



Sir Anthony B. Atkinson

Sir Anthony B. Atkinson contributions to the economics of inequality and public sector economics

I feel somewhat embarrassed introducing you to Professor Sir Anthony B. Atkinson's contributions to economics. The reason is that I was a colleague of him during the eighties at the London School of Economics and Political Science, but was so stupid not to learn from him directly or even work with him and his team in the world famous Suntory-Toyota research centre (STICERD). Instead, I was affiliated with the then Centre for Labour Economics. Still, he has without knowing it influenced my academic and political career in a very important fashion. I celebrate and cherish – like so many other colleagues in our profession scattered all over the globe – his modesty, his academic excellence and his relevance to real-world problems. He once asked during lunch in the Senior Common Room, and please remember that lecturers at LSE were not paid much at all, in which part of the income distribution we thought we were. Invariably, I and other young colleagues would completely overstate our relative poverty and it was up to Professor Atkinson to point out that we were much higher up the income distribution scale than we thought. It made me reconsider my position as a social democrat and I vowed to try to never claim anything about economics without checking what the data say. This might seem obvious to you, but to many of my colleagues in the economics profession obsessed with mathematical models with little real-world relevance this is not obvious at all. To be fair I do not think I have always adhered to this principle.

Professor Atkinson also taught generations of students the importance of doing relevant economics with models that do not violate common sense. Although he is one of the world's main contributors to neoclassical theories of public economics, he was never a blind advocate of market-clearing economics and the ensuing modest role for government policy that entails. He taught us to keep an eye out for market failures and to design second-best policies. One of the main lessons being that removing one market failure at a time may actually make you worse off and also that intuition may be very counter-intuitive in second-best economics. He sets an example to all of the time: whenever he works on an economic problem, whether it is about poverty, the distribution of wealth or the basic income proposal, he really gets down to the nitty gritty of practical policies and institutional details. No wonder so many people in the real world find inspiration in his writings.

Furthermore, he taught his academic colleagues to spend your time on relevant economics even though unfortunately many of us do not manage to live up to it. Alas for too many of us the parable of the beggar who loses his purse in a dark alley and then searches for it in the well-lit square applies.

Professor Atkinson is since 1994 Warden of Nuffield College and Professor at Oxford University and before that he was from 1971 Professor of Economics of the University of Essex, University College London and the London School of Economics and Professor of Political Economy, Cambridge University. He is recognised by the profession as one of the world's most eminent economists who has inspired as teacher, supervisor and researcher generations of very successful and relevant researchers, economists and policy makers. Both the number and the quality of his papers is outstanding, but he is unusual among economists in that he has brought together his research in numerous books. As many of my colleagues in sociology, politics, history and law know, this is not very common among economists. His 1980 textbook Lectures on Public Economics, with the Nobel laureate Professor Joe Stiglitz, is after almost a quarter of a century still easily the best graduate textbook in public finance on the market. In the rapidly changing field of economics that is really extraordinary. His textbook also summarises many of his seminal contributions to public economics. To mention only at one, think of the 1974 paper with Nicholas Stern on the complex interplay between Pigouvian taxation to correct for externalities due to say pollution, the optimal provision of public goods such as hospitals and schools, and the design of optimal taxation. Professor Atkinson shows how the optimal tax rates depend on the relevant elasticities of the tax base, the externalities, and the potential effects of the supply of public goods on the tax base. He also extends the well-known Samuelson rules for the optimal provision of public goods to allow for distortionary taxes and externalities. The book also goes into detail into his work with Stiglitz on the best design of the structure of direct and indirect taxes.

His main academic interests are the economics of inequality, economics of the welfare state and public sector economics. He is unusual in being at the forefront of both theoretical and empirical work in these areas. In fact, his work in these areas has been absolutely path-breaking. The research of professor Atkinson is not only of the highest academic standards, but is of direct relevance to the least advantaged people in society and thus to policy makers of all political colours - witness his pioneering work on the subjective measurements on inequality, poverty, earnings mobility, basic incomes, tax reforms in second-best markets. Clearly, his work is of relevance to economists, political scientists and sociologists, crosses important bridges between disciplines and has provoked numerous policy debates. It should be mentioned that in the early days of the European University Institute professor Atkinson has been a keen supporter and has always helped out and sat on our committees when necessary.

It is perhaps interesting to spell out in a little detail a few of his seminal contributions. One of the first ones was his measure of income inequality published almost 35 years ago in the *Journal of Economic Theory*. Many people used measures like the Gini coefficient or the Lorenz curve to say something about the distribution of income or wealth. These measures suggested a kind of objectivity. The beauty of Atkinson's measure of income inequality is that it points out that the very act of measuring it is subjective and requires some statement about how much one cares about the distribution of income or wealth. Only after stating one's degree of relative income aversion, is it possible to measure the degree of inequality. In a sense, his measure incorporated many different social welfare functions from the Rawlsian maximin principle with infinite degree of inequality aversion to a more Benthamite utilitarian welfare function with zero inequality aversion.

Good examples of his thorough applied work on wealth inequality are his *Unequal Shares – Wealth in Britain* published in 1971 and *The Distribution of Personal Wealth in Britain* (with A.J. Harrison) published in 1978. His famous book *Economics of Inequality* published in 1975, revised 1983 demonstrates his excellence and relevance for the real world and has been obligatory reading for most of us. The OECD has called upon his expertise, witness his 1995 study on income distributions in the OECD. More recently, he has done marvellous work on the top segments of the income distribution in the UK and the Netherlands together with Wiemer Salverda using tax returns. He demonstrated that the share of the top one per cent of incomes diminished in both countries substantially from about twenty to six per cent during 1914-77, but that the rich got richer in the UK while the share of the rich in the Netherlands fell a bit further after 1977. This is yet again a splendid example of very detailed and cumbersome work on a crucial topic for policy. With one of our former colleagues, John Micklewright, he has studied more than a decade ago the economic transformations in Eastern Europe and the consequences for the distribution of income.

Political economy is about efficiency and equity. Economists tend to focus perhaps too much on efficiency. It is to the credit of Professor Atkinson that there is almost no one that has done more to redress the balance and focus on the all important equity issues as well without ever losing sight of efficiency. Interesting is that Professor Atkinson has not only studied income and wealth distributions at a given point in time, but has also done important empirical work with Bourguignon and Morrisson on earnings mobility. He also done, of course, seminal work into the determinant of poverty throughout his life. He has done probably more than anyone else to gain a better understanding of the plight of the weaker members of society. Already in 1969 he completed his first book on *Poverty in Britain and the Reform of Social Security* followed by the books *Social Justice and Public Policy* in 1982 and *Poverty and Social Security* in 1989. Also see his *Three Lectures on Poverty in Europe* in 1998.

It must come as no surprise to someone with so much knowledge of the distribution of income and wealth has been interested in the design of policies for the welfare state as well. In fact, Professor Atkinson has been very influential in policy debates. In recent years his 1995 Lindahl Lectures on *Public Economics in Action* and his 1999 Munich Lectures on *The Economic Consequences of Rolling Back the Welfare State* have spawned a lot of research. For example, he points out that economists must take due notice of the details of the welfare state. It will not do to treat unemployment benefit as 'unconditional leisure pay' as a large part of the literature does, because then unemployment benefits will always harm the economy and economists are bound to give misleading advice. Unemployment benefits are in practice conditional on search effort and accepting job offers, are limited in duration and may depend on how many years one has worked. Professor Atkinson shows within a second-best context with efficiency wages and real unemployment that unemployment benefits need not necessarily destroy jobs.

His role as a leading economist has been important and recognised throughout the world. Among many other prestigious posts, professor Atkinson has been Founding Director of the Suntory Toyota Centre, the main research centre at the London School of Economics, 1981-87, President of the Econometric Society, 1988, President of the European Economic Association, 1989, and President of the International Economic Association, 1989-92. He has also been the editor of the Journal of Public Economics for 27 years. Among Docteur Honoris Causa de l'École Normale Supérieure de Paris, 1995, he has had many honours bestowed on him. The UK government has relied on his expertise on many occasions as may be witnessed from his memberships of the Royal Commission on the Distribution of Income and Wealth, and the Pension Law Review Committee and the French Prime Minister has called him for the Conseil d'Analyse Economique. At Nuffield College, Oxford Professor Atkinson has been determined to take his managerial role as always very seriously and at the same time to be sure to keep time for continuing his original research. When he steps down from being Warden of Nuffield College next year, he will be able to devote even more of his time to further his research. I must also mention his crucial role in developing European research networks.

It has been impossible for me to do justice to the many contributions to society, academia and the social sciences of Professor Atkinson. Nevertheless, I hope you have gained an understanding of his importance to the profession and why his modesty, excellence and relevance set such a high standard for all of us. It is for all these reasons that not only my colleagues in the economics department but also all the colleagues in the other departments of the European University Institute are so happy today to honour the many contributions of Professor Atkinson to society, academia and the social sciences.

Main publications:

- Poverty in Britain and the Reform of Social Security, 1969.
- Unequal Shares - Wealth in Britain, 1972.
- Economics of Inequality, Oxford University Press, 1975, second edition 1983.
- The Distribution of Personal Wealth in Britain (with A.J. Harrison), 1978.
- Lectures on Public Economics (with J.E. Stiglitz), McGraw-Hill, 1980.
- Social Justice and Public Policy, 1982.
- Parents and Children (with A.K. Maynard and C.G. Trinder), 1983
- Poverty and Social Security, Harvester Press, 1989.
- Empirical Studies of Earnings Mobility (with F. Bourguignon and C. Morrisson), Hardwood Academic Publishers, 1992.
- Economic Transformations in Eastern Europe and the Distribution of Income (with J. Micklewright), 1992.
- Public Economics in Action, Lindahl Lectures, Oxford University Press, 1995.
- Income Distribution in OECD Countries (with L. Rainwater and T. Smeeding), OECD, 1995.
- Income and the Welfare State, 1996.
- Three Lectures on Poverty in Europe, Basil Blackwell, 1998.
- The Economic Consequences of Rolling Back the Welfare State, Munich Lectures in Economics, CES and MIT Press, 1999.



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