Yale College

Jorge Colmenares
Silliman College, Class of 2020
Class of 1960 John Heinz Government Service Fellowship
United States

Research as a Government Employee, Outside the Academic Bubble

Throughout my undergraduate experience here at Yale, since my first introductory microeconomics class, it has always been my dream to go to graduate school and earn a Ph.D. in economics. During these last three years, I have taken as many math and economics classes possible. I have also been employed as a research assistant for various Yale professors. I have worked so hard because my ultimate dream is to serve as a public servant and craft meaningful economic policy that could help millions of families that undergo needless hardship during recessions—like mine did during the Great Recession of 2007-2009. As a result, the summer before my senior year—the most important summer for college students—I knew I wanted to work somewhere where I could continue my preparation for graduate school, but at the same time I also yearned to escape the Yale bubble I had become so attached to and join the "real" world where I could hopefully make a difference. Quite fortunately, through the advice of a past professor, I found and was accepted to work as a research analyst for the Research Group of the Federal Reserve Branch of New York (FRBNY).

At the FRBNY, the Research Group is composed of several smaller teams dedicated to important facets of the economy. The group placed me in the Capital Markets team, which handles the bulk of the FRBNY's macrofinance research. Since the last financial crisis, more than ever economists are dedicated to understanding the connection between the financial world and real economy. They deemed me fit for this team most certainly due to my past research experience on past financial and banking crises. I was paired with a senior economist who wanted to see if there was a correlation between people's optimism for the economy vs. their optimism for financial markets. Using a Fintech website that differentiated between professional and non-professional forecasters, we found that professionals expected no correlation between the two, while non-professionals observed a small but positive correlation. In other words, according to professionals, it does not matter how well the stock market is performing, the economy can still be struggling and vice versa; however to non-professionals, they saw a link between the two and expected the economy and markets to move in the same direction. Given these conflicting responses, my economist tasked me with calculating the historical cash flow betas in order to determine which group was correct. Through demanding statistical coding work, I compared the quarterly revenues and earnings per share for every firm that had ever been in the S&P 500 Index, while they were in the index, and compared it to the reported quarterly real GDP and civilian unemployment rates. The results were surprising: for these large companies, there is a decently large and positive correlation between macroeconomic and financial indicators. While professionals' expectations were certainly less precise than non-professionals', both groups understate the historically significant correlation between the real economy and financial markets. This opens the door to a plethora of new questions: why do individuals underestimate the linkage? What is the cause of the linkage and has it gotten stronger over time? What implications does this have for the future of macroeconomic policy? Should the Fed now consider adopting a third mandate of financial stability?

Overall, I found the work to be super rewarding and the research experience to be invaluable moving forward in my career. My coding skills grew immensely during the ten-week internship, as my economist trusted me more and more to figure out on my own solutions to problems he had not yet solved. I also had the privilege to work alongside devoted, experienced economists and public servants and recent college graduates in the two-year research assistants program who all plan on attending graduate school at prestigious programs. After the internship concluded I was offered a return offer to come back to the FRBNY after I graduate Yale and join the two-year RA program. At the moment, I am undecided and am carefully thinking about whether I want to work as a research assistant for two years or apply straight to grad school. Regardless, I am extremely happy and grateful for obtaining the return offer, since it alone serves as verification that my boss was so pleased with the work I did for him that he wants me back for two more years.

In retrospect, my situation serves as a solid example of what the John Heinz Government Service fellowship aims to fund: students seeking to work in government internships that relate well to their past educational and work-related experiences and their future career goals. Most of my past research had a macrofinance component to it since it centered on past financial crises, and in the future I want to attend graduate school, which the NYFRB's Research Group definitely supports and expects its research assistants to do after, and later serve in government as an economic policymaker. Even though I was at first ecstatic back in January when I received word I had been accepted into the internship, the following thought was how would I be able to support myself, especially since New York can be such an expensive city? It was the situation no one wants to be in—being prevented from pursuing your dream due to financial constraint. I scoured the Internet for outside sources of funding, and coming across the John Heinz Government Service fellowship was truly a godsend. Without it, I am not sure if I would have had the means to accept the internship. Because of this, words cannot accurately convey how grateful I am to the sponsors of this fellowship. Their contributions have made a huge impact on my future career path, even potentially setting me up with my first job out of college! All I hope for is that the work I did this summer made me worthy of receiving this laudable fellowship.