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Nobel Laureate William Vickrey: Stockholm Seminar

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## REMEMBRANCE AND APPRECIATION

### **Nobel Laureate William Vickrey:**

#### ***Stockholm Seminar***

By C. LOWELL HARRISS\*

ECONOMICS REQUIRES A “BIG TENT,” one large enough to house many elements of wide diversity. The occupants will have an enormous range of high skills. William Vickrey used his exceptional abilities to work on many frontiers of the profession.

My life has included at least casual acquaintance with many, probably most, of the recipients of the Nobel Memorial Prize in Economic Science. I have some, albeit sadly inadequate, familiarity with their work. The coverage is indeed extensive. One outstanding feature of Professor Vickrey’s body of achievements is the number and diversity of subjects to which he made major contributions.

One thinks of social choice, counterspeculation, auctions, marginal utility measurement, welfare (human well-being—not the American usage of aid to the poor), taxation (income averaging, death duties, capital gains, progression), marginal cost pricing, public utility charges, airline overbooking, subway fares (revenue and non-revenue effects), urban affairs, use of land rents as a means of financing government, paying for city services, macroeconomics (inflation control, fuller employment), government

\* [C. Lowell Harriss is Professor Emeritus of Economics at Columbia University in New York City.] Professor William Vickrey of Columbia University was named to share the 1996 Nobel Prize with Professor James A. Mirrlees of Cambridge University on October 9, 1996. A few days later on October 12, Professor Vickrey was dead (J. Scott, “After 3 Days in the Spotlight, Nobel Prize Winner is Dead” *New York Times* [October 12, 1996, pp. 1 and 52]). Professor Vickrey’s university colleague and close friend, Professor Harriss appeared at the Nobel Ceremonies in Stockholm on December 7, 1996, where he presented a shorter version of the following remarks and graciously accepted the award for Vickrey.

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debt—one's amazement and admiration keep rising. And there are more—always, I believe, rated highly by experts!

Vickrey's collection in *Public Economics* consists of essays on twenty-six subjects. There is theory in the abstract sense: An application to the realities of life, e.g., reducing the time (the human life) lost when idling in avoidable traffic congestion! For him, "knowledge for what?" was a challenge. He believed that economic knowledge could help human beings get more out of life. Improvements can be made in institutions, in the framework of economic, political, and social structures—not a sweeping restructuring in an engineering sense but change in specific elements of taxation, of transportation pricing, and so on! But he was not unwilling to propose change on a broad scale—as in his plan to prevent inflation.

He and I were friends and associates for sixty-one years, from graduate school days that began in 1935, through service in the U.S. Treasury during World War II, as colleagues on the faculty at Columbia University for almost half a century, as members of innumerable professional and civic associations, and as social friends. (I can still see him in August 1996, explaining to uncomprehending non-economist guests at my house how the growth of government debt could be—he believed *would* be—a good thing!)

In recent years he became increasingly articulate in condemning "our" toleration of unemployment. The "our" includes the community in general, government policy makers, and professional economists. His presidential address for the American Economic Association concentrated on (un)employment but, as he told me, "it went over as would a lead balloon." He was saying, in substance and probably in about these words, "the vast majority of us who have more or less satisfactory jobs or secure retirement should bestir ourselves to improve conditions for the less fortunate." He reminded us repeatedly of the waste of human idleness. A day, a week, a year, a life lost cannot be recovered. All of us know this. But, Professor Vickrey would say, "Economists should do more." (The epitome of normative economics!) Most of us can give reasons why things are not better. He knew them all, I believe. He was, really, very learned. He attended seminars, meetings, lectures, and conferences at Columbia and around the world. He was both sophisticated and simple—and far from satisfied with our achievements as a useful profession!

In the United States, and perhaps elsewhere, a large gap separates the general public's understanding of the way the economy works and the

realities of economic processes. For example, the national government's budget deficit, the accumulated debt, and increases in that debt present complex problems and invite oversimplification.

In recent years Professor Vickrey made efforts to enlighten and to persuade fellow economists and a broader public. Looking a few years ahead, he foresaw conditions that remind me of a concern of the 1930s—oversaving at full employment will call for budget deficits as offsets. Beyond the “macro” aspects, he feared, I believe, that deficit reduction would curtail spending programs that are desirable for the benefits they produce and would also discourage desirable tax rate reduction, e.g., the rates on corporation earnings.

How do the fruits of scientific advances such as those recognized by the Nobel awards eventually affect human lives? The processes must be numerous and varied, differing from discipline to discipline. As to economics, some of the fruits of “frontier” research may be usable by individuals, families, and voluntary association—conceivably but probably rare. At times, business firms can utilize some of the new knowledge in normal market operations. But the successful use of economics, such as many of Professor Vickrey's intellectual achievements, will require governmental (political) actions. This occasion is not one to discuss the general relation of economics to politics—except to remind ourselves that evaluation of an economist's work will not rest upon “testing” in a “political marketplace”—in implementation through government action. He was not the only originator of good economic ideas whom I have seen frustrated by politics and bureaucracy.

Some years ago he began speaking about an obstacle to tax revision along the lines indicated by his work. The conditions—in a sense, forces of the “market”—that make change (reform) desirable have created a group with incentives to actively oppose both the simplifying of tax laws and the closing of loopholes. Investment advisers, attorneys, accountants, and others make a living by showing persons of high income and large wealth how to save taxes by using esoteric technicalities of the law. Whether or not much of the effective opposition to Vickrey-type tax revision comes from such advisers, I believe that professional economists, or at least some of us, can serve by helping to disseminate understanding of economics, old and new.

One of Professor Vickrey's last public statements expressed hope and

confidence that Nobel recognition would enable him to get his ideas understood. His credibility would rise. His audience would grow. His passing will deprive the public of more than it can ever know.

Standing at the interment of my friend, I thought, "The oft-quoted quip of Lord Keynes, 'In the long run we are all dead,' is sadly misleading!" The "we" of the community continually replenishes itself. And in the most meaningful sense are "we" not more than the body? Ideas are also part of human life. And Professor Vickrey's will continue to serve.