

VII edición

Premios Fundación BBVA Fronteras del Conocimiento

BBVA Foundation Frontiers of Knowledge Awards

7th edition

## Richard Blundell and David Card share the BBVA Foundation Frontiers of Knowledge Award for contributing methods and results of application in evidence-based policy

- Briton Richard Blundell and Canadian David Card have developed empirical methodologies for use in studying the microeconomic behavior of individuals, households and firms around issues like employment, immigration, returns to education, healthcare and insurance.
- Blundell is “a master at juggling data, economic theory and econometric methods” and Card “a pioneer in the use of natural experiments” in the economic sphere
- Their work has influenced policy design on diverse fronts including taxation, welfare and pension reform, inequality and product market regulation

**Madrid, February 17, 2015.**-The BBVA Foundation Frontiers of Knowledge Award in the Economics, Finance and Management category goes in this seventh edition to Briton Richard Blundell and Canadian David Card for “their contributions to empirical microeconomics,” in the words of the jury’s citation. “Motivated by important empirical questions, they developed and estimated appropriate econometric models, making significant methodological contributions in the process. Both are known for their attention to institutional detail, careful and innovative research design, rigorous application of econometric tools, and dispassionate reporting of results.”

Manuel Arellano, Professor of Econometrics at the Banco de España's Center for Monetary and Financial Studies (CEMFI), and secretary to the prize jury, remarked that the two men “have developed data analysis models and methods to explain the economic behavior of individuals, households and firms around key issues like savings or employment; models and methods that support policy-making in these areas informed by rigorously arrived at evidence.” Their approaches, moreover,

share common strands, with Card focusing on narrow contexts in pursuit of robust causal inferences, and Blundell working with larger models that generate insights, for instance, into the welfare implications of an increase in taxes.

Arellano refers to Blundell as “a master at juggling data, economic theory and econometric methods,” while Card he describes as “a pioneer in the use of the technique of natural experiments.” Natural experiments are empirical studies in which the subjects exposed to the experimental and control conditions are determined by nature or by other factors outside the control of the investigators, although the process resembles random assignment.

The work of the new economics laureates has shaped policy design in such varied areas as taxation, welfare and pension reform, the labor market, inequality and product market regulation.

Blundell talked yesterday about how new technologies have transformed his field of study: “They have not given us access to large databases, but also allowed us to study them in an efficient way using new statistical and econometric methods that give us a window on human behavior; how people respond to particular policies and events that affect them.”

As regards the content of their research, both have been drawn towards issues of a social nature. Blundell has examined the influence of wages and income on households' consumption and the hours worked by their earning members. His findings have shed new light on tax and welfare policy effects on economic activity. “As a researcher, one of my leading aspirations is to influence public policies, to make them better, and I think we have achieved that with some of our work, both in the United Kingdom and elsewhere.” Indeed he became an economist, he says, to “improve people's lives. I thought if we can increase understanding of human behavior, we can use that knowledge to design better policies that can make the world a better place.”

Card, meantime, has delved into core labor-market issues such as trade union bargaining, inequality, minimum wages, unemployment benefits and welfare programs. He has also looked at the effects of immigration on local employment and at the relationship between educational level and wage disparity.

He started out studying chemistry, physics and mathematics, and only picked up an economics textbook, he now recalls, to help out his girlfriend at the time. And he quickly realised that not only was he gripped, but that what he was reading had implications stretching to agriculture, which as the son of farmers was a subject close to his heart. On being informed of the award, he declared himself honored to belong to such a distinguished roll of winners and confident that his work on minimum wages, immigration or returns to education is relevant and useful for the policy-making process.

He is currently engaged in a natural experiment on returns to education, which analyzes whether streaming fourth and fifth-grade pupils by performance affects their results and, more specifically, how the measure impacts on students of lower means.

## Bio notes

**Richard Blundell** (Shoreham-by-Sea, United Kingdom, 1952) holds an MSc in Econometrics and Mathematical Economics from the London School of Economics. After ten years lecturing at the University of Manchester, in 1984 he took up a professorship at University College London, where he currently occupies the David Ricardo Chair of Political Economy.

For almost thirty years, he has been Research Director of the Institute for Fiscal Studies (IFS), where he also heads the ESRC Centre for the Microeconomic Analysis of Public Policy.

Author of some 150 published papers, he has served successively as President of the European Economic Association, the Econometric Society and the Royal Economic Society, as well as co-editing *Econometrica* and the *Journal of Econometrics*.

His research achievements have been recognized with the Yrjö Jahnsson Prize, the Frisch Medal of the Econometric Society, the Jean-Jacques Laffont Prize and the CES-Ifo Prize, among other honors.

**David Card** (Guelph, Canada, 1956) earned a PhD in Economics from Princeton University in 1983, and for the next fifteen years continued researching and teaching at this institution.

After occupying posts at Columbia University and the Center for Advanced Study in Behavioral Sciences, in 2001 he joined the faculty of the University of California at Berkeley where he now combines a professorship with the direction of the Labor Studies Program at the National Bureau of Economic Research.

Author of seven books and over 90 published papers and book chapters, he has served as co-editor of *Econometrica* and the *American Economic Review*.

His distinctions include the John Bates Clark Prize of the American Economic Association, the IZA Labor Economics Award and the Frisch Medal of the Econometric Society.

## About the BBVA Foundation Frontiers of Knowledge Awards

The BBVA Foundation promotes, funds and disseminates world-class scientific research and artistic creation, in the conviction that science, culture and knowledge hold the key to building a better future for people. The Foundation implements its programs in partnership with leading scientific and cultural

organizations in Spain and abroad, striving to identify and prioritize those projects with the power to move forward the frontiers of the known world.

The BBVA Foundation established its Frontiers of Knowledge Awards in 2008 to recognize the authors of outstanding contributions and radical advances in a broad range of scientific and technological areas congruent with the knowledge map of the late 20th and 21st centuries and, representing cultural creativity at its expressive height, the area of music. The Awards also reserve space for two central challenges of the present, those of climate change and development cooperation. Their **eight categories** include classical areas like *Basic Sciences (Physics, Chemistry and Mathematics)* and *Biomedicine*, and other, more recent areas characteristic of our time, ranging from *Information and Communication Technologies, Ecology and Conservation Biology, Climate Change and Economics, Finance and Management* to *Development Cooperation* and the innovative artistic realm of *music, both classical and of our time*.

The **juries** in each category are made up of leading international experts in their respective fields, who arrive at their decisions in a wholly independent manner, applying internationally recognized metrics of excellence. The BBVA Foundation is aided in the organization of the awards by the **Spanish National Research Council (CSIC)**, the country's premier multidisciplinary research body. As well as designating each jury chair, the CSIC is responsible for appointing the Technical Evaluation Committees that undertake an initial assessment of candidates and draw up a reasoned shortlist for the consideration of the juries.

Committee members in the Economics, Finance and Management category were José Antonio Berenguer Sánchez, scientist and coordinator of the CSIC Humanities and Social Sciences Area, Pablo Campos Palacín, Research Professor at the Instituto de Política y Bienes Públicos in Madrid (CSIC), Pablo D'Este Cukierman, scientist at the Instituto de Gestión de la Innovación y el Conocimiento, Valencia (CSIC), and Ángel de la Fuente Moreno, a scientist at the Instituto de Análisis Económico, Barcelona (CSIC).

### **Economics, Finance and Management jury**

The jury in this category was chaired by **Eric S. Maskin**, 2007 Nobel Laureate in Economics and Adams University Professor at Harvard University (United States), with **Manuel Arellano**, Professor of Econometrics in the Center for Monetary and Financial Studies (Cemfi) (Spain), acting as secretary. Remaining members were **Pinelopi Koujianou Goldberg**, William K. Lanman, Jr. Professor of Economics at Yale University (United States), **Andreu Mas-Colell**, BBVA Foundation Frontiers of Knowledge Laureate in Economics (2009) and Professor of Economics at Pompeu Fabra University (Spain), **Hélène Rey**, Professor of Economics at London Business School (United Kingdom), **Jean Tirole**, Nobel Prize in Economics (2014) and BBVA Foundation Frontiers of Knowledge Award in Economics (2008), Chairman of the Foundation Jean-Jacques Laffont at Toulouse School of Economics (TSE) and Scientific Director of Toulouse University's Institute for Industrial Economics (France),

and **Fabrizio Zilibotti**, professor in the Department of Economics at the University of Zurich (Switzerland).

**Previous laureates**

Last year’s award in this category went to **Elhanan Helpman** for his outstanding work in two key areas in modern economics: international trade and output growth. The winner in the fifth edition was **Paul R. Milgrom** for “his seminal contributions to auctions, market design, contracts and incentives, industrial economics, economics of organizations, finance, and game theory.” Preceding him were **Angus Deaton** “for his fundamental contributions to the theory of consumption, savings and the measurement of economic wellbeing,” in the words of the award citation, and, in the third edition, **Lars Peter Hansen** – 2013 Nobel Prize in Economics – “for devising a statistical framework founded on economic science.” In the second edition, the award was shared by **Hugo Sonnenschein** and **Andres Mas-Colell** “for extending the reach and applicability of general equilibrium analysis and for establishing the modern theory of aggregate demand.” Finally, the winner in the inaugural edition was **Jean Tirole** – 2014 Nobel Prize in Economics – “for his economic analysis of optimal contracts and optimal design of public policies in a variety of contexts where asymmetry of information and conflicting incentives play a key role, including regulation, corporate finance and the analysis of economic organizations.”

**UPCOMING AWARD ANNOUNCEMENT**

CATEGORY	DATE
Development Cooperation	February 24, 2015

#### LAUREATE'S FIRST DECLARATIONS AND IMAGES

A video recording of the new laureate's first interview on receiving news of the award is available from the Atlas FTP with the following name and coordinates:

Server: **213.0.38.61**

Username: **AgenciaAtlas4**

Password: **premios**

The name of the video is:

"PREMIO FRONTERAS DEL CONOCIMIENTO EN ECONOMÍA, FINANZAS Y GESTIÓN DE EMPRESAS"

In the event of connection difficulties, please contact Alejandro Martín at ATLAS:

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