

# The Business Economist at Work: Macroeconomic Advisers LLC

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By Joel L. Prakken\*

*Heading a successful economic consulting firm requires a disciplined allocation of a busy seventy-hour workweek. The first part of the day is spent reading the newspapers and responded to any overnight e-mail. The second task is the analysis of new economic data and sending this analysis to clients. Then comes responding to press inquiries, using a system to select which ones and in what order. The remainder of the time is spent primarily on client servicing and running the business. Travel is confined to four or five days in the middle of the month. Speaking engagements are carefully limited. Time to reflect on the quality and originality of our work as well as new product development must be done late in the day or over weekends.*

**I**N 1982 I resigned my position as senior economist at IBM to travel to Saint Louis and become, along with Chris Varvares, a founding partner and Vice President of the consulting firm of Laurence Meyer & Associates, specializing in macroeconomic forecasting and policy analysis. My original contribution to this venture was that I built what was to become known as the Washington University Macro Model. And what a labor of love that was! Sixteen years later, when Larry Meyer left to become a Federal Reserve Governor, the name of the firm changed to Macroeconomic Advisers, and I became Chairman of the company.

When I left IBM my peers thought I was foolish to

take such an unabashed risk. They have all long since been downsized out of their jobs. But back then, I wasn't thinking much about either the risk or, notwithstanding our subsequent success, the reward of my decision. I was interested in pursuing my intellectual interests with people that I liked and respected, and simply trusted that somehow I could make a living doing it. In the beginning, there wasn't really a business, so I had all the time I wanted for that pursuit. Now I don't, and I miss it.

When I compare my fortunate state today to how things were in 1983, the one thing that strikes me as most different is the near-overwhelming task of getting so many different kinds of things done in a day that, alas, is still limited to just twenty-four hours. So, while I doubt my experiences are much different than many of yours, I've decided to tell you a little bit about how I decide to spend my professional time. And even though I knew it to be true beforehand, after finishing this piece I was nevertheless struck by how little time I have left these days to do what I love most — just being an economist.

## TIME FOR SELF-EDIFICATION

My typical day at work begins when I slip out of the house a little after 6:00 a.m. while my family still sleeps. This early in the morning my drive to work takes all of four minutes if I hit the lights just right, six minutes otherwise. The trip home in the evening is only slightly longer. This is one real advantage of living and working in Saint Louis. The brief drive lengthens my effective five-day workweek by fifteen hours, compared to friends and clients I know working in the large coastal cities but living in the suburbs. It also lowers the psychological barrier to coming in on weekends, which lengthens my workweek another fifteen hours. Some years back my partners and I agreed that a fifty-hour workweek should be our norm, but in fact seventy hours is more typical. This is something to consider for any reader thinking about starting an economic consulting business. Now I can't help what I do because I'm addicted to it. I believe,

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however, that my level of time commitment is a prerequisite of success in this competitive business. My kind of harried professional life, which also mightily taxes my personal one, is definitely not for everyone.

Anyway, on the way to work I stop at my favorite coffee shop, then head for the office where I scoop up from the doorstep copies of *The New York Times*, *The Wall Street Journal* and the local *Saint Louis Post Dispatch*. Usually by 6:30 a.m. I'm spreading the papers out on our conference table, sipping coffee, and making the first big decision of the day: what to read. This may sound silly, but in fact it epitomizes my constant predicament of how best to spend a very scarce commodity—my time.

It would be nice to take an hour to read the papers, but I simply can't afford to. So, over the years I've stopped reading the *Journal* in detail. If I'm doing my job well, I already know most of the macroeconomic news that's relevant for me, and have already discussed it with someone—a colleague or client—more knowledgeable about it than the *Journal's* reporters. Decision: skip those stories. I used to read the *Journal's* guest editorials, but they are predictable enough that usually a glance at the headline and byline tells me what I really need to know. If the author is someone I know and/or respect already, I might read it, otherwise I skip it while making a mental note to bounce the topic off someone else during the day.

My total time spent on *The Wall Street Journal* usually comes to about five minutes. Some days I scan the news summaries on the front page in a minute and am done. The local paper I don't even open, since I long ago surrendered the delight of reading the sports pages. No, what I choose to read in that first peaceful part of the day is the noneconomic news in *The New York Times*. I think of this luxury as an exercise in self-edification and as the responsibility of an informed citizen in a democracy. Usually by 7:00 a.m. I've read the papers, moved to my office, and checked and responded to any new e-mail. On the East Coast, our clients are filtering into their offices, having already spent an hour or more getting there. I'm ready for them.

## TIME FOR THE PRESS

The first order of every day is to analyze any new macroeconomic data released that morning, usually at 8:30 a.m. eastern time. What were the numbers? Were they different than we expected? If so, why, and how do they change our view of where the economy is heading? We pull the data electronically, rearrange them into a palatable form, attach a brief written analysis, and distribute all that electronically to our clients. Time is critical, but inevitably in the middle of this push, the phone starts ringing. Sometimes it's a

client who can't wait for our analysis to come off the fax machine, but just as often it's a reporter wanting the very same information.

Now we used to be flattered by attention from the press, but over the years we've come to appreciate that dealing with the media is a business decision. As first Laurence Meyer & Associates and then Macroeconomic Advisers became better known, we get more calls from the press. In addition, the media's appetite has assumed voracious dimensions with the advent of twenty-four-hour electronic business coverage. If I chose to, I could spend most of most days talking to reporters.

Issues relating to the media are complex and contradictory. Obviously, the right kind of publicity is good for the firm, but we don't want clients who are paying for our analysis to see it first or in detail in the electronic press. So, as a general rule, I don't talk to reporters for the wire services until after our daily analysis has been delivered—if they're still interested. Print reporters don't mind being called back later, because they aren't in the same mad rush for a real-time story. But for that very reason, print reporters talk longer and, unlike the wire service reporters—who, if they talk to me, almost always quote me and mention the firm—sometimes don't use our material.

Based on my experience with individual reporters, I've developed a system for deciding which ones to call back and in what order. First, I take the known tendency of the reporter to mention the firm or my name in his or her report, divide that by the number of minutes I think the conversation is likely to take, and multiply that times my concept of that newspapers' business readership. The higher a reporter's score on this scale, the more willing I am to talk with him or her on a regular basis. It's a good system that keeps me sane. Oh, and one final rule: never turn down a national TV spot.

## TIME FOR CLIENTS

If all goes smoothly, the response to our daily data is over and done by late morning, and the press has been satisfied. It would be nice if that left the rest of a twelve-hour day to "blue sky" about the economy or to pursue developmental work on the models we use to generate our forecasts every month. However, it seldom happens that way. One reason is clients call and, unlike when reporters call, there isn't the option of putting them off until later: clients always come first. You can't blame them for calling; after all, it is one of the things they pay us for. And indeed, this is a part of my day that, for the most part, I really enjoy. Why? First of all, I like our clients. They're great people working hard to get their jobs done well. If we can help them, it is personally satisfying. Second, every client knows something I don't, so during these

daily discourses I always learn something useful (this is why I don't have to read *The Wall Street Journal* anymore!) that later helps me help someone else. These conversations are important to building a web that first collects and then connects our clients into a happy family of subscribers. However, important and rewarding as they are, these calls come in sporadically and often at what seems like the worst possible time. This makes it next to impossible to develop any kind of rhythm during the day, or to spend protracted periods concentrating on a single task or project. It makes the day feel schizophrenic.

### **TIME TO RUN THE BUSINESS**

And then there's the business to run. Yes, we have an Office Manager, a Director of Business Development, outside accountants, lawyers, and even investment advisers to help manage our pension fund. But in a shop our size, the complete divorce of business management and economic analysis is just not possible.

Recently, for example, we approached the end of a five-year lease and needed more space. During the term of the lease, rents shot up in the Saint Louis area. Our choices were to move upstairs to bigger offices in the same building, which we liked, or shop the deal to other buildings. Either way, we wanted to make the best arrangement for ourselves, and this required getting buildings in competition with each other for the privilege of having Macroeconomic Advisers as a tenant. We spent a lot of time looking at alternative spaces in different kinds of buildings in different parts of town and reviewing architectural plans of some spaces we especially liked. Then there were bids to review and final terms to negotiate, a process made interesting by our forecast that the economy will slow next year even and as some new buildings come on line in our neighborhood. We calculated present discounted values of the various proposals, all the while trying to factor in the nonpecuniary aspects of each location for the employees of the firm. It amazed me how much time all that took, and how disruptive it was to the continuity of my thinking about the economy. In order not to short-change our clients, it meant making up the time sometime else—usually late at night.

### **TIME FOR TRAVEL**

At cocktail parties I'm always asked, "Do you have to travel very much?" My answer is always pretty much the same. I have to be in the office at the end and beginning of every month, because that's when we prepare our forecast and write our monthly report. I do travel maybe four or five days in the middle of each month, to meet with existing clients and to visit prospective ones. These trips, most of which are to the Northeast Corridor or the West Coast, just come with

the territory, and I like them. Clients always are glad to see me. Prospective clients usually are impressed with our products, and that's a rush. Furthermore, a four-hour flight to the West Coast is the best opportunity for an uninterrupted work session I ever get, especially if TWA has sent me some of those first-class upgrade certificates!

### **TIME FOR OUTSIDE APPEARANCES**

What I really have gotten more cautious about, however, is speaking engagements. In the beginning, it seemed that the need to win exposure for the firm dictated the acceptance of almost any invitation to speak. Furthermore, I used to fall for the line that every organization tendering an invitation uses, i.e., that the audience is chock full of prospective clients. I think I can count on one hand the number of times I've made a speech to an outside group and subsequently had someone in attendance subscribe to one of our services as a result. In most instances, the audience's need for economic information is too casual to require a service like ours, aimed as it is at professional economists.

But I never want to flub a speech, so I prepare for each one assiduously. Then there's the time out of the office that sometimes can be several days. It gets to be costly and disruptive. So, a few years back I jacked up my appearance fee sharply, make no exceptions, and only take on appearances that get the firm maximum exposure while allowing me to conduct other business affairs at the same time. This was one of the best decisions I ever made. I do make fewer talks but not fewer fees and, most importantly, I get lots more done at home with the time I saved.

### **TIME FOR SERIOUS THINKING**

At Macroeconomic Advisers we produce daily, weekly, monthly and quarterly hard copy and organize quarterly meetings on the economic outlook and public policy. Somehow or another these always get done. The constant challenge, however, is to find time to do the deeper thinking required to maintain the quality and originality of all those pieces we churn out, as well as to keep improving our econometric models and software that we and our clients use to generate forecasts.

Often towards the end of the day things quiet down a little around the office, especially after the East Coast goes home. Still, with clients on the West Coast who might call, I feel remiss heading home myself much earlier than 7:00 p.m.. The hours from 4:30 p.m. to 6:30 p.m. are ones that I sometimes can use to reflect on the economic outlook, plug away at some new development in our econometric model, or talk with someone about that topic I saw on the editorial page of the Journal early in the morning.

More often than not, however, such work occurs

on weekends. Our monthly forecast almost always takes shape over a weekend, because the GDP data usually are reported on a Friday, and our clients expect us to be done by Monday. There's no other time to do it, but this tacit arrangement works well. The relative and uninterrupted calm afforded by the weekend is the perfect time to get caught up on recent developments, build the new data bank, and run simulations with the

model to understand the econometrically identifiable forces at work on the economy. Weekends also are the only time to get much done on fundamental product development, and most of that occurs under pretty intense pressure every spring as we approach our Annual Model Conference at which we unveil new work on the our econometric model and the software that simulates it.