

Occasional Address
Royal Exhibition Building, 7 December 2018, 5.00pm

Professor Charles R. Plott

*William D. Hacker Professor of Economics and Political Science
California Institute of Technology*

Chancellor Myers, Vice-Chancellor Maskell, Deans, Faculty, honored guests, students and friends.

I thank the University of Melbourne and its faculty for allowing me to join them. The recognition you give me today is a great honor.

When asked about thoughts that might be useful to a graduating class, three perspectives came to mind.

The first is a comment from a major professor. I was fuming over referee reports. It was my first submission. My paper was clearly rejected. I was struggling with options. Should I argue with the editor? Should I submit to a different journal? Should I abandon the topic? What should it be? Fight or flight?

The professor provided perspective.

“Charlie, he said, “From to time you will find everyone saying that you are wrong. When that happens, listen very carefully. Don’t dismiss them as biased or stupid. Groups of scholars often see things that you do not see. Carefully review everything. Work on understanding their point of view. Then, if you are absolutely sure that you are right and that what they say is wrong, stick to your position. Don't yield to criticism that you know is wrong. It could be your most creative moment.”

He was right. Many major thinkers have similar stories. For me, the experience repeated itself many times. The professor, incidentally, subsequently won a Nobel Prize.

A second perspective is one I pass along to my students. They fret and worry over research questions. Uncertainty abounds. Often, all options are bad. My advice is simple. Just decide! Don't be afraid of making a mistake. With hindsight you will almost certainly wish you had done something else but hindsight is 20:20. The biggest possible mistake is to be frozen with inaction. Just choose the best of the bad. Live with the outcome. Learn from the experience. I jokingly tell my students that if they are not making mistakes then they are not learning and if they are learning from their mistakes then I should be able to measure their progress by the number of mistakes they make.

The third perspective applies as students try to find a niche - a specialization. Finding your spot can seem impossible. We all meet people who are better than us at everything. They are rich with skills. They have the capacity to do anything they decide to do. Almost certainly you have met someone like that - super skilled and talented - better at mathematics, programming, people skills, and art. How can you compete or make progress when surrounded by such people?

My profession, economics, provides some insights. It points to the fact that everyone has limited resources and time. People might be a top performer in any one of a large number

of things. If they focus all effort on one thing they will be at the top. However, if they try to do too many things their efforts will be spread too thin and they will be top at nothing. The competition they face forces them to concentrate on just a few things. The useful perspective is that the things they are not doing provide openings for you. Harness your efforts and consider the things they set aside. If the person is talented in both X and Y and chooses to do X then you should think about Y. Suppose person A is better than person B at both math and writing. If A concentrates on the math then Person B has an incentive to concentrate on the writing. The specializations are relative. The specialization of each is relative to the specialization of the other. In economics this natural process is called the law of comparative advantage and it occurs everywhere – in economies and in nature. Competitors specialize where they have an advantage given what the competition is doing.

It is a positive message. it says that you can always find your niche. The message is to discover your own focus. Be good at it. Do not gauge yourself by what someone else could have done. Indulge in perfection and take pride in what you do.

Doctor of Commerce, *honoris causa* citation

Charles Raymond Plott is the William D. Hacker Professor of Economics and Political Science at the California Institute of Technology, where he is also Director of the Laboratory for Experimental Economics and Political Science.

His research is focused on the basic principles of economic and political process and the use of those principles in the design of new, decentralised mechanisms to solve complex allocation and information revelation problems.

Charles Plott has demonstrated at once the power and the weaknesses of economic and political theories. Among other things, he showed whether and when complex economic and political interaction leads to the equilibrium outcomes that economists and political scientists use in their predictions.

His publications have become the standard by which experimentation is evaluated in much of the social sciences. He has developed experimental methods for pretty much every branch of economics and political science, from voting paradigms over game theory to macroeconomics and financial economics.

Charles Plott's work has had tremendous impact in industry and policy applications. He proposed the structure for carbon emission markets for the Kyoto protocol. He is not an unknown in Australia either, having contributed immensely to policy implementation, with applications such as taxi license allocations, harbor berth allocation, native forests lumber extraction, medical panel assignment, river salinity avoidance, and fishing rights. The latest of his concerns focuses on a sophisticated matching mechanism to transport handicapped children back and forth to school in the Geelong School District.

Professor Vernon Smith has stated: "Charles Plott ... essentially invented experimental political economy. He will be an important figure in 21st century economic and social science."

*Chancellor, I present to you **PROFESSOR CHARLES RAYMOND PLOTT** for admission to the degree of Doctor of Commerce, *honoris causa*.*