



Interview with Professor James Hamilton

Professor of Economics, University of California, San Diego; Co-Chair of the JPMCC's Research Council; and Distinguished Visiting Fellow at the JPMCC



Dr. James Hamilton, Ph.D., Professor of Economics, University of California, San Diego, presenting at the J.P. Morgan Center for Commodities' (JPMCC's) international commodities symposium, "New Directions in Commodity Research," which was held at the University of Colorado Denver Business School from August 10 through August 11, 2017.

In the Summer 2018 issue of the [GCARD](#), we are honored to interview Dr. James Hamilton, Ph.D., Professor of Economics, University of California, San Diego. Professor Hamilton is also the Co-Chair of the JPMCC's Research Council in addition to serving as the JPMCC's Distinguished Visiting Fellow. In our interview, Professor Hamilton explains what originally spurred his interest in the impact of oil price increases on the economy, followed by what he currently sees as important research issues. He also touches upon what encouraged him to become involved with the JPMCC and its Research Council, noting some of his goals for the Research Council and its international commodity symposia. The interview concludes with Professor Hamilton discussing both the impact the JPMCC could have on the commodity industry and his recommendations for future topics in the *GCARD*.



Professor James Hamilton (right), Ph.D., University of California, San Diego, in discussion with Professor Lutz Kilian (left), Ph.D., University of Michigan, Ann Arbor, during the JPMCC's inaugural Research Council meeting at the University of Colorado Denver Business School on April 18, 2015. Both Professor Hamilton and Professor Kilian are members of the JPMCC's Research Council.

Interview with Professor Hamilton

Professor Hamilton, your research has had a significant impact around the world. For example, your advanced econometrics textbook, Time Series Analysis, is widely used by researchers in modeling the economy. In addition, your research has helped to guide U.S. monetary policy. What are your current research interests?

One of my goals is to get researchers to incorporate uncertainty about the underlying structure of the economy into statistical conclusions they draw from the data. The usual approach is to report standard errors that assume that none of the structural assumptions underlying the analysis are in doubt. I'm advocating a Bayesian approach in which uncertainty about those assumptions is incorporated into the statistical inference along with the usual sources of measurement error. I'm working on a couple of papers with Notre Dame Professor Christiane Baumeister showing how this can be done in estimating the contributions of supply and demand to historical oil price movements and in assessing the effects on the economy of monetary policy.



I also have ongoing projects on getting better measures of underlying trends, reconciling reporting errors in the unemployment statistics we rely on, and the effectiveness of the Federal Reserve's quantitative easing.

Your Ph.D. dissertation was on the impact of oil price increases on the economy. What originally spurred your interest in this topic, and what were the public policy consequences of your research insights?

I was taking a time-series course at UC Berkeley for which we were supposed to do an empirical project. I was astonished to find that big supply disruptions and attendant economic downturns were not just a phenomenon of the 1970's but were a recurrent feature of the data. And of course we've seen a number of episodes since then repeating the same pattern.

I think that research has helped government and private planners to anticipate better some of the economic problems that can arise in these episodes and to recognize the importance of reliable energy sources for economic growth. For example, that research may have been one factor in deciding to release stockpiled oil in 2005, which I think was beneficial. But it is easy to get complacent in environments like the present and forget just how turbulent events in the Middle East can become on short notice.

What are the most important research issues at present in studying the impact of oil price changes on the economy?

The recent oil price decline gave us some useful new data that has resulted in some interesting new research. With the large datasets we now have available it is possible to document what goes on at the micro level of individual consumers and firms. Some great new insights have already emerged from that, and I expect more in the future.

Thank you very much for agreeing to co-chair the J.P. Morgan Center for Commodities' (JPMCC's) Research Council and also for recently becoming the JPMCC's first Distinguished Visiting Fellow. What encouraged you to become involved with the JPMCC and its Research Council?

I grew up in Colorado, and was pleased to see this develop into a center for research. Given the abundance of resources in the Mountain West, this seems a natural place to house the center.

What are some of your goals for the Research Council and its international commodity symposia over time?

I think bringing academics and industry professionals together is a very important goal. Academics can get too specialized and tied up in unrealistic assumptions without input from practical business people. And there is a lot of expertise the academic community can bring to help practitioners to interpret trends and make better decisions.



What impact could the JPMCC have on the commodity industry?

In addition to benefitting both academics and practitioners, the training of new students with a solid training in modern methods and insights is a major asset to the industry.

What topics would you recommend that we cover in futures issues of the practitioner-focused GCARD?

I mentioned some of the insights coming from analysis of huge data sets. These include the analysis of consumer behavior by the JPMorgan Chase Institute and Michigan Professor Matt Shapiro and co-authors, and the analysis of oil drilling incentives and profitability by Chicago Professor Ryan Kellogg and co-authors and Norwegian Business School Professor Hilde Bjornland and co-authors.

Thank you, Dr. Hamilton, for this opportunity to interview you!

JAMES HAMILTON, Ph.D.

Professor of Economics, University of California, San Diego

Professor James Hamilton has published on a wide range of topics. His research in areas including econometrics, business cycles, monetary policy, and energy markets has been cited by more than 40,000 other studies. His graduate textbook on time series analysis has sold over 50,000 copies and has been translated into Chinese, Japanese, and Italian. He also contributes to Econbrowser, a popular economics blog. Academic honors include election as a Fellow of the Econometric Society and Research Associate with the National Bureau of Economic Research, receipt of the Best Paper Award for 2010-2011 from the International Institute of Forecasters, and the 2014 award for Outstanding Contributions to the Profession from the International Association for Energy Economics. He has been a visiting scholar at the Federal Reserve Board in Washington, DC, as well as the Federal Reserve Banks of Atlanta, Boston, New York, Richmond, and San Francisco. He has also been a consultant for the National Academy of Sciences, Commodity Futures Trading Commission and the European Central Bank and has testified before the United States Congress. Professor Hamilton received the UCSD Economics Department Graduate Teaching Award on five different occasions.