

It is a tremendous pleasure to welcome Professor Eric Maskin to the ECB and introduce him to you. He is the Adams University Professor and the 2007 Nobel Prize Winner in Economic Sciences.

He is best known for laying the foundations of mechanism design theory, and in particular for developing implementation theory, for which he received the Nobel Prize. This is also how I first came across the name Maskin, as a graduate student labouring over Chapter 23 of Mas-Colell, Whinston, and Green's textbook on Microeconomic Theory. Mechanism design theory deals with the problem of designing allocation mechanisms such that the equilibrium outcomes satisfy a criterion of social optimality embodied in a social choice rule, in an environment of decentralised or imperfect information.

But aside from his fundamental theoretical contributions to microeconomic theory and mechanism design theory in particular, Professor Maskin's research has greatly enhanced our understanding of how best to design auctions, regulatory schemes, and voting procedures, all of which have found many practical applications in the real world. It is through his work on auctions and privatisations of state assets in the former socialist economies of Eastern Europe that, as a young economist at the World Bank, I benefited from his work for a second time. In particular his research on the effect of soft budget constraints and the resulting lack of financial discipline at state-owned firms on economies in transition to capitalism left a major imprint on our work at the time.

It is also noteworthy to point out that Professor Maskin has an impressive research family tree. His student Jean Tirole went on to also win the Nobel Prize, and his own thesis advisor was Nobel Prize winner Kenneth Arrow, who first introduced him to the field of information economics.

Professor Maskin will be delivering the inaugural Jean Monnet lecture. The goal of this lecture series is to debate topics of relevance to strengthening European Monetary Union. The lecture is named in honour of Jean Monnet, one of the founding fathers of the European Union. Jean Monnet, a French businessman and diplomat, drafted the declaration which led to the creation of the European Coal and Steel Community, the precursor to the European Economic Community. And went on to be its first President.

At first glance there could not be a sharper contrast between Maskin and Monnet. One an American, the other a European. One an erudite scholar with three degrees from Harvard University, the other without formal education. But both have in their own way contributed to institution building for the greater good and the benefit of the people.

The topic professor Maskin has chosen promises to be provocative: Should Fiscal Policy Be Set by Politicians?

Professor Maskin, the floor is yours.