

Letter from America —

Counting our losses

In his latest letter, Angus Deaton laments the recent passing of four economists who made a great impression on him.

IN MY LAST LETTER, I wrote about ‘madmen in authority’ in Washington trying to redesign healthcare. These madmen, when they understand any economics at all, see only the benefits of free markets. They know nothing of the late Ken Arrow’s work on why competitive markets are not capable of delivering it. It is notable, if ironic today, that the man who was so central in proving the basic theorems of competitive equilibrium, saw his own achievement, not so much in what markets might achieve, but in the clarification of the assumptions necessary for the validity of the theorems. The negative result is at least as important as the positive one.

One of the many trials of growing older is the loss of fellow economists who have been intellectual companions for many years, some great and well known, like Arrow or Tony Atkinson, who died on the first of the year, but also those who are less famous, important in other ways, or who simply led interesting lives. This *Newsletter* does a good job of writing about British economists who might otherwise be forgotten, and I am going to add a few thoughts of my own.¹

One economist who was important to me, and to other British development economists in the US, was Ezra Bennathan, who died last year at the age of 93. Ezra came to Birmingham, Cambridge and Bristol from Berlin via Palestine, and who fought in the North African campaign against Rommel in World War 2. He worked on transport economics and on development, often with his long-time friend from Birmingham, Alan Walters. He was an old-world intellectual of immense (and sometimes obscure) knowledge. He had a deep fund of wisdom and of fun; he was a fine companion and a friend. He had the invaluable skill, in academia and later in the World Bank, of making people happy by persuading them to do things they in no way wanted to do; he could make you sell your grandmother, and leave you feeling that you had done well by her and yourself. In my case, he sold to his Bristol professorial colleagues, many in post for several decades, the idea that a freshly minted Cambridge PhD under 30 should be Professor of Econometrics. He had a small house in Branscombe in

Devon where he loved to don his wellies and his beret to walk the path down to the Channel, nodding to the cows, and chatting to the farmers.

Hans Binswanger-Mkhize was another unforgettable character, who also spent many years at the World Bank, died in August this year aged 74. Hans was a leading agricultural economist best known for his work on agricultural risk around the world. He was one of the first to assess attitudes towards risk using field experiments with farmers in India in the 1970s. He discovered that he was HIV-positive when that was an imminent death sentence. He sold up, gave away most of what he had, but the new therapies came on line, and gave him another quarter century. He moved to Zimbabwe where he founded and ran a residential school for HIV orphans. When he was expelled by the Mugabe government, he moved to South Africa, where he married his husband Victor in a traditional multi-day Zulu celebration.

Another friend who cared about the underdogs, and sometimes felt himself to be one, was the labor economist John DiNardo, who taught at Michigan and died this summer at the absurdly early age of 56. John had an (occasionally) overwhelming sense of humor, with a deep streak of irreverence that he loved to use to deflate the pomposity and pretensions of sophisticated econometrics. He wrote a memorable paper with Steve Pischke that poked fun at the interpretation of the wage premium for those who worked with computers; they showed that workers who carried pencils, or who worked sitting down, also received the premium. He was also famous for writing *three* (sometimes apoplectic) reviews of *Freakonomics*. He worked with Jack Johnston on late editions of the econometrics text that was standard for my generation of British students. When he finished his PhD at Princeton, he taught me that the class prejudice that I thought I had left behind in Britain, was as bad in the US. His affect as an Italian-American working-class guy, smoking when he could, not caring much about niceties of dress, and giving respect only when he thought it was due, told against him on the job market, though he quickly moved

“ He had the invaluable skill of making people happy by persuading them to do things they in no way wanted to do; he could make you sell your grandmother, and leave you feeling that you had done well by her and yourself. ”

up as his work was appreciated.

A great recent loss is Tony Atkinson, still hugely productive at age 72, leaving much work still to be done, though it is true that his last book is a life-testament to his analysis, beliefs, and ideas about what should be done. The first seminar I ever heard in economics, in Cambridge in 1969, was Tony presenting his famous paper on the measurement of inequality. It made me think that economics was a pretty cool subject, I thought all economics talks were like this, and it ruined me for a lifetime of seminars. When he got a chair at Essex at the age of 26, all of us young researchers were inspired by the possibility, not of becoming Tony, but by the realization that academic recognition did not have to wait until just before retirement. I read an early version of Atkinson and Stiglitz, and made foolish comments which were treated, not with disdain, but with courtesy and gratitude. In later years, Tony read two of my books in draft, and wrote extensive comments that greatly changed what I ultimately wrote. Twenty years ago, he patiently explained to me that instrumental variables could rarely do what was expected of them, an insight that it took me a decade or more to absorb (and shamelessly exploit), and which is still misunderstood by many.

I have always wondered why there was no American Atkinson, or even a close equivalent, and what America would have looked like had there been. It is certainly true that Brits have long worried about income inequality in a way that was not true for Americans, at least until recently. But I think that if Tony had worked in the US for the last half century, inequality would have been a public issue much earlier, and it is not fanciful to imagine that it might actually have been less severe.

1. Editor's note: We hope to publish an obituary of Esra Bennathan in the near future and also of Elizabeth Soren Johnson who did a lot of work for the Society in preparing the Keynes papers for publication. This is perhaps an opportune moment to encourage all readers to notify the RES Office (or the editor directly) of potential subjects of an obituary.

RES and ESRC Easter Training School

The twenty-eighth residential RES & ESRC Easter School will be held from **Monday April 9 to Wednesday April 11, 2018** at Wivenhoe House Hotel on the University of Essex Colchester campus. It is intended primarily for advanced postgraduate students doing doctoral research but is also open to younger lecturers and postdoctoral researchers. The subject of the school will be *Productivity: Firms, Markets, and Economies* and the lecturers will be:

Professor Chad Syverson, University of Chicago
Professor Jan De Loecker, KU Leuven

Nominations are now invited from institutions interested in sending a participant, which must be received no later than **Monday 15th January 2018** by email to: <mailto:RESEasterSchool@essex.ac.uk> marked Easter School 2018 in the subject line.

The euro has had more benefits than costs but membership of the monetary union should not be compulsory.

This is the result of the latest Centre for Macroeconomics and CEPR survey of economists. The background to the survey was Jean-Claude Juncker's recent 'State of the Union' speech in which he said:

If we want the euro to unite rather than divide our continent, then it should be more than the currency of a select group of countries. The euro is meant to be the single currency of the European Union as a whole. All but two of our Member States are required and entitled to join the euro once they fulfil all conditions.

The first question of the expert survey asked panel members the following questions from an economic point of view.

1: Do you agree that euro membership should be compulsory for all EU member states?

Sixty-four panel members answered this question. 76 per cent either disagreed or strongly disagreed; 11 per cent neither agreed nor disagreed; and 14 per cent either agreed or strongly agreed. The outcome is similar when the answers were weighted with self-reported confidence levels.

The second question of the survey asked the panel of experts to make an overall judgement.

2: Do you agree that the euro has had more benefits than costs?

Sixty-six panel members answered this question. Only a small minority disagreed: 50 per cent either strongly agreed or disagreed; 24 per cent neither agreed nor disagreed; and 26 per cent either strongly disagreed or disagreed. When answers were weighted with self-reported confidence levels, then the fraction disagreeing increased slightly to 27 per cent.

For more information about the CFM-CEPR surveys, go to: <http://cfmsurvey.org/about>

For more information about this particular survey and to read the comments of respondents, go to: <http://cfmsurvey.org/surveys/junckers-state-union-address>

Jean-Claude Juncker's speech can be found at: http://europa.eu/rapid/press-release_SPEECH-17-3165_en.htm.