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Eric S. Maskin [Ideological Profiles of the Economics Laureates]

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Abstract

Eric S. Maskin is among the 71 individuals who were awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel between 1969 and 2012. This ideological profile is part of the project called “The Ideological Migration of the Economics Laureates,” which fills [the September 2013 issue of *Econ Journal Watch*](#).

Keywords

Classical liberalism, economists, Nobel Prize in economics, ideology, ideological migration, intellectual biography.

JEL classification

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Eric S. Maskin

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Eric Maskin (1950–) grew up in New Jersey, and in high school he found an affinity for mathematics. He attended Harvard University and earned a bachelor's degree in math. During his undergraduate education he happened upon Kenneth Arrow's class on information economics, "which was so inspiring that I decided to change direction. It seemed to me that economics combined the best of both worlds: the rigor of mathematics with the immediate relevance of a social science" (Maskin 2013a). He continued at Harvard for his master's and Ph.D. in applied mathematics, but focused on economics. Under Arrow's direction, Maskin wrote his dissertation on mechanism design and social welfare (Maskin 2008). As in his dissertation, Maskin's early work focused on mechanism design implications for social choice. Later he worked on auctions, monopoly, and game theory, specifically discontinuous games (Cowen 2007).

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Maskin has taught at several universities, but has spent most of his time on faculty at the Massachusetts Institute of Technology and Harvard. Maskin shared the 2007 Nobel Prize in economics with Leonid Hurwicz and fellow Arrow student Roger Myerson for mechanism design theory.

In a 2007 interview, Maskin discusses the application of mechanism design theory:

Many goods, such as clean air, the environment or national defense, are not even provided by the markets. Yet these public goods all have to be provided and there has to be some determination made about how much to provide. For ordinary goods, existing markets can often decide how they should be provided. But for public goods, existing markets often either don't work at all or do not work very well. So mechanism design theory lets us think of how alternative institutions, besides markets, may reach a determination of the right level of certain goods. (Maskin 2007, 15)

When asked whether he prefers one type of economic system, Maskin responded:

Mechanism design theory is not in favor of, or opposed to, one system or the other. Instead it recognizes limitation in a system, especially for public goods. (Maskin 2007, 15)

According to Maskin's kind reply to our questionnaire (reproduced at the end of this profile), his early views were further left than those of his parents (Maskin 2013b). Through college, he became "even more left-wing (had some socialist sympathies)." In his thirties and forties, however, he gradually drifted toward the center, although still to the left. He describes his economic views as being more moderate than his social views (*ibid.*).

Maskin contributes to the IGM Economic Experts Panel, which was assembled as part of an Initiative on Global Markets at the University of Chicago Booth School of Business. Panelists are asked via email, at fairly regular intervals, to respond to structured survey questions about economic events and policies, and each panelist's responses are made publicly available. The responses from Maskin (2013c)—the only Nobel laureate on the panel—seem to indicate support for liberalizing restrictions on international trade, immigration, rental housing prices, "soft drugs," resale of tickets to entertainment events, and performance of healthcare services by licensed nurses, physician assistants, dental hygienists, and pharmacists. He gave a response of "uncertain" to a question on the consequences of implementing school vouchers, and also to a question on the consequences of

increasing the minimum wage. His responses seem to indicate support for carbon taxes, more federal infrastructure spending, and the auto industry bailout.

Maskin has been vocal on some policy and political issues. He has signed a petition supporting “cap and trade” (Hedengren et al. 2010). Maskin was one of four Nobel economists to join an amicus brief in support of the section of the Patient Protection and Affordable Care Act that “requires, with certain exceptions, all Americans who can afford a minimum level of health insurance either purchase such insurance or pay a penalty to the United States Treasury” (Rosen et al. 2012, 1). Maskin has suggested getting rid of patents (Maskin 2012a). He has also proposed reforms to U.S. election law, suggesting an open general election based on voter preference rankings rather than primaries (Maskin 2010).

Maskin advocates financial regulation and opposes austerity measures. He also favors Keynesian stimulus (Maskin 2013b).

Regarding the financial crisis, Maskin sees the need for addressing negative externalities of the banking industry:

I don’t really understand why politicians and policy makers had such faith in the self-regulation of financial markets—perhaps ideology had something to do with it. Certainly, such faith was not based on a good understanding of economic theory, which shows very clearly how financial markets can fail because of serious externalities. I hope that we remember going forward that financial stability depends on correcting these externalities, and that a good way of doing so is regulation—especially, regulation of leverage. (Maskin 2013a)

Also on the issue of banking reform, Maskin has said: “What you have to do is to take the old regulatory system and extend it to the new institutions that have so far escaped the purview of the regulatory system that ought to be overseeing them” (quoted in Boland 2008).

A report on a 2010 talk by Maskin on the recent recession reads:

Eric Maskin... said: “There is no realistic hope for stopping (another) crisis altogether.” However, well-designed government regulations might reduce the probability of a crisis and (help investors) better cope with one when it occurs. For example, placing limits on leverage and higher capital requirements for investment banks “is potentially one of the more effective proposals out there,” Mr. Maskin said. Furthermore, imposing a minimum standard for loans could help limit credit risks that banks can take. ... “However each crisis is at least somewhat different from its predecessor... Even if we fix the

originator problem, the next time, the originator problem will likely occur some place else.” (Hua 2010)

For Europe’s troubles, Maskin recommends Eurobonds rather than austerity programs, which he sees as exacerbating the fragility of European economies. Maskin says that since “rescue plans create a moral hazard problem, ...the fiscal consolidation of Europe (including the power of a central authority to constrain member countries’ domestic spending) is so important” (Maskin 2013a).

Maskin has also been concerned about greater inequality as a result of globalization. Maskin and Michael Kremer studied globalization and concluded: “However, if people measure their status relative to others in their own society, then they will perceive inequality increasing. This analysis corresponds to the view of many anti-globalization protestors that globalization benefits elites in both rich and poor countries” (Kremer and Maskin 2003, 25). Nevertheless, Maskin sees great benefits of globalization, namely, raising average standards of living around the world. Globalization, he says, has often increased prosperity, but also increased inequality in many developing countries (Maskin 2012b, 3). He holds that the solution to rising inequality is not to halt globalization but for governments and NGOs to improve education and training for low-skilled workers (TSEconomist 2013; Maskin 2012b, 25).

Professor Maskin generously responded to our questionnaire:

1. When you were growing up, what sort of political or ideological views were present in your family and household? Did you have views as a youngster, say at age 18? If so, kindly describe them for us.

My parents were liberals (in the American sense), and I was too. Probably, I was a bit more left-wing (for example, I strongly favored affirmative action in college admissions, and they were more doubtful).

2. How about at age 25 or so? Had they changed at all by then?

If anything I was even more left-wing (had some socialist sympathies).

3. And how about age 35 or 40? Please describe any changes undergone since your early twenties.

Gradually evolution toward the center.

4. And now please bring it down to the present. Have your views changed since your late thirties? How so? How would you describe your present political sensibilities or outlook?

Still to the left of center. Strongly liberal on social matters—e.g., favor abortion rights, gay marriage. Somewhat more centrist in

economic matters, but favor Keynesian stimulus, oppose austerity measures in times of low inflation/high unemployment, and favor tougher regulation of leverage in the banking industry.

5. Overall, would you say your views have changed, and, if so, have they changed in a way that can be summarized as changes of a particular nature or character? Did your thinking “move” in a particular “direction” (using the notion of ideological space)?

Views, at least in economic matters, have become more moderate (but still to the left).

6. If your views did undergo changes, what caused the changes? Was it reading, thinking, experience of some kind, or the influence of particular people, including intellectual figures? All of the above? Something else? We will be very grateful if you try to explain why your views changed, to whatever extent they did.

All of the above. (Maskin 2013b)

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Daniel L. McFadden

by Daniel B. Klein, Ryan Daza, and Hannah Mead

Raised on a farm in North Carolina, Daniel McFadden (1937–) says he was taught as a youth to “be modest, take my satisfaction from work done well, and avoid being drawn into competition for status or rewards” (McFadden 2001). As a junior in high school, McFadden was suspended for starting a petition against a school policy. He went to work on his uncle’s farm in Minnesota, and at age 16 was admitted to the University of Minnesota (*ibid.*). He earned his bachelor’s degree in physics and also became interested in mathematical modeling of economic choices. In an 2000 interview, McFadden discussed how he came to study economics:

Well, I came from the natural sciences, from physics. I was a graduate student in physics and found psychology very interesting, and the psychology of behavior. I had an opportunity to enter this disciplinary program in the behavioral sciences. And I pursued that for my Ph.D. and got into economics pretty much by accident, because the formal modeling, the axiomatic work that I was interested in was being done primarily by two economists, John Chipman and Leo Hurwicz. So I made economics my specialty in order to work with them. (in Heckman and McFadden 2000)

At Minnesota, he worked with Hurwicz and Chipman, and he visited Stanford to work with Kenneth Arrow. After earning his Ph.D., he did post-doctoral work at the University of Pittsburgh, and then was on the faculty of the University of California at Berkeley. After spending over a decade at Berkeley,