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DIRECTOR’S INTRODUCTION

REMEMBERING TONY ATKINSON

THE YEAR IN NUMBERS 2017

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Our year started with the sad news that Tony Atkinson, STICERD’s second director and a giant of economics, had left us much too soon. All of us who met him, however briefly, were touched by his generosity and impressed by his genius. This report reproduces many of the letters we received after his passing, showing that his legacy will live on in the memory of the many friends and colleagues. Tony devoted his research life to the study of inequality and he continued to make enormous progress till the end. One of his last projects, the World Inequality Database, is a treasure cove of data that will keep researchers occupied for decades to come. In July, the School created a Chair to honour Tony’s memory and to my great surprise awarded it to me. I cannot imagine a greater honour.

This report tries to convey all the enthusiasm with which the STICERD community contributes to understanding the world a bit more and make it bit better.

Professor Oriana Bandiera
Director of STICERD
We are very sad to report that Tony Atkinson died on the first of January. He was 72. Tony Atkinson was an extraordinarily distinguished academic whose works changed our understanding of poverty, inequality, mobility, public policy and economic growth. His very first book, Poverty in Britain and the Reform of Social Security (Cambridge University Press, 1969) and his last, Inequality: What Can Be Done? (Harvard University Press, 2015) showed how he approached his work throughout his career. Define the issues, examine the facts, analyse what forces shaped the outcomes, ask what we can or should do in the way of policy. For Tony, the definitions and the data were to be treated with great care. And analysis had to be rigorous. For Tony, like Frank Hahn, his teacher at Cambridge and a former professor at the School, economics was a deeply serious subject and arguments had to be right. But the analysis of issues also had to take careful account of the institutional circumstances in which they were set. Thus, for example, he studied very closely how social security systems actually worked before making policy assessments or recommendations. And when he was a professor at Essex in the early 1970s he worked on a stall in Brightlingsea where he lived, helping people understand their rights to benefits and how to claim.

His distinction was recognised around the world: President of the Econometric Society, of the Royal Economic Society, of the European Economic Association and of the International Economic Association together with 19 honorary doctorates. Last year he was awarded the prestigious Dan David Prize for his work on poverty and inequality (shared with Francois Bourguignon and James Heckman).

He was amazingly prolific averaging close to a book a year and around 7 published articles a year across half a century of professional life. He faced his cancer by just carrying on, with seminal publications over the last few years, including the 2015 inequality book and his major report in the summer of 2016 for the World Bank, Monitoring Global Poverty.

What is, perhaps, less recognised about Tony was his ability to lead institutions. He was a creator and a builder, from his invigoration of the Essex economics department where he arrived as a professor aged 27 in 1971, to his years as a much loved Warden of Nuffield College, 1994-2005. Of special interest to us at LSE was his dozen years with us, 1980-92, as Tooke Professor and then as Centennial Professor from 2010.

With its founding director, Professor Michio Morishima, Tony built STICERD, where he was Chair from 1980-1988. Indeed, STICERD was critical to the “package” that brought Tony to the LSE. Michio, who secured the generous
donations from Suntory and Toyota to launch STICERD in 1978, planned from the beginning that he would hand over the Chair to Tony as soon as he arrived at the School. It was, in large measure, Tony who shaped STICERD into what it is today, a jewel in the LSE’s crown and one of the world’s outstanding research centres. It was Tony too who conceived the ESRC programme on “Taxation, Incentives and the Distribution of Income” whose 12 year period coincided almost exactly with Tony’s time at the LSE. When at UCL he shared his initial thoughts with Mervyn King (then professor at Birmingham) and myself (then professor at Warwick) and we directed it as a trio. Before long we were all at LSE as professors working together on that programme. They were special years. It was one of the very first examples of ESRC embracing the programme approach to funding, as opposed to project-by-project. He founded the Journal of Public Economics in 1971 and was editor for nearly two decades.

It was not just as an academic and leader of academic institutions that we remember Tony. He was the finest of human beings. His decency, humanity and integrity were profound and extraordinary. He was quiet and understated but deep and strong. He was charming and he could be very funny, including irony of the highest class. He was a very special friend, always ready with his support, wisdom and gentleness.

His human strengths were rooted in and nurtured by his wonderful family. He met his wife Judith (née Mandeville) at Cambridge as undergraduates when they were 19. They were married for more than 50 years. They shared and reinforced their commitment to making the world a better place and tackling injustice. They took great pride in and strength from their three children Richard, Sarah and Charles, their spouses and their eight grandchildren. For all its difficulties, the world is much a better place because of his life. His values and ideas live on.

**Nick Stern**
IG Patel Professor of Economics and Government
Chair of STICERD, 1988-1993

Tony made an unmatched contribution to the economics of public policy, income distribution and social security but also to wider social policy. It was his idea to found two key programmes of work within STICERD, one on taxation and income distribution, (TIDI), the other on the economics of the welfare state, which attracted to STICERD two groups of outstanding academics. They built bridges between two disciplines that had once been shy, if not contemptuous, of one another. That now seems absurd but it was Tony’s genius to cut through such idiocy. He nurtured the open challenging atmosphere that makes STICERD such a great place in which to work. It was an honour to try to hand that on to later generations. We have lost not just a great man but a warm and generous one too.

**Howard Glennerster**
Professor Emeritus of Social Administration
Chair of STICERD, 1994-2000
Like many of my generation, I was brought up on Tony Atkinson’s work. His Economics of Inequality was among the first economics books that I bought as an undergraduate and helped to inspire me to carry on studying economics. He showed that economics could be rigorous and yet focused on major societal policy issues. As a graduate student, I recall working through every line of his Lectures in Public Economics (with Joe Stiglitz). It defined the subject for a generation or more. More generally, his commitment to measurement, bringing insightful theory and policy together made him an inspirational figure. His enduring commitment to the study of inequality and the importance of policy rooted in normative concerns made sure that these remained central to public economics. Tony was brought to LSE in to STICERD at an early point in its history and his approach to economics lives on in the work that STICERD does. We owe it to Tony to strive even harder to emulate the standards of human decency and scientific integrity that he set.

**Tim Besley**
School Professor of Economics of Political Science and W. Arthur Lewis Professor of Development Economics
Chair of STICERD, 2001-2011

Tony was an exceptional colleague in many ways: extremely smart, passionate about designing a society that works for the weakest, humble and kind beyond belief. His perfect alignment of intellect and morality gave him the calm and clarity to tackle the difficult path from rigorous research to effective policy design.

My most precious memory dates back to when I was appointed director of STICERD and I had tea with Tony to learn from his experience. Before I could take out my long list of questions, Tony started asking about my work on health service delivery in Zambia, he knew it well and offered many brilliant insights. Most importantly his enthusiasm rubbed off and I went back to my office buzzing with energy and a childlike excitement to analyse more data.

It took me hours to realise I hadn’t asked a single question on my “how to be a good director” list. It took me much longer to understand that Tony had answered the most important question: that the Director’s job is to encourage research excellence, and that excellent research requires a strong sense of purpose.

**Oriana Bandiera**
Sir Anthony Atkinson Chair in Economics
Director of STICERD, 2012- present
# The Year in Numbers 2017

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While both vocational training and apprenticeships raise employment of poor Ugandan youth and are cost-effective in the long run, vocational training has larger impacts.

By 2050, the world’s population is expected to increase by 30 per cent, with 83 million people added every year (UN 2017). The global economy is not generating enough jobs to keep pace with the growing number of labour market entrants. In 2018 population growth will once again outstrip job creation, leading to an additional 2.7 million unemployed people globally in just the space of one year (International Labour Organisation 2017). This problem is particularly severe in sub-Saharan Africa, where 60 per cent of the population is below the age of 25, and where 2018 alone is expected to generate one million new unemployed, concentrated among young people trying to enter the labour market (UN 2017, International Labour Organisation 2017). Helping such growing masses of young workers find secure employment is thus a key challenge for policy-makers worldwide, particularly in developing countries and sub-Saharan Africa.
Vocational training and apprenticeships as active labour market policies

Vocational training and apprenticeships are two common policy tools in the fight against youth unemployment. The World Bank invested $9 billion in 93 such training programmes between 2002 and 2012 (Blattman and Ralston 2015). Despite the popularity of these programmes, evidence on their relative effectiveness is limited, especially in the context of developing countries (Card et al. 2015, Blattman and Ralston 2015, McKenzie 2017).

Both vocational training and apprenticeships are designed to provide workers with technical skills that can help them get jobs. Vocational training is imparted in-class, while apprenticeships take place in firms, where workers receive on-the-job training. Subsidising vocational training can help poor workers overcome a lack of financial resources that might prevent them from acquiring valuable skills. However, the success of vocational training relies on workers being able to find firms that can hire them. If workers lack the resources or information necessary to effectively look for jobs, or if firms are unable to finance the recruitment and training costs needed to hire a new worker, then subsidised apprenticeships can provide a more direct entry-way into the labour market, by creating an attachment between workers and firms.

Evaluating a vocational training and apprenticeship program in Uganda

In a recent paper, we report the findings from an evaluation we conducted with the NGO Building Resources Across Communities (BRAC), to compare the effectiveness of vocational training and apprenticeships in helping a sample of Ugandan youth enter the labour market (Alfonsi et al. 2017).

Youth from poor backgrounds were randomly assigned to three groups: a first group was offered a vocational training programme sponsored by BRAC and consisted of six months of sector-specific in-class training at partner vocational training institutes (VTIs), a second group instead was placed in a small firm for a subsidised apprenticeship lasting six months, and a third group was held as control.

All the youth participating in the study were either unemployed or underemployed at baseline, but were willing to get trained and to work. For both types of training we focused on sectors common in Uganda and in developing countries more generally, such as welding or hairdressing. Only vocational training provided workers with a certificate.

“Helping such growing masses of young workers find secure employment is thus a key challenge for policy-makers”
Results on skills, employment, and earnings

We find that both interventions increased skills but whilst apprentices learned firm-specific skills, vocational trainees learned sector-specific skills. In line with this, vocational trainees and apprentices performed substantially different tasks while employed, as shown in Figure 1.

Figure 1 Impacts on tasks performed on the job

Notes: The figure plots the difference in the percentage of workers performing each given task while employed, between workers in the Vocational Training and in the Apprenticeship groups. The x-axis lists all the tasks included in the survey, across the eight sectors considered in the study.

Both interventions led to large increases in employment and earnings, but gains were at least 50% larger for vocational trainees. When averaged over the three years post-intervention study period, the gains in employment probability were 21% for vocational trainees and 14% for apprentices, while the increase in monthly earnings was 34% and 20% respectively, as shown in Figure 2.
Figure 2 Impacts on employment and earnings

![Chart showing impacts on employment and earnings]

Notes: The figure reports the estimated percentage increase in probability of employment and total monthly earnings, relative to the level in the control group. Impacts are averaged over the three years post-intervention.

Cost-benefit analysis

Both interventions were costly. But can we consider either of them worth it? Performing a cost-benefit analysis reveals that both vocational training and apprenticeships were cost-effective and would pay for themselves in a decade. However, vocational training was more cost-effective. Assuming benefits last over the life-cycle, vocational training had an internal rate of return (IRR) of 21%, while apprenticeships had an IRR of about 10%.

Displacement effects

An important consideration is whether our interventions had displacement effects, i.e. whether our workers found employment at the expense of other workers not in our study. While we find that apprentices displaced other workers in the firms where they were matched, our design does not allow us to study the displacement effects of vocational training, leaving this an open question. However, even in the presence of full displacement, the interventions may still have led to an improvement in overall productivity, since the workers who were brought into employment were highly motivated and so likely to be more productive than the average unemployed youth. In line with this, although apprenticeships did not cause an increase in firm size, those firms hiring apprentices made higher profits as a result.

Mechanisms: The importance of labour market mobility

Why was vocational training more successful than apprenticeships? Labour market mobility is an important part of the answer. Due to their skills being more transferable, vocational trainees were much more mobile than apprentices – they were more likely to be poached by higher paying firms, and if they fell into unemployment, they were more likely to get back into employment. On the other hand, apprentices learned more firm-specific skills and did not receive a certificate to signal their skills, thus making it more difficult for them to move to better jobs over time.
Policy implications and directions for future research

Taken together, our results suggest that both vocational and apprenticeship training can play an important role in fighting youth unemployment and increasing productivity. Vocational training seems particularly promising, since it provides workers with more transferable skills that are valuable to a particular sector as opposed to one particular firm. This can increase the ability of vocational trainees to move across jobs and to take advantage of opportunities in the labour market.

In thinking about the design of future training evaluations, it is important to consider two specific features of our design, which we believe contributed to the success of both interventions in our context:

The workers who applied to our program did so voluntarily and so were highly motivated to participate.

The VTIs were selected to be of very high quality.

These two points help explain why our estimates of the returns to both programmes are large relative to the existing literature.

Looking ahead, our results open up a rich set of policy and research questions on how the market for vocational education may be best organised in these countries, and on the role that certifications can play in this process.

Editor’s Note: This article is based on an IGC project and this PEDL Project

References


McKenzie, D (2017), "How effective are active labour market policies in developing countries?", World Bank Research Observer 32(2): 127-54.


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Oriana Bandiera is Professor of Economics at LSE and Director of STICERD

Vittorio Bassi is Assistant Professor of Economics at the University of Southern California

Robin Burgess is Professor of Economics at LSE

Imran Rasul is Professor of Economics at University College London

Munshi Sulaiman is Research Fellow with Brac Institute of Governance and Development (BIGD) and Makerere University Business School (MUBS)

A Vitali is a PhD student at University College London
In the academic world, the ultimate turf war is not over coveted professional awards and positions, or even the pages of prestigious journals. It is over coverage in textbooks. As Paul Samuelson once said, “I don’t care who writes a nation’s laws – or crafts its advanced treaties – if I can write its economics textbooks.”

When I started my academic career at the University of Chicago in the late nineties, I used to teach microeconomics to undergraduates. The assigned textbook was Intermediate Microeconomics by Hal Varian, then in its fourth edition. Most of the book covered standard topics like consumer and producer behaviour, market equilibrium and departures from the perfect competition paradigm, such as monopoly and aspects of public economics. None of these topics had changed much in content or style in almost half a century. Newer areas such as game theory, information economics and auction theory had just earned
their chapters. Behavioural economics had no chapter of its own at the time. A field that questioned the assumption of rational economic agents – a basic cornerstone of economics – was viewed as a bit strange, pursued by eccentrics, subversives or visionaries, depending on one’s perspective.

Richard Thaler had just joined Chicago but was appointed in the business school, and not the economics department, the ultimate centre of orthodoxy in economics. The general attitude there towards Thaler’s specialisation ranged from indulgent scepticism (yes, we need to engage with a whole range of ideas, however outlandish they may be) to downright dismissiveness (if people are not rational, markets will discipline them or they will not survive).

Fast forward 20 years. Thaler just won the Nobel Prize for Economics, thereby swelling further the already bulging ranks of Chicago economists who are laureates. After hearing the news, I picked up the latest edition of that microeconomics textbook by Varian. The ninth edition has a chapter on behavioural economics. The field has officially arrived. As Thaler quips in the book Misbehaving, with his election as the president of the American Economic Association in 2015, the lunatics were finally running the asylum. Or, the rebels are now very much part of the establishment, and are en route to becoming the establishment some day.

**Goal of behavioural economics**

As has been noted, the term “behavioural” economics is a bit confusing. After all, the basic building block of economics is human behaviour, as much as it is atoms, chemical compounds, or cells for the natural sciences. The goal of behavioural economics is to highlight certain systematic biases that affect economic decision-making.

For example, we are often subject to temptations that our wiser self knows is not going to be good for us – procrastination, having junk food, avoiding exercise, or smoking. As in Tintin comic books, our “bad” self (devil Snowy) entices us to do things that our good self (angel Snowy) exhorts us not to do. Thaler refers to these as the “doer” and the “planner,” respectively. At the same time, he argues that we can often anticipate behavioural biases and use methods to prevent us from succumbing to them, like Odysseus tying himself to the mast to resist the temptation of the Sirens. This could be savings or pension schemes that have penalties for early withdrawal, or making it harder to reach the shelves with unhealthy food in school canteens or grocery stores or membership schemes in the gym where customers agree to pay more if they miss their scheduled workouts.
Why did mainstream economics ignore these behavioural biases? After all, we all know that to err is human. Even Adam Smith was well aware of some of these follies and fallibilities. In his classic Wealth of Nations (1759) he wrote: “How many people ruin themselves by laying out money on trinkets of frivolous utility? … All their pockets are stuffed with little conveniences … of which the whole utility is certainly not worth the fatigue of bearing the burden.” Yet, the rational economic agent in economic models, often referred to as homo economicus (or, econs, to follow Thaler, to be distinguished from humans) is assumed not to have any biases, and to possess unlimited cognitive power to figure out what's best for him or her, the discipline to implement these optimal decisions, and very little concern for anything much beyond his or her own narrow well-being. In other words, neither a nice nor a particularly interesting person to know, but a formidable one to reckon with in the marketplace, whether as a consumer, investor or worker.

Economists were well aware that this was a very narrow notion of how humans behave, but it had the advantage of simplicity and predictability. As much as a map is an abstract and stylised depiction of geographic space, which is not realistic but useful for certain purposes, economic models are bound to be stylised and simplified to have any traction at explaining anything.

So what changed? Decades of empirical work – often in the laboratory and more recently in field experiments, and motivated by insights from psychology – eventually made it impossible to shrug off behavioural biases as either minor departures from the standard paradigm that didn't significantly alter the main predictions or as isolated wrinkles that were always ironed out by market discipline. Empirical studies pointing to the persistent and pervasive presence of these biases eventually forced the discipline to change how it models economic agents.

Not only was Thaler involved in many of these experimental studies, he also was a leader in drawing from psychology to provide theoretical models for analysing systematic biases that shape economic decision-making. Other than his work on self-control, his theory of the “endowment effect,” referring to people's tendency to value something more just because they own them, deserves special mention.

Nudging

Thaler has not only been a pioneer in pushing behavioural economics in both empirical and theoretical directions, he has also been working tirelessly in promoting a policy agenda whose key focus is to “nudge” people toward making better choices in the face of behavioural biases. There are now “nudge” units in the US and the UK, and also within the World Bank, that study how public policy can be improved by taking into account limited cognitive capacity as well as self-control problems of individuals. One simple but important innovation is how default options are defined in pension or savings plans. Rather than leaving it to the individual to enroll in a specific plan, which often leads to delays and losses, people are often enrolled by default in a basic scheme, which they can change later if they want to.

Some have argued that nudging is part of a “neo-liberal” agenda that supports authoritarian policies such as demonetisation, referring to a loose remark Thaler made.
praising demonetisation, and quickly corrected. By that logic, though, shouldn’t we criticise post-modernists for the post-truth world, or Marxists for the horrors of socialist regimes in Eastern Europe and East Asia? As much as Thaler’s remark and subsequent mea culpa is a perfect example of a behavioural bias of shooting off the hip, making a mountain out of a molehill is another.

How important are nudges and behavioural biases in the larger scheme of things? Many studies in the context of developing countries highlight the importance of taking behavioural biases into account in tackling poverty. The poor may or may not be more prone to behavioural biases than anyone else, but given that they live on the margins of subsistence, the stakes are much higher for them. For instance, small farmers often receive a large cash windfall after the harvest and may wish to save that money for the lean period or for purchasing inputs such as fertiliser for the next crop cycle but often end up spending it in the absence of good savings options.

An experimental study in Malawi showed how a savings account can solve the problem. When offered no savings account, a normal savings account, and a commitment savings account that locked up the money until a certain date in the future, farmers were observed to save the most with the third option, which led to greater purchase of agricultural inputs in the next period, and higher earnings after the next harvest. There is no question in economics more important than why poverty persists, and behavioural biases in the form of self-control problems may provide an important clue to this.

Thaler’s work will thus be remembered for making the economics discipline focus on how people actually behave, and how economic institutions actually work as opposed to a priori ideas about how they are supposed to behave in a computer-game-like world of ruthlessly self-seeking robots operating in perfectly competitive markets.

Maitreesh Ghatak is Professor of Economics at the London School of Economics. He tweets @maitreesh.
The idea that electrification causes industrial development dates back as far as Lenin¹. Even today, many governments and aid agencies around the world invest in energy infrastructure projects, especially in developing countries. For example, the World Bank has committed to lending 6.3 billion to the Energy and Mining sector worldwide in 2017 alone. The Kenyan government is currently investing 2.1 billion in the grid expansion to rural areas. The Kenyan policymakers expect this investment “to enhance industrialization and emergence of [...] industries”. There is consensus among policymakers that access to electricity is an essential ingredient for industrial development, which is considered a fundamental driver of growth.

¹ Lenin stated that “Communism is Soviet power plus the electrification of the whole country” and he believed that electrification would transform Russia from a “small-peasant basis into a large-scale industrial basis”.

However, recent economic evidence shows that the benefits of electrification are not as large as previously thought. If you think about Sub-Saharan Africa, electrification in various countries there has increased substantially over the last decades, but these countries have yet to witness industrialization. So I ask: does electrification cause industrial development? Or do these investments have little impact on the pace of industrial development?

To answer this question, I use a rapid, government-led grid expansion during a period of rapid industrialization in Indonesia. I travelled multiple times to Jakarta where I spent time at the Indonesian state electricity monopoly Perusahaan Listrik Negara (PLN). I collected and digitized spatial data on the electrification infrastructure; which when combined with manufacturing census data, result in a comprehensive data-set covering a period of 11 years from 1990 to 2000. More precisely, I first map the expansion of the electric transmission grid over time and space in Java, the main island in Indonesia. I then map manufacturing activity in 25,000 administrative areas using more than 29,000 unique firm observations in Java, where 80% of Indonesian manufacturing firms are located.

For historical reasons, the Indonesian power sector remained underdeveloped compared to countries with a similar GDP. In 1990, Java, the most developed and densely populated island in Indonesia, was only around 40% electrified. The island has since witnessed a massive and successful government-led effort to expand access to electricity up until the year 2000. During that period, transmission capacity in Java quadrupled and electrification ratios increased to more than 90%. The impressive expansion of electrification in Javanese desas between 1990 and 2000 can be seen in Figure 1 below.

This is the first paper to examine the effect of the extensive margin of electrification (grid expansion) on the extensive margin of industrial development (firm entry and exit). The link between electrification and firms has been studied on the intensive margin and is mostly focused on the effect of shortages on firm outcomes. The evidence on the intensive margin of electrification and industrial development is important, but the effect of the extensive margin of electrification on industrialization is potentially different, and of greater relevance to those interested in long run development. Electrifying a new location can influence firms’ entry and exit decisions in that particular location. An economic mechanism
through which the extensive margin of electrification affects industrial development is therefore firm turnover, driven by the entry and exit of firms. This affects the composition of firms in the market, and hence, average productivity. Whether or not electrification enhances or decreases manufacturing productivity is therefore a question that requires empirical verification.

Establishing a causal link between electrification and industrial development is empirically challenging. In any emerging economy, infrastructure and industrialization occur simultaneously, and separating demand-side from supply-side factors is difficult. My empirical strategy tries to make progress on this issue by using an instrumental variable strategy where I exploit the need of the state electricity monopoly to have a single interconnected electricity grid in Java. I construct a hypothetical interconnected electric transmission grid that is a function of incumbent disconnected electrification infrastructure built by Dutch colonial electric utilities and geographic cost factors. The hypothetical grid abstracts from endogenous demand factors that could be driving the expansion of the grid and focuses on cost factors only. I use distance to the hypothetical grid to predict access to the actual grid, conditional on various controls, including other types of infrastructure.

My results show that electrification causes an increase in manufacturing activity. This is represented by an increase in the number of firms, number of manufacturing workers, and manufacturing output at the desa level. Interestingly, electrification increases firm turnover by increasing entry rates but also exit rates. An important question is whether electrification creates new economic activity by attracting new firms or the estimated effects are due to existing firms moving from non-electrified desas to electrified desas. I conduct a series of empirical tests of general equilibrium effects which show that the extensive margin of electrification creates new economic activity.

At the firm level, I find that electrification causes average firm size to increase, both in terms of how much output the firm produces and how much inputs it demands. The results on firm turnover are confirmed in the firm-level analysis. Electrification increases the probability of exit, making it harder for inefficient firms to survive. In addition, electrification shifts the firm age distribution towards younger firms. This is a sign of healthy churning in the industry, created by increased entry (more young firms) and increased exit (firms die more often).

Finally, I find that electrification increases average productivity as well as allocative efficiency where the covariance between firm productivity and market shares is higher in electrified areas. These results are theoretically consistent with a decrease in the entry costs, suggesting that electrification increases aggregate productivity by allowing more productive firms in the market, increasing firm turnover, and enhancing allocative efficiency.

Dana Kassem is a PhD student in development economics at STICERD. Her job market paper is entitled "Does Electrification Cause Industrial Development? Grid Expansion and Firm Turnover in Indonesia". She will take up a post-doctoral position at the University of Mannheim this autumn.
CASE is proud to be a long-standing member of the STICERD family of research centres and programmes. At the core of our agenda is research on the relationship between social and public policies and multiple forms of social and economic disadvantage. Within this, we have research themes on:

• Welfare states and distributional outcomes
• Economic inequalities, social mobility and multidimensional poverty
• Capability, equalities and human rights
• Childhood, early years and intergenerational relations
• Housing and communities.
The popularity of the term ‘social exclusion’ has ebbed and flowed since we adopted it in the late 1990s, but – regrettably – the underlying phenomena of multi-dimensional disadvantage, gaps between the haves and have-nots, and the dynamics of exclusion remain very ‘live’ social problems. Income poverty is a core concern, and we see this in relation to deprivations in other aspects of life, such as health, education, employment, housing, care and physical security. Similarly, the ‘vertical’ inequality between rich and poor is important in its own right, and we combine this with an interest in the ‘horizontal’ inequalities associated with, for example, sex, ethnicity, age and disability. This multidimensional and intersectional perspective is reflected in the Centre's work that has been influential in developing frameworks and applications of the capability approach, including those being used by Equality and Human Rights Commission in Britain, and Oxfam International.

Social Policies and Distributional Outcomes in a Changing Britain

In October 2017, we began a major 3-year programme, ‘Social policies and distributional outcomes in a changing Britain’, funded by the Nuffield Foundation. It is led by Polly Vizard and John Hills and in partnership with research teams at University of Manchester, Heriot Watt University and UCL Institute for Education. It is overseen by an independent Advisory Board chaired by Dame Frances Cairncross.

The central objective of the programme is to provide an authoritative evidence base on social policies and distributional outcomes in 21st century Britain. The central question we are addressing is: What progress has been made in addressing social inequalities through social policies? The research programme is ambitious in scope, combining in-depth quantitative analysis of trends in social inequalities and social divides with detailed and systematic public expenditure and social policy analysis across ten major social policy areas over the period 2015-2020, together with broader reflection on the changing nature of social policies and distributional outcomes over the last 25 years.

The programme of research builds on previous CASE analyses of social policies and distributional outcomes. This includes the Social Policies in a Cold Climate (SPCC) research programme covering the period 1997-2015 and previous outputs such as Towards a More Equal Society and, going back even further, to the State of Welfare books that were published as part of the Welfare State Programme (also under the auspices of STICERD).
The approach provides the ability to look at cumulative outcomes for specific groups across policy areas elsewhere considered in administrative and research silos, and to integrate the unique insights that emerge. For example, the *Social Policies in a Cold Climate* programme identified the phenomenon of ‘selective austerity’ through an investigation of how simultaneous changes to social security/tax, health and social care, education and employment, and housing(communities policies under the UK Coalition government impacted on different groups. Families with young children, youth and the low skilled were significant losers from spending and service cuts.

The SPDO programme will update and broaden our analysis of public expenditure, social policies and distributional outcomes using the most recent datasets available, resulting in a unique evidence base on trends in social inequalities and social policies going back to 1997. Innovative extensions include: coverage of additional areas of social policy (eg, physical safety/security and complex needs/homelessness); emphasis on the new context for social policy making (eg, devolution and BREXIT); assessment of a broader range of multidimensional outcomes within our quantitative analysis (eg, social attitudes and subjective experiences); and the inclusion of additional breakdowns (eg, migration status). This programme also has a forward looking component, identifying the key challenges for social policy in the 2020s.

There are three main research tasks.

- First, we are providing detailed and cross-cutting documentation, monitoring and analysis of progress made in tackling social inequalities through social policies over the period 2015-2020. This includes an in-depth examination of public expenditure, social policies and their immediate consequences for outcomes over this period across 10 major social policy areas (social security and general housing; health; social care; early years; compulsory school age education; higher education; employment; safety and security; social mobility; and homelessness/complex needs).

- Second, our social policy analysis is being supplemented by in-depth quantitative analysis of distributional outcomes, drawing on a wide range of social survey and administrative data sets, as well as new insights on social attitudes and social mobility. The distributional analysis will cover five critical dimensions of life (living standards, health/care, education, employment and safety/security) with breakdowns by a range of characteristics (such as age, socio-economic group, ethnic/national/religious migration status and area).

- Third, our overall assessment of social policies and distributional outcomes covering the period 2015-2020 will be contextualised within, and informed by, broader reflection on the changing nature of social inequalities and progress made in addressing these through social policies going back to the late 1990s as well as identifying the major social policy challenges ahead. This will include analysis of the evolution of social policy making in 21st century Britain; the changing nature of social inequalities; the changing relationship between the individual and the state; and changes in the balances between public and private sector roles.
Understanding the links between inequalities and poverty

An understanding that poverty cannot be seriously tackled without addressing inequality has given rise to a number of international organisations (World Bank; UN; WEF; Oxfam) setting joint inequality-poverty reduction targets. However, the evidence base was relatively weak, with only limited information available on the relationship between the two phenomena. A 3-year programme of work [hyperlink], funded by the Joseph Rowntree Foundation, and led by John Hills, Abigail McKnight, and Polly Vizard in partnership with the International Inequalities Institute, is expanding and deepening the evidence base on the links between inequality and poverty.

The first stage is conceptual clarification. Irene Bucelli’s paper [hyperlink JRF IP1] examines the normative grounds of our concern about poverty and about inequality. She shows that theories of social justice have tended to emphasise inequality rather than poverty, while humanitarian, rights-based and sufficientarian accounts have been associated with the primacy of poverty. However she argues that there are, or can be, areas of synergy. In the first place, reducing inequality may be instrumentally important to reducing poverty, even where the normative priority remains poverty. Secondly, some grounds of concern overlap, for example, “both poverty and inequality can be seen as violations of human dignity” (p7), and this in turn can be related to the capability approach, with its emphasis on what people are able to be and do.

A second paper, by Lin Yang [hyperlink JRF IP2], canvasses the conceptualisation and measurement of inequality and poverty in the social science literature, while the third and fourth papers arising from this programme explore the empirical association between different measures of poverty and inequality across a range of rich and middle income countries. Eleni Karagiannaki’s paper [hyperlink JRF IP3] uses a number of international datasets and confirms significant positive associations between levels of income poverty and levels of inequality within countries at a point in time, as well as between changes in poverty and changes in inequality within countries over time (see Figure). These associations are stronger for inequality measured by the Gini and the 90:10 and 50:10 ratios, and there is no consistent pattern for the association between long-term trends in the income shares of the top 10 per cent or top 1 per cent with relative poverty rates. This suggests that, while overall the association between inequality and poverty is strong, “the forces that drive the evolution of top income inequality and poverty are different” (p5). Moreover Eleni’s in-depth examination of the trends for the UK, US, Sweden and Denmark indicates that country-specific factors are important in shaping the relationship between inequality and poverty, including the role played by tax-benefit schemes and broader welfare systems.
Lin Yang and Polly Vizard's paper [hyperlink JRF IP paper 4] continues the exploration of the association between income inequality and poverty, but in this case expanding the definition of poverty to encompass material deprivation and multi-dimensional poverty. They confirm strong cross-sectional associations between inequality and poverty using these broader measures for European countries. Changes in inequality over time and changes in multidimensional poverty over time are also positively associated, but not statistically significant. Controlling for income inequality, variations in rates of material deprivation and of multidimensional poverty are associated with ‘welfare regime’ categorisations, which once again points to the importance of policy as a mediating influence in the relationship between inequality and poverty.

Both programmes described above are on-going and further papers will be made available via the CASE website over the coming months.

Dr Tania Burchardt is Director of the Centre for Analysis of Social Exclusion (CASE), Deputy Director of STICERD, and an Associate Professor in the Department of Social Policy at the London School of Economics. Tania’s research interests lie in theories of justice, including the capability approach, measurement of inequality and applied welfare policy analysis.
News
In June 2017, Alvin Roth delivered the annual Morishima Lecture, with Nava Ashraf as chair. Alvin Roth is the Craig and Susan McCaw Professor of Economics at Stanford University (and the Gund Professor of Economics and Business Administration Emeritus at Harvard). Together with Lloyd Shapely, he was awarded the Nobel Prize in Economics Sciences in 2012. Nava is Professor of Economics at the London School of Economics and Political Science. She is also Director of Research of the Marshall Institute for Philanthropy and Social Entrepreneurship.

This was a masterful interpretation of his academic work for a general audience, based on his book “Who Gets What- and Why” and was delivered to a packed Old Theatre. The
topics covered were topics of game theory, market design and experimental economics. The lecture covered some of the market Alvin has personally helped design and that affect thousands of people in their day to day lives, such as school choice systems and life-saving kidney exchange programmes.

The 2017 Atkinson Memorial Lecture was delivered by Eliana La Ferrara. Eliana’s lecture was entitled Media and behaviour change: unpacking social effects.

In this lecture Eliana La Ferrara presented some recent research done in collaboration with Abhijit Banerjee (MIT) and Victor Orozco (World Bank). The authors test the effectiveness of an entertainment education TV series, MTV Shuga, aimed at providing information and changing attitudes and behaviors related to HIV/AIDS. Using a simple model they show that “edutainment” can work through an “individual” or a “social” channel. They conducted a randomized controlled trial in urban Nigeria where young viewers were exposed to MTV Shuga or to a placebo TV series. Among those exposed to MTV Shuga, additional variation was created in the “social messages” they received and in the people with whom they watched the show. The authors find significant improvements in knowledge and attitudes towards HIV and risky sexual behavior. Treated subjects are twice as likely to get tested for HIV eight months after the intervention. They also find reductions in STDs among women. These effects are stronger for viewers who report being more involved in the narrative, consistent with the psychological underpinnings of edutainment. The experimental manipulations of the social norm component did not produce significantly different results from the main treatment. The “individual” effect of edutainment thus seems to have prevailed in the context of the study.

Alvin Roth is the Craig and Susan Shaw Professor of Economics at Stanford University. He was awarded the 2012 Nobel Memorial Prize in Economics Sciences jointly with Lloyd Shapley, for their work on the theory of stable allocations and the practice of market design.

Eliana La Ferrara holds the Fondazione Romeo ed Enrica Invernizzi Chair in Development Economics at Bocconi University, where she also acts as Scientific Director of the Laboratory for Effective Anti-poverty Programs.
Welcoming new faculty to STICERD

Three new faculty joined us at the end of 2017; Daniel Reck, Xavier Jaravel and Rachael Meager. All three bring unique strengths to the centre and we consider ourselves fortunate to have them working alongside us. More information about each of them is below.

**Daniel Reck**

Daniel grew up in Tulsa, Oklahoma, and received degrees in economics and mathematics from the University of Oklahoma in 2010. His PhD, in Economics, is from the University of Michigan and was awarded in 2016. Before joining the LSE as an Assistant Professor of Economics, he spent one year as a postdoctoral scholar at the University of California Berkeley's Department of Economics.

Daniel’s research interests are primarily in behavioral welfare economics and public economics. More broadly, he takes an interest in the combination of administrative datasets and theoretical reasoning to study a variety of topics in applied microeconomics. Among his recent research projects are papers on the effect of recent enforcement efforts on tax evasion via offshore accounts in the US, the development and application of tools for recovering preferences from choice data when seemingly arbitrary factors like defaults affect choice, the optimal design of defaults, and the effects of minimum wage rules on youth employment.

**Xavier Jaravel**

Xavier Jaravel joined STICERD in late 2017, having completed a PhD in Economics at Harvard University. His undergraduate degree is in Economics and Political Science and was awarded by Sciences Po. Xavier has spent time as a visiting scholar at both Harvard University and the Collège de France. Immediately prior to joining the LSE, he was a postdoctoral fellow at the Stanford Institute for Economic Policy Research.

Xavier teaches public economics, including how to use micro data and methods to answer macro questions. His research focuses on innovation and productivity, with related work on trade and applied econometrics. His working papers include “The Unequal Gains from Product Innovations: Evidence from the US Retail Sector” and “Quasi-experimental Shift-Share Research Designs” with Kirill Borusyak and Peter Hull.
Rachael Meager

Rachael joined the LSE as Assistant Professor in 2017, following a PhD from MIT. Her research interests in development economics and econometrics. She works on applied Bayesian modelling of treatment effect heterogeneity at multiple levels within data sets and literatures, with the goal of measuring generalisability and quantifying uncertainty around our knowledge base in development economics. Recently, her work has focused on aggregating evidence on distributional treatment effects using sets of quantiles or parametric generating models within a Bayesian hierarchical framework. Much of her research in progress is focused on linking group-level distributional effects to individual heterogeneity with high-dimensional covariates, selection bias within and across literatures in development economics, and developing robustness metrics for empirical analysis. She is active on twitter as @economeager.
STICERD Atkinson Lecture (13 November 2017)

Media and behaviour change: unpacking social effects
By Professor Eliana La Ferrara (Bocconi University)

http://sticerd.lse.ac.uk/_new/events/Atkinson_Lectures.asp

Eliana La Ferrara is Professor of Economics at Bocconi University, Milan. She received her PhD in Economics from Harvard University in 1999. She is Research Fellow of the Centre for Economic Policy Research (CEPR) and the Innocenzo Gasparini Institute for Economic Research (IGIER) at Bocconi. She is a Fellow of the European Development Research Network (EUDN), an Affiliate of the Bureau for Research in the Economic Analysis of Development (BREAD), and the Coordinator of the European network on Actors, Markets and Institutions in Developing Countries (AMID). She is a member of the Council of the European Economic Association, and serves as Associate Editor for the Journal of the European Economic Association, the World Bank Economic Review and the Journal of African Economies. She has worked as consultant for the World Bank and the Inter-American Development Bank. Her research is in the field of development economics, with a particular focus on the role of ethnicity, social norms and institutions.

STICERD Morishima Lecture (15 June 2017)

Market Places and Market Design
By Professor Alvin Roth (Stanford University)

http://www.lse.ac.uk/website-archive/newsAndMedia/videoAndAudio/channels/publicLecturesAndEvents/player.aspx?id=3840
Seminars

1 January 2017 – 31 December 2017

Applications

Seminars

16 October 2017
Economic Applications of Machine Learning
Sendhil Mullainathan (Harvard University)

23 October 2017
Amanda Pallais (Harvard)

30 October 2017
Children, Time Allocation and Consumption Insurance
Richard Blundell (University College London and IFS)

06 November 2017
The Incidence of Carbon Taxes in U.S. Manufacturing: Lessons from Energy Cost Pass-Through
Reed Walker (Berkeley Haas)

13 November 2017
Atkinson Memorial Lecture
Media and behaviour change: Unpacking social effects
Elana La Ferrara (Bocconi University)

20 November 2017
Consistency without Inference: Instrumental Variables in Practical Application
Alwyn Young (LSE)

27 November 2017
What Do Consumers Consider before They Choose? Identification from Asymmetric Demand Responses (joint with Jason Abaluck)
Abi Adams (University of Oxford)

Econometrics

16 February 2017
Nonlinear Random Coefficients and Preference Heterogeneity
Arthur Lewbel (Boston College)

23 February 2017
14:00 00 – 15:30 00
Adverse Selection and Moral Hazard in a Dynamic Model of Auto Insurance
Elena Krasnokutskaya (Johns Hopkins) joint with NERA-STICERD Industrial Organisation Seminar Series

02 March 2017
Identification of Valuation Distributions in English Auctions
Andrew Chesher (University College London) joint with Adam M Rosen

09 March 2017
Using Instrumental Variables for Inference about Policy Relevant Treatment Parameters
Alex Torgovitsky (Northwestern University)
16 March 2017
A Robust Test for Network Generated Dependence
Ingmar Prucha (University of Maryland)

27 April 2017
Testing the Number of Regimes in Markov Regime Switching Models
Hiro Kasahara (UBC)

12 May 2017
Quantile Factor Models
Jesus Gonzalo (Carlos III, Madrid)

18 May 2017
Cross Sectional Dependence in Idiosyncratic Volatility
Ilze Kalnina (UCL)

25 May 2017
Optimal Auxiliary Priors and Reversible Jump Proposals for a Class of Variable Dimension Models
Andriy Norets (Brown University)

30 June 2017
Myung Hwan Seo (Seoul National University)

26 October 2017
Identification and Estimation of a Social Interaction Model using Network Data
Eric Auerbach (Northwestern University)

02 November 2017
Efficient Inference in Non-Gaussian Structural VARs
Jonathan Wright (JHU)

16 November 2017
Optimal dynamic treatment allocation
Anders Kock (University of Oxford)

23 November 2017
On the Cross-Validated Lasso
Zhipeng Liao (UCLA)

30 November 2017
A Semiparametric Network Formation Model with Multiple Linear Fixed Effects
Luis Candelaria (University of Warwick)

07 December 2017
Testing Coefficients Constancy & Specification of Interactive Effects
Miguel Delgado (Carlos III, Madrid)

23 February 2017
A Theory of Small Campaign Contributions
Laurent Bouton (Georgetown University)

02 March 2017
Search: Breadth vs Depth
Michael Richter (Royal Holloway)

09 March 2017
Rational Inattention Dynamics: Inertia and Delay in Decision-Making
Colin Stewart (Toronto University) joint with Jakub Steiner and Filip Matijka

16 March 2017
Deliberately Stochastic
Pietro Ortoleva (Columbia University) joint with Simone Cerreia-Vioglio, David Dillenberger and Gil Riella

23 March 2017
Crises: Equilibrium Shifts and Large Shocks
Stephen Morris (Princeton University) joint with Muhamet Yildiz
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<td>The Perverse Politics of Polarization</td>
<td>Syed Nageeb Ali</td>
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<td>On the Possibility of Information Aggregation in Large Elections</td>
<td>Sourav Bhattacharya</td>
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<td>Juuso Toikka (MIT)</td>
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<td>Mechanism Design with Evidence: Commitment and Robustness</td>
<td>Elchanan Ben-Porath</td>
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<td>Information disclosure and monopolistic screening</td>
<td>Daniel Kraehmer</td>
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<td>Social Discounting and Individual Long-Run Discounting</td>
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<td>Multilevel Marketing: Pyramid-Shaped Schemes or Exploitative Scams</td>
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STICERD-NERA
Industrial Organisation Seminars

23 February 2017
Adverse Selection and Moral Hazard in a Dynamic Model of Auto Insurance
Elena Krasnokutskaya (Johns Hopkins)
joint with STICERD Econometrics Seminar Series

12 June 2017
Spatial Equilibrium, Search Frictions, and Efficient Regulation in the Taxi Industry
Nick Buchholz (Princeton University)

15 May 2017
Mergers, Innovation, and Entry-Exit Dynamics: The Consolidation of the Hard Disk Drive Industry
Kosuke Uetake (Yale University)
joint with Mitsuru Igami

20 March 2017
Household Diversification: The Vehicle Portfolio Effect
Dave Rapson (University of California, Davis)
joint with James Archsmith, Kenneth Gillingham, Christopher Knittel

19 June 2017
The Tragedy of the Last Mile: Congestion Externalities in Broadband Networks
Aviv Nevo (University of Pennsylvania)
joint with Jacob Malone and Jonathan Williams

30 October 2017
Subsidy Tagging inPrivately-Provided Health Insurance Markets
Stephen Ryan (Washington University in St. Louis)

20 November 2017
Patient vs. Provider Incentives in Long Term Care
Martin Hackmann (University of California Los Angeles)
joint with R. Vincent Pohl, University of Georgia

27 November 2017
What Do Consumers Consider before They Choose? Identification from Asymmetric Demand Responses
Abi Adams (University of Oxford)
(joint with Jason Abaluck)
joint with CEP-STICERD Applications and Psychology and Economics seminars

09 October 2017
Leverage Regulation and Market Structure: An Empirical Model of the UK Mortgage Market
Matteo Benetton (Department of Economics, LSE)

08 May 2017
The Dynamics of Adjustable-Rate Subprime Mortgage Default: A Structural Estimation
Hanming Fang (U Penn)
(with You S. Kim and Wenli Li).
Political Science and Political Economy Research Seminars

10 January 2017
When Order Affects Performance: Behavioural Spillovers and Institutional Path Dependence
Jenna Bednar (University of Michigan)
joint with Scott E Page

17 January 2017
Presidential Prescriptions for State Policy: Obama's Race to the Top Initiative
William Howell
(University of Chicago)
joint with Asya Magazinnik

24 January 2017
Roman Roads to Prosperity: The Long-Run Impact of Infrastructure on Economic Activity
Ola Olsson (University of Gothenburg)

31 January 2017
Abortion, Environment, Guns: How Single-Minded Voters Shape Politicians’ Decisions
Paola Conconi (ULB & ECARES)
joint with Laurent Bouton, Francisco Pino and Maurizio Zanardi

07 February 2017
Office-Selling, Corruption, and Long Term Development in Peru
Jenny Guardado (Georgetown University)

14 February 2017
Leadership or Luck: An Analysis of World Leaders, Governors, and Mayors
Christopher Berry (Harris School of Public Policy, University of Chicago)

21 February 2017
‘The Political Legacy of Entertainment TV’
Andrea Tesei (Queen Mary)
(joint with R. Durante and P. Pinotti)

28 February 2017
Deterrence and counter deterrence in the fight against global terror
Scott Tyson (University of Michigan)
joint with Livio Di Lonardo

07 March 2017
A Taste for Polarization? Uncertainty, Legislative Agendas, and Preferences Over Representatives
John Patty (University of Chicago)

14 March 2017
Inequality and Redistribution Behaviour in a Give-or-Take Game
Ken Scheve (Stanford University)

21 March 2017
Democratizing the Party: The Effects of Primary Election Reforms in Ghana
Nahomi Ichino (University of Michigan)
joint with Noah L. Nathan

25 April 2017
Daniel Rubenson
(Ryerson University)

02 May 2017
The Social Dynamics of Riots: Evidence from the Captain Swing Riots, 1830-31
Toke Aidt (University of Cambridge)

09 May 2017
Voter Turnout with Peer Punishment
Andrea Matteozi
(CalTech and AUB)
joint with David K. Levine

03 October 2017
The Political Cost of Being Soft on Crime: Evidence from a Natural Experiment
Roberto Galbiati (Sciences Po)
10 October 2017
Mandatory Versus Discretionary Spending: The Status Quo Effect
Hulya Eraslan (Rice University)

17 October 2017
Social Media Networks, Fake News, and Polarization
Marina Azzimonti (Stony Brook) joint with Marcos Fernandes

24 October 2017
Election Coverage and Slant in Television News
Greg Martin (Emory) joint with Ali Yurukoglu

31 October 2017
Ekaterina Zhuravskaya (PSE)

07 November 2017
Molly Roberts (UCSD)

14 November 2017
Stefan Krasa (Uofl, Urbana-Champaign)

21 November 2017
Milan Svolik (Yale)

28 November 2017
Mehdi Shadmehr (Calgary)

05 December 2017
Giacomo Ponzetti (Barcelona GSE)

Psychology and Economics Seminars

21 February 2017
Channeled Attention and Stable Errors
Joshua Schwartzstein (Harvard Business School) joint with Tristan Gagnon-Bartsch and Matthew Rabin

07 March 2017
Bounded Reasoning: Cognition or Rationality?
Terri Kneeland (UCL) joint with Amanda Friedenberg and Willemien Kets

21 March 2017
Measuring and Bounding Experimenter Demand
Jonathan de Quidt (IIES)

20 January 2017
“Universal” pre-schooling: who benefits? Analysis using the English National Pupil Database
Tammy Campbell (CASE, London School of Economics) joint with Ludovica Gambaro and Kitty Stewart

27 January 2017
The role of markets and governments in sustaining, increasing and reducing inequality
David Piachaud (Social Policy and CASE, LSE)

27 January 2017
Multi-dimensional disadvantage among Gypsy and Traveller children in England and Wales
Tania Burchardt (CASE, London School of Economics) joint with Polina Obolenskaya and Polly Vizard

03 February 2017
Pharmaceutical promotion and health outcomes: Evidence from the Opioid Epidemic
Fernando Fernandez (STICERD PODER Fellow, and Pompeu Fabra)
10 February 2017
The power of money: The consequences of electing a privately-funded politician
Nelson Ruiz-Guarin (International Development, LSE)

17 February 2017
The impact of a wage tax in the financial sector on wages and employment
Malka Guillot (Department of Economics, LSE)

24 February 2017
Networks at Work: How Entry level Job Links Shape Civil Servants’ Careers and Performance
Shan Aman-Rana (Department of Economics, LSE)

03 March 2017
Discretionary Grants and Political Accountability: Evidence from matching grants to Brazilian municipalities
Michel Azulai (Department of Economics, LSE)

10 March 2017
Neighbourhoods, cooperation, and local public goods: Experimental evidence from urban Ethiopia
Simon Franklin (CEP, LSE)

17 March 2017
The Effect of Peer Observation on Consumption Choices: Experimental Evidence
Antonia Grohmann (DIW, Berlin)

24 March 2017
A Model of Risk Taking With Experimentation and Career Concerns
Gianpaolo Caramellino (Department of Economics, LSE)

28 April 2017
Consumption Smoothing, Returns to Investment and Community Agency
Vesal Nourani (Cornell University)

05 May 2017
Competition and macro-prudential regulation: An empirical model of the UK mortgage supermarket
Matteo Benetton (Department of Economics, LSE)

12 May 2017
Persuasion of Heterogeneous Voters
Carl Heese (University of Bonn)

26 May 2017
Changing collars? Social identity and selection in frontline jobs
Alexia Delfino (Department of Economics, LSE)

02 June 2017
Incentives, Performance and Peer Group Segregation: Evidence from large-scale Randomised Controlled Trial in Indian Universities
Sutanuka Roy (Department of Economics, LSE)

09 June 2017
Infrastructure and Structural Transformation: Preliminary Evidence from Large-Scale Road and Electricity Network Expansions in Ethiopia
Niclas Moneke (Department of Economics, LSE)

27 October 2017
Networks at Work: How Entry level Job Links Shape Civil Servants’ Careers, Performance and Skill Investment
Shan Aman-Rana (Department of Economics, LSE)
03 November 2017
Public Good Allocation and the Welfare Costs of Political Connections: Evidence from Brazilian Matching Grants
Michel Azulai (Department of Economics, LSE)

10 November 2017
Venture Capital Funds Size and Structure in a Directed Search Model
Francesco Sannino (Department of Economics, LSE)

17 November 2017
Reference Dependence in Retirement Behaviour: Evidence from German Pension Discontinuities
Arthur Seibold (Department of Economics, LSE)

24 November 2017
A Mechanism Design Approach to the Optimal Disclosure of Private Client Data
Konstantinos Tokis (Department of Economics, LSE)

01 December 2017
Leverage Regulation and Market Structure: An Empirical Model of the UK Mortgage Market
Matteo Benetton (Department of Economics, LSE)

08 December 2017
Housing Bubbles, Offshore Assets and Wealth Inequality in Spain (1984-2014)
Clara Martinez-Toledano (Paris School of Economics)
Development


**Econometrics**


**Industry**

Japanese Studies Programme


Psychology And Economics Programme


Public Economics Programme


Theory


Working papers
1 January 2017 – 31 December 2017

January 2017
Welfare and Inequality
Comparisons for Uni- and Multi-dimensional Distributions of Ordinal Data
Frank A Cowell, Martyna Kobus and Radoslaw Kurek

February 2017
Robust Inference and Testing of Continuity in Threshold Regression Models
Javier Hidalgo, Jungyoon Lee and Myung Hwan Seo

Empirical likelihood for high frequency data
Lorenzo Camponovo, Yukitoshi Matsushita and Taisuke Otsu

June 2017
The Political Impact of the Internet on US Presidential Elections
Valentino Larcinese and Luke Miner

July 2017
Likelihood inference on semiparametric models: Average derivative and treatment effect
Yukitoshi Matsushita and Taisuke Otsu

October 2017
Risk-based Selection in Unemployment Insurance: Evidence and Implications
Camille Landais, Arash Nekoei, Peter Nilsson, David Seim and Johannes Spinnewijn

November 2017
Inference on distribution functions under measurement error
Karun Adusumilli, Taisuke Otsu and Yoon-Jae Whang

Relative error accurate statistic based on nonparametric likelihood
Lorenzo Camponovo and Taisuke Otsu

December 2017
Inference Without Smoothing for Large Panels with Cross-Sectional and Temporal Dependence
Javier Hidalgo and Marcia M Schafgans

Tackling Youth Unemployment: Evidence from a Labour Market Experiment in Uganda
Livia Alfonsi, Oriana Bandiera, Vittorio Bassi, Robin Burgess, Imran Rasul, Munshi Sulaiman and Anna Vitali

Condorcet was Wrong, Pareto was Right: Families, Inheritance and Inequality
Frank Cowell and Dirk Van de gaer

Inheritance Taxation: Redistribution and Predistribution
Frank A Cowell, Chang He and Dirk Van de gaer
Each year, STICERD awards a number of grants to fund research and related events across the School

1. Dr Julia Boettcher, Dr Peter Allen (Mathematics): Analysing sparse large-scale networks; £5,000

2. Professor Richard Bradley (Philosophy), Professor Wulf Gaertner (CPNSS): Burden sharing: An experimental game; £5,200

3. Ms Alexia Delfino (Economics): Trust in the city: A lab-in-the-field experiment with small-scale entrepreneurs; £4,705

4. Dr Janina Dill (International Relations), Dr Livia Schubiger (Government): Attitudes towards killing in war; £7,760

5. Professor Paul Dolan, Dr Dario Krpan (Psychological and Behavioural Science): When the future spills under: Unexpected effects of expected future events on present behaviours; £5,000

6. Dr Tasha Fairfield (International Development): Conservative parties and redistribution: The case of Macri’s Argentina; £2,910

7. Professor George Gaskell (Methodology), Dr Katrin Hohl (City): Improving reliability and validity in the measurement of risk perception; £2,860

8. Ms Giulia Giupponi (Economics): The determinants of short-time work take-up and their consequences for policy design; £5,000

9. Dr Ryan Jablonski, Mr Johan Ahlback (Government): Strategies of election fraud across the Electoral Cycle; £4,968

10. Dr Xavier Jaravel (Economics): Inflation inequality and product innovations; £5,000

11. Professor Valentino Larcinese (Government): Coordination without the party: An analysis of roll call votes in the Italian parliament (1861-1924); £5,000

12. Dr N Lee (Geography): Socio-institutions and local economic performance: Evidence from twitter; £4,418
13. Dr Thomas Leeper, Professor Sara Hobolt (Government): Preferences for public resource allocation in post-brexit Britain; £4,920

14. Dr Matthew Levy, Dr Pasquale Schiraldi (Economics): Identification of intertemporal preferences from smoking purchases; £3,900

15. Dr Joanna Lewis (International History): Pathways to resilience: The role of an urban diaspora in post-conflict reconstruction – case study London and Hargeisa, 1991-present; £8,000

16. Dr Joana Naritomi (International Development), Dr Fernanda Brollo (Warwick), Dr Thiemo Fetzer (Warwick), Dr Samuel Marden (Sussex): Birth of a region: Decentralisation and local state capacity; £4,985
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Tony Atkinson’s wall of memories

Tony has been an exceptional source of inspiration for all of us who came in contact with him. I had the privilege of being supervised by him for my DPhil when he was Warden at Nuffield College, Oxford. I owe great gratitude to him for his personal guidance to me and for many of his writings on poverty in Europe. I will miss him like a father, and will hope to carry his work forward in some small ways.

– Asghar Zaidi

Tony was one of the most decent, kindest people I have ever met, and it was an honour to work for him

– Jane Dickson

Tony Atkinson was an almost mythical figure for me during my undergraduate studies in Bocconi, when I first came across his contributions to the theory of optimal taxation and later, when I decided to write my bachelor’s thesis on the effects of progressive taxation on inequality. His JET 1970 paper “On the measurement of inequality” remains one of the most inspiring papers I have ever read. The idea that positive analysis and normative views of inequality are inextricably linked (and that there exists no such thing as value-free measurement of inequality) is also extremely relevant for current economic and political debate. A few years after my encounters with his papers I was lucky enough to meet Tony in person and to appreciate in several occasions what an unassuming and generous person he was.

– Valentino Larcinese

Tony Atkinson was a true academic with one big ambition: to understand why there is poverty and inequality in a rich world and what does it take to correct them both? His work in these areas of research spanned advanced theory and practical policy advice. Had more of his policy advice being followed the world would have been a happier place to live in today. But his legacy lives on, through his many writings that are still widely read and especially through the many younger academics that he has influenced through his teachings and research. I was fortunate enough to be one of those who came across the person and his work as a graduate student, at the University of Essex and then at the London School of Economics. I first came across him when at a very young age he came to Essex as professor, and greeted as the young star who was going to transform Essex (and he did, in his relatively short tenure there), subsequently as the author that I read repeatedly when doing my research on unemployment – a big cause of poverty and inequality – and later as my colleague at LSE, where I learned from him how to approach university life. Tony the theorist was impressive:
the way he constructed his inequality index from seemingly unrelated theory (attitudes to risk) impressed me enormously and made me look beyond the narrow confines of labour economics for a solution to the unemployment problem. But more impressive was his view that in economics no theory is worth doing if it is not addressed to a problem that is blighting our world. The intermarriage of theory and evidence were present in his work from the very beginnings to his more recent books; from taking abstract growth theory and calculating with numbers how long it takes an economy to reach growth equilibrium (very long!) to calculating what tax rates are needed to tackle poverty and inequality. The world will miss Tony but thankfully his legacy will live on.

– Christopher Pissarides

Tony was a towering figure and has inspired generations of economists. – John Van Reenen

Like others, I will always recall Tony’s kindness and humility. When I was researching Britain’s war on poverty, one persistent puzzle was where the goal of ending child poverty had come from. I asked Tony one day and with his usual modesty he said it might have been him and kindly gave me his 1998 IPPR paper. That paper was the first to suggest the poverty reduction targets which of course helped set in motion the anti-poverty reforms of the Blair and Brown governments. That is just one example of his impact on policy which I am sure will be lasting. I particularly admire his last book – Inequality: What can be done – which I have used in teaching in the US and which I hope will continue to have an influence on policy there (where it is surely much needed). – Jane Waldfogel

My most vivid memories of Tony are his brilliant presentation to the EU in Luxemburg on how poverty in Europe could be overcome and his explanation to me in Oxford on why unemployment was unnecessary and unavoidable. Truly a kind and inspiring teacher and role model. – Anne Power

He was the epitome of what Keynes said that economics was for – to understand the present, in the light of the past, for the purposes of the future. ”

John Hills
Others have written about the influence of Tony’s inspiring qualities on their own work. In my case the inspiration first came from a third-year undergraduate course that he gave at Cambridge in the 1970s. It was enough; I was convinced that Public Economics and issues of income distribution were what I wanted to work on too. This effect has continued with cohorts of students: until very recently he taught on the EC426 Public Economics course. Over recent days it has been touching to see the Facebook exchanges of our recent graduates all saying essentially the same thing: how lucky they were to have been taught by him.

In his early days at STICERD Tony Atkinson acquired a nickname, “The Twins.” It seemed impossible that one person alone could so successfully be doing so many different things at the same time; there had to be two of them. You might imagine that trying to work alongside a high-level performer could be a trying and tiring experience. But working with Tony, even when he was in go-faster mode, was never a problem. He was always ready to make time for others and to take on more than his fair share of irksome tasks. I have benefited from his naturally generous approach not only in STICERD and in the LSE Economics Department, but also in the management of Economica, the establishment of the Society for the Study of Economic Inequality (ECINEQ), the development of the Luxembourg Income Study (LIS) and in so many other places where Tony has left a permanent mark.

And, finally, I have heard Tony Atkinson sing. The occasion was a dinner at the first LIS Summer School. During the first dinner, somehow a singing contest spontaneously emerged. We had Finnish drinking songs, a Japanese ballad, American grad students doing numbers from Camelot and so on. Some opted out (they needed to practise first!), but not Tony. We were treated to a solo rendition of Paddy Ryan’s “The Man That Waters the Workers’ Beer”. It wouldn’t have won prizes on a TV talent show, but every time I cite one of ABA’s numerous works, I think I will hear again that voice in my head, “I am the man, the very fat man / That waters the workers’ beer...” – Frank Cowell

I got to know Tony as one of the great minds in economics when studying Public Economics. That was before coming to the LSE. While feeling terribly sad, I am also very grateful that I have had the opportunity to really get to know Tony here. Not just for who he was professionally, but also for who he was as a person. He was so incredibly kind and generous in his enthusiasm and interest, for research and beyond. He has surprised and inspired me with his modesty and ongoing commitment to research.

Almost apologetically knocking on my door to have lunch or coffee? Of course, always!

Almost always making the trip to London – even after falling sick – when I would invite him (as apologetically) to a presentation. Much appreciated!

I will miss him dearly. – Johannes Spinnewijn
Tony was an exceptional academic economist and human being. As an academic, I will remember him primarily for two key contributions. First, he was one half of the Atkinson-Stiglitz (1976) theorem, which is one of the three-four cornerstone results in Public Economics. It is a result that every student and teacher in the field must know and understand, and which continues to spark public policy debate (take the recent Mirrlees review as an example).

Second, he made major contributions to the field of inequality over more than four decades, including times where the profession and the world more broadly cared less about the topic than they do today. His work on inequality includes important theoretical contributions as well as an enormous body of empirical work spanning countries all over the world. His early contributions and intellectual leadership have been key influences on the recent collective effort by Thomas Piketty, Emmanuel Saez and Tony himself to study top income shares over the long run of history using administrative income tax records. Tony may have been the most important figure in the field of inequality since Simon Kuznets.

As a human being, Tony was such a kind and humble person. I don't know exactly how he did it, but he had that rare ability to always make you feel good about yourself when you interacted with him. Let me give an example. Several years ago, a paper of mine (with Emmanuel Saez and Claus Kreiner) was presented at Harvard and it got slammed in the seminar. All three of us were present at the seminar, and we felt pretty bad about the outcome afterwards. Tony was also there as he was visiting Harvard at the time, and at the end of the day we sat down with him for a chat about the paper and about economics. I don’t remember exactly what was said, but I do remember that after chatting with him we all felt okay again. His words and personality somehow provided an immediate antidote to the I-just-gave-a-bad-seminar-at-Harvard syndrome, which can otherwise take a while to get over.

– Henrik Kleven

Like so many others in and connected with STICERD and LSE, I am only here because of Tony. Not just because I had the immense luck to be recruited by him to join STICERD’s Welfare State Programme, which he established, in 1986, but because his work acted as the inspiration for my whole career – his book, ‘Unequal Shares’ was the first book I was advised (by Mervyn King, as it happens) to read when I decided to switch to economics at university. That left me believing that who gets what and why – distribution and inequality – was at the heart of what economics should be about. But he was an inspiration in so many other ways. We have lost our most generous and supportive role model, but are so fortunate to have known him and to have been touched by his great career and life. He was the epitome of what Keynes said that economics was for – to understand the present, in the light of the past, for the purposes of the future. – John Hills
Tony was the epitome of kindness and humility, which are probably the rarest qualities for a man of his intellectual stature and brilliance. But I believe this is the way he thought a life truly dedicated to research and knowledge should be: insanely rigorous yet friendly and humble, relentless but with a constant smile. He showed me that research was not about competition for ideas, but collegiality in thriving for knowledge.

I remember his kind words, as he was sitting on my dissertation committee at the Paris School of Economics, and I was desperate that progress was so slow. He gave me hope, he gave me strength. My research, as that of most Public Economists, owes an immense deal to his work, which we all tried to emulate.

From his Lectures on Public Economics with Jo Stiglitz, to his seminal and monumental research on inequality or his founding the Journal of Public Economics, he has created, shaped and designed the field more than any other economists. This is a truly tragic loss, and we already miss Tony, his sharp, broad and deep mind, his warm presence. – Camille Landais

I was very fortunate to meet Tony when I was a young student at the London School of Economics in the fall of 1991. His many advices, always delivered with infinite care and kindness, had a decisive impact on my trajectory. With his distinctive approach, at once historical, empirical, and theoretical; with his extreme rigor and his unquestioned probity; with his ethical reconciliation of his roles as researcher in the social sciences and citizen of, respectively, the United Kingdom, Europe, and the world, Atkinson has himself for decades been a model for generations of students and young researchers. – Thomas Piketty

A great man has left us all too soon. Tony has been a professional and personal inspiration for me for decades -- and for many others as well. A huge gap has been left. – Stephen P Jenkins

What was most striking about Tony was how an incredibly generous man he was. He had numerous projects all over the world, yet despite his illness he would still find the time to mentor several generations of researchers and actively support the work of his colleagues up to his last days. We exchanged regularly on inequality at Sticerd, and in particular on the project to create
distributional national accounts that he so critically supported. With his typical enthusiasm and rigor, he would point to multiple references I had never heard of, provide guidance for future work, raise doubts and highlight promising tracks. You could be sure that whatever amount of time you had spent researching a topic, he would teach you something you did not know — especially, of course, if the topic in question was related to inequality, the field of studies that he led for so many decades. Tony, an extraordinarily decent and good man, was a giant among the social scientists of the last century. He will be sorely missed.

— Gabriel Zucman

Tony Atkinson will be remembered among those who were wonderful human beings together with having been great intellectuals that contributed to making a better society.

— Ruth Kattamuri

Tony was a truly great economist and a refreshingly down to earth, humble, simple man with a permanent twinkle in his eyes. Whenever I bumped into him at the LSE library he would give a conspiratorial grin (he told me, I don’t see too many of our colleagues in the library these days), seeming more like a friendly teacher out of Hogwarts than the legendary figure that he was in the profession. Once I was looking around for some Indian state level data and bumped into him. He asked me what

I was looking for and then pointed me to the right section. Anyone else who might have witnessed the exchange and didn’t know who he was would think what a friendly member of the library staff! — Maitreesh Ghatak

Tony was one of the most intellectually vigorous and rigorous people I have ever met. His work has had — and will continue to have — a profound influence on our understanding of inequality, conceptually and empirically; and also, crucially, on what can be done about it, as highlighted by the title of one of his recent books. At a personal level, I had the privilege briefly to share an office with Tony, and to experience first-hand his modesty, courtesy, warmth and respect for others that were all of a piece with his egalitarian principles. Such a combination of academic and personal integrity is a rare treasure indeed. — Tania Burchardt