

Briton Angus Deaton, a leader in the measurement of wellbeing and poverty, takes the BBVA Foundation Frontiers of Knowledge Award in Economics, Finance and Management

- The jury has singled out his fundamental contributions to the theories of consumption and savings, and the measurement of economic wellbeing. Among his current interests is to gauge the impact of the crisis on living standards in different countries.
- He has made path-breaking contributions to development economics by improving the diagnostic utility of household surveys through questionnaires designed to uncover the key determinants of poverty.
- The BBVA Foundation Frontiers of Knowledge Awards recognize the role of science and cultural creation as levers of society's progress and wellbeing. Their eight categories span the main scientific, technological, social and economic areas and challenges of our times, alongside contemporary music creation and interpretation.

Madrid, February 21, 2012.- The BBVA Foundation Frontiers of Knowledge Award in the category of Economics, Finance and Management goes in this fourth edition to British economist Angus Deaton, professor at Princeton University (United States), for "his fundamental contributions to the theory of consumption, savings and the measurement of economic wellbeing," in the words of the award citation.

"His research," the jury adds, "applies rigorous methods to important real world issues. Throughout his career, his work has been characterized by an attempt to understand empirical evidence in terms of a clearly articulated theoretical structure and the behaviors underlying the data."

Deaton moved on from applying microeconometrics to analyze consumer demand to employ consumption as a key measure of welfare and poverty. "He has helped us to a better understanding of the relationship between consumption and income, while showing that there are parts of this relationship that do not work and need to be reformulated."

So in contrast to the traditional approach taking per capita income as the yardstick of development, Deaton proposed using per capita consumption with a system of reference based on health, wealth and well-being, which in the jury's view, "has made path-breaking contributions to development economics".

Another distinguishing trait of his work is the use of detailed surveys in preference to the aggregate data of National Accounts. "He has focused particularly on the living standards of the poor in the developing world. He has championed the use of household surveys in these countries as an instrument for the better measurement of poverty and better understanding of poverty determinants."

Deaton, in the words of the jury, "realized that GDP growth, consumption or car sales figures failed to offer a true picture of human well-being and that what was needed, especially in the case of the world's poorest people, was more detailed information on consumption, calorie intake, spending on medicines or doctors' or hospital visits." Gathering such data requires large-scale household surveys with targeted questionnaires that offer a closer picture of individual conduct in areas critical for human wellbeing.

This level of detail and specificity allows for population segmentation and the subsequent assessment of policy impacts by reference to the economic behavior captured by the survey.

A basic first step to estimate the number of poor people is to decide on a poverty line, which will depend on the price of the goods and services available for consumption. Deaton's work on price indexes and the selection of poverty lines has proved highly influential, by calling into question the official figures wielded by certain countries and international organizations. For instance, the application of his methods to poverty research in India has provided firm evidence that not all of society is benefiting from the economic growth of this emerging power, spurring an intense social and political debate.

Deaton has also turned his interest to the subjective factors of well-being. He was co-author with Nobel laureate Daniel Kahneman of a paper published in *Proceedings of the National Academies of Sciences* in September 2010 on the relationship between income and emotional well-being. The two men analyzed over 450,000 responses to surveys of U.S. residents run in 2008 and 2009, and found that while life evaluation rose steadily with annual income, the quality of the respondents' everyday experiences did not improve beyond approximately \$75,000 a year.

Another of his current concerns is the crisis and its repercussions: "What I am doing right now is to try to measure the crisis in different countries – European and South American, among others – and decide what steps we can take. In my opinion, there is little we can do to arrest this crisis. We have to be conscious of the moment in which we are living and accept the change of conditions many families are unfortunately going through in countries all around the world."

The name of the new laureate was announced this morning in the Marqués de Salamanca Palace, Madrid headquarters of the BBVA Foundation, at an event attended by jury chair **Guillermo Calvo** of Columbia University (United States) and jury secretary **Peyton Young** from the University of Oxford (United Kingdom), accompanied by **Rafael Pardo**, Director of the BBVA Foundation.

The BBVA Foundation established the Frontiers of Knowledge Awards in 2008 to recognize the authors of outstanding contributions and significant advances in a broad range of scientific and technological areas characteristic of our times. The quality of the nominations received, the stature of the international judges, appointed in consultation with the Spanish National Research Council (CSIC), and the excellence of the laureates in their first three editions have earned them a place among the world's foremost award families.

In the midst of a severe economic crisis which has pushed science, culture and the environment lower down the list of public priorities, the BBVA Foundation Frontiers of Knowledge Awards enter this fourth edition firm in their commitment to the individuals and teams working for a better future for people through the advancement of knowledge and its dissemination to society.

The eight categories of the BBVA Foundation Frontiers of Knowledge Awards, each carrying prize money of 400,000 euros, reflect both the knowledge map of the early 21st century and the great global challenges of the day. Hence their inclusion of two dedicated environmental categories in the form of "Climate Change" and "Ecology and Conservation Biology".

The BBVA Foundation primarily engages in the generation and diffusion of scientific knowledge and culture. This effort materializes in research projects, advanced training, lectures and publications, and a series of award families aimed at recognizing and drawing public attention to the work of scientists and creative practitioners.

Among the BBVA Foundation's areas of activity are basic sciences, biomedicine, ecology and conservation biology, the social sciences and literary and musical creation. Its initiatives mesh with the BBVA Group's strategy of fostering innovation and knowledge as development drivers and an effective means to expand our individual and collective choices.

International jury

The jury in this category was chaired by **Guillermo Calvo**, Professor of Economics and International and Public Affairs at Columbia University (United States), with **Peyton Young**, James Meade Professor of Economics at the University of Oxford (United Kingdom) acting as secretary. Remaining members were **François Bourguignon**, Director of the Paris School of Economics (France), **Antonio Ciccone**, ICREA Professor of Economics at Pompeu Fabra University (Spain), **José Manuel González-Páramo**, member of the Executive Board of the European Central Bank (Germany), **Andreu Mas-Colell**, Professor of Economics at Pompeu Fabra University (Spain) and **Fabrizio Zilibotti**, Chair of Macroeconomics and Political Economy at the University of Zurich (Switzerland).

Last year's award in this category went to Lars Peter Hansen "for making fundamental contributions to our understanding of how economic actors cope with risky and changing environments", according to the jury's citation.

In the second edition, the award was shared by Hugo Sonnenschein and Andrew Mas-Colell for "for extending the reach and applicability of general equilibrium analysis and for establishing the modern theory of aggregate demand. Their work, the jury continued, has helped achieve better models for the overall behavior of the economy, and particularly "to interpret and empirically measure consumer behavior."

Finally, the winner in the inaugural edition was Jean Tirole, "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."

Biography

Angus Stewart Deaton was born in Edinburgh (United Kingdom) on October 19, a bare one and a half months after the end of the Second World War. He earned a PhD from the University of Cambridge in 1974 then went on to teach econometrics at the University of Bristol from 1976 to 1983. His first contact with Princeton University was in 1979 as Visiting Professor, and he would later take up a full professorship at this institution, where he remains to this day.

He is a member of the Chief Economist's Advisory Council of the World Bank and also a Senior Research Scientist for the Gallup Organization. His work on household survey methodology has led him to collaborate with such diverse organizations as the Committee of National Statistics of the National Academy of Sciences (United States), the Panel on Conceptual, Measurement, and Other Statistical Issues in Developing Cost-of-Living Indexes (U.S. National Research Council) or the Social Science Research Center of the Republic of China's National Science Council.

Author of over 160 publications, he is a corresponding fellow of the British Academy, a fellow of the American Academy of Arts and Sciences, and of the Econometric Society and, in 1978, was the first recipient of this society's Frisch Medal for an analysis of consumer demand in the United Kingdom over the first 70 years of the 29th century.

President of the American Economic Association in 2009, he holds honorary doctorates from the University of Rome, University College London and the University of St. Andrews (Scotland, United Kingdom), and has served successively as Associate Editor, Co-editor and Editor of the journal *Econometrica* (published by the Econometric Society and a worldwide in economics).

Aside from the professorship he occupies, Deaton has been the force behind a number of initiatives at Princeton University: the Center for Health and Wellbeing, the Office of Population Research, and the Research Program in Development Studies. He is also an associate of the National Bureau of Economical Research (NBER), a non-profit organization that brings together over 1,100 professors of economics and business currently working in North America. The NBER's main areas of research concern are: developing new statistical measurements,

estimating quantitative models of economic behavior, assessing the economic effects of public policies, and projecting the effects of alternative policy proposals.

UPCOMING AWARD ANNOUNCEMENTS

| CATEGORY | DATE |
|--------------------------------|----------------------|
| Development Cooperation | Tuesday, February 28 |

LAUREATE'S FIRST DECLARATIONS AND IMAGES

A video recording of the new laureate's first impressions on receiving news of the award is available from the Atlas FTP with the following name and coordinates, along with photographic images and an audio MP3 recording of the announcement event, featuring more declarations:

Server: **213.0.38.61**
Username: **agenciaatlas1**
Password: **amapola**

The name of the video is:
"FBBVA PREMIO ECONOMIA"

Fundación **BBVA**

For more information, contact the BBVA Foundation Communication Department (+34 91 374 5210 or +34 94 487 4627/comunicacion@fbbva.es) or visit the Foundation website www.fbbva.es