

Introduction of Joseph Stiglitz

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I am honored to be introducing my friend Joe Stiglitz as he accepts this acknowledgement of the enormous impact his work has had on public policy and the broader public dialogue. Since I expect that Joe's speech will be critical of inequality, I want to point out one area where the limited degree of inequality is truly an injustice. Maybe not the world's largest injustice, but an injustice nonetheless.

I am talking about the awarding of the Nobel Prize for Economic Sciences. And the injustice is exemplified by the fact that Joe only has one more Nobel Prize than I do. If the Nobel Prize was awarded on merit Joe would have won more of them, including for his contributions to public finance, macroeconomics and other areas. In fact, we are lucky that Joe has conducted his research so tenaciously in the face of what is *de facto* a 50 to 75 percent tax rate on the prize-winning ideas he generates.

Frequently when someone turns up what seems like a new idea in economics, it turns out that Joe had already explored the terrain decades before. For example, Joe published part of his dissertation in *Econometrica*, the top technical journal in economics, in 1969. The article was entitled "Distribution of Income and Wealth Among Individuals" and the abstract summarizes the topic as "Implications for the distribution of wealth and income of alternative assumptions about savings, reproduction, inheritance policies, and labor homogeneity are investigated in the context of a neoclassical growth model." Sounds a bit like a current bestseller, doesn't it?

Reading Joe's CV is an exercise that falls somewhere between dizzying and humbling. For decades he sustained a pace of about a dozen articles a year in the top refereed journals, many of them part of a broader collaborative project to understand the implications of imperfect information in a range of areas including short-run business cycle fluctuations, long-run growth, labor markets, economic development, corporate finance, competition policy and insurance markets, to mention just a few. A general theme of this work was both overturning traditional economic predictions and, more importantly, the presumption that market outcomes are optimal.

Joe's prototypical paper is not based on fancy econometrics but on a striking observation that was hiding in plain sight. For example, take Joe's observation of sharecropping, where a farmer paid the landlord 50 percent of his yield, thus greatly diminishing incentives for effort or investment. Joe showed that this economic arrangement was a rational—but suboptimal—response to an economy with imperfect information, significant inequality and poorly function

credit and insurance markets. With greater equality, the farmer could buy his or her land and would thus invest more in it.

Joe has been preoccupied with inequality and its relationship to inefficiency from his very first economics research papers in the 1960s to his very latest book, *The Price of Inequality*. And he maintained that focus in between. For example, in the 1997 *Economic Report of the President* Joe devoted an entire chapter to the then much less fashionable topic of “Inequality and Economic Rewards.” The Chapter’s unfortunately prescient conclusion: “Income inequality in the United States has risen over the past two decades. Its very persistence means that this trend will be difficult to change.”

Many of Joe’s contributions to economics are universally appreciated and have even become part of the mainstream understanding of the world around us, including the concepts of moral hazard and adverse selection that underlie the example of the sharecropper. But, as I said earlier, economists often stumble onto terrain that was well trod by Joe decades before in everything from endogenous growth theory to the relationship of income, wealth and growth.

Partly I believe this represents an issue with the economics profession in which the increased specialization in highly technical fields and subfields can make it difficult for others to access the ideas, even for economists in other fields. One result is that certain ideas end up being rediscovered or reinvented. Beyond his own research, one of Joe’s major contributions has been his efforts to change that. In 1987 he established the *Journal of Economic Perspectives*, an absolutely invaluable publication from America’s main economics association that serves as a forum for economists to publish syntheses and broader arguments that engage the full profession. In 2000 Joe founded the Initiative for Policy Dialogue to broaden the dialogue on development policy by bringing more ideas to the table.

These are just some of the reasons why it is so fitting that the American Academy of Political and Social Science is conferring the Moynihan Prize on Joe today. Like Senator Daniel Patrick Moynihan, Joe has traversed everything from academic research to policymaking to shaping public opinion more broadly. He brings brilliance, passion and a deep sense of justice to everything he does. So now let us now listen as he shares some of that with us.