can do is to spend more on

early childhood care and education as this has the largest improvement in women's employment rates, salaries and even fertility, decreasing the gender pay gap.

The benefits of more parental leave and flexible schedules, she finds, are smaller. Why? Because access to good early childhood caretakers that makes it easier for young mothers to work allows women to return to the labour market quicker after childbirth, boosting their lifetime earnings. In short: **the policies that matter most to women are those that help mothers work – not those that help them take breaks from work.**

This type of research aims to identify which policies are best in improving the outcomes we hope for.

An area where such policies are desperately needed, in SA and elsewhere, is the health sector. **Marcella Alsan, associate professor of medicine at the Stanford School of Medicine**, with a PhD in economics from Harvard in 2012, plans to do exactly that: use research to identify which health policies improve health outcomes most.

One key concern in health, for example, is how to get patients to use their prescribed medicine. Alsan, in a new study, provides one tantalising clue: pair the patients with doctors that share a similar ethnic background. She and her co-author run an experiment where several hundred black patients are randomly allocated white and black physicians.

They find that those patients that consulted a black physician are more likely to ask for preventative services, particularly if those services are invasive. They argue that this is because of better communication and trust. The implications are profound: they argue that more black doctors could reduce cardiovascular mortality by 16 deaths per 100 000 per year, leading to a 19% reduction in the black-white male gap in cardiovascular mortality.

It's not only human health that is the subject of economic research. The health of the planet is under threat, with climate change affecting our sustainable future. **Solomon Hsiang, professor of public policy at UC Berkeley, and principal investigator of the Global Policy Laboratory** (with a PhD in Sustainable Development from Columbia University in 2011) is one of the leading thinkers on the topic.

In a recent *Science* letter, he weighed in on the ivory-ban discussion. But it is the interactions between the economy and the ecology that is at the heart of his research. In a 2018 *Journal of Economic Perspectives* overview paper, Hsiang urges his fellow economists to take the lead on climate change research: All climate change forecasts, he says, rely heavily and directly on economic forecasts for the world. "On timescales of a half-century or longer, the largest source of uncertainty in climate science is not physics, but economics." ■ editorial@finweek.co.za

Johan Fourie is associate professor in economics at Stellenbosch University.



► **Raj Chetty**
Professor of economics at Harvard University and director of US think tank Opportunity Insights



► **Marcella Alsan**
Associate professor of medicine at the Stanford School of Medicine



► **Melissa Dell**
Professor of economics at Harvard



► **Solomon Hsiang**
Professor of public policy at UC Berkeley, and principal investigator of the Global Policy Laboratory



► **Claudia Olivetti**
Professor of economics at Boston College

Images: www.rajchetty.com | www.mit.edu | www.bcc.edu | www.stanford.edu | www.bostoncollege.edu

