

September 3, 2018

Dear Patricia,

I am so sorry for your loss. I can only imagine what a very difficult time this must be for you and for Jim's daughters.

I wanted to write a few words about what Jim meant to me. Jim has been a towering figure during the whole of my career as an economist and it is going to be hard to come to terms with the fact that he is no longer with us. All economists have been deeply influenced by Jim, but for me the effect is stronger since, although I was not a student or colleague of his, I was an economic theorist working in Britain during my formative years and Jim was the Mount Everest, whose peak we could not reach but might hope to glimpse.

I first encountered Jim's name when I was doing a master's degree in economics at Warwick University in the early 1970's and he was already talked about by the Warwick professors in hushed tones. But I first met him when I was interviewed for a research fellowship at Nuffield in late 1973 as I was finishing my PhD at Princeton. (Rita and I had decided to spend the first few years of our marriage in the U.K.) I later withdrew from the competition, taking a job at Essex and then moving to Cambridge after a year. I sometimes wonder how things would have been different if I had gone to Nuffield (although, of course, I might never have been offered the fellowship!).

I remember my next encounter with Jim vividly. He was the chair of my session at the 1975 AUTE meetings (a forerunner of the Royal Economic Society meetings). Jim was extremely generous in his introduction, talking a bit about my history, how I had recently returned from the U.S. with a PhD, and, since this was in a way my "coming out" event in the U.K., I was very grateful.

At this point my work on general equilibrium theory was rather distant from Jim's, and my appreciation of his intellectual contributions was still limited. However, this was soon to change. During the next few years I became increasingly interested in incentive problems, including eventually those involving both moral hazard and asymmetric information. At some point Sandy Grossman and I started working on moral hazard, largely stimulated by a technical issue that Jim had identified in his well-known 1975 paper. I say "well-known," but until 1999 this paper was unpublished and was known only to the cognoscenti, although given Jim's stature there were quite a few of those.

Bengt Holmstrom had also completed some of his work on moral hazard by this time and there was a lively debate about the significance of the technical issue that Jim had identified. Bengt was spending a few months at Nuffield and I recall the time that he and Jim drove over to Cambridge for the day so that the three of us could hash things out. Looking back on it, I find it remarkable that they would drive over to see me rather than the other way around.

I have seen Jim many other times over the years. He spent a year at MIT in the late 80's when I was there (I think that's when I met Gill). He hosted me when I gave the Clarendon lectures at Oxford in 1993. We were on advisory committees together in Paris and Barcelona. There was the 80<sup>th</sup> birthday celebration that Rita and I were so pleased to attend and that was so brilliantly organized by you. And there was the Lindau event last year that was so much fun.

I have to admit that I used to be a bit terrified by Jim. His achievements were so great and his intellect so formidable. In the early days in the U.K., I used to phone him from time to time about some matter and be worried that I would have to ask him to repeat himself—the clipped Scottish accent could be a little hard to understand (and my hearing was good in those days!). More recently I was amazed that he could fly over night from Hong Kong to Paris and then be as fresh as a daisy at the advisory board meetings we attended, while I was fighting jetlag.

But over time I realized that he was much less forbidding, and warmer and more tolerant, than he first appeared! Indeed this must have been the case given the very large number of students he had.

Jim's work will live on forever. His 1971 optimal income tax paper is one of the truly great papers in economics. Almost every week one of my colleagues mentions it in connection with some new paper they are writing. And his work on moral hazard really started off the huge literature on that topic that now exists. This work too will always be remembered. And I know that there is much more, some of which I am only dimly aware of.

We will all miss Jim greatly both as an economist and as a person.

Unfortunately, I will not be able to come to the funeral. However, I hope that in due course there will be an event to celebrate Jim's work, and I very much hope to attend that.

I have known Jim for over forty years and one of the pleasures of knowing him has been getting to know you in the last few years. I hope that our friendship will continue.

With all best wishes,

Oliver