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Jean-Jacques Laffont, Economist, Dies at 57

By DOUGLAS MARTIN

Jean-Jacques Laffont, an economist known for developing mathematical models to estimate what something is worth in situations of deep uncertainty, died on May 1 in Toulouse, France. He was 57.

The cause was cancer, said Jean Tirole, his colleague at the University of Toulouse.

In 17 books and 200 articles, Dr. Laffont brought an elegant simplicity to the branch of economics known as information theory, particularly the study of incentives in contracts where one party has more knowledge than the other, or different knowledge.

He particularly focused on what is known as the "free rider problem," referring to those who benefit from a particular action or policy but escape having to pay for it.

In interviews, Haynes Carson Goddard at the University of Cincinnati called Dr. Laffont "an economist's economist," and Jerry R. Green of Harvard said he was "an architect of systems" and "a very original figure."

Eric Maskin, a professor at the Institute for Advanced Study in Princeton, N.J., called Dr. Laffont "simply one of the major figures of our time."

"Many people would say he was the leading economist in Europe," he added, "and that wouldn't be an unfair judgment."

Although Dr. Laffont's models were abstruse enough to satisfy the most theoretical economists, Dr. Green said they were adapted for practical purposes by companies, as well as by public television for scheduling programs.

His later career centered on developing policies for improving the economies of less

developed countries.

"He realized that systems are never going to be perfected," Dr. Green said, "but they can be improved significantly and add a lot of benefits for people."

For developing nations, that sometimes meant challenging the prevailing international view that free-market solutions are almost always best. He wrote that subsidies for public utilities might be wise in cases where there is an inefficient economy, a corrupt government and a judicial system incapable of enforcing contracts.

Dr. Laffont began his work on information theory at Harvard, where his doctoral thesis won the Wells Prize for the best in the economics department in 1975. Earlier, he completed a doctorate at the National School for Statistics and Economic Administration in France.

Collaborating with Dr. Green from the early 1970's to the early 80's, he focused on creating contracts to deal with the free rider problem, sometimes called "the problem of the commons."

In essence, the issue is that people can share a benefit like cleaner air by having someone else pay to clean it. The book he wrote with Dr. Green in 1979, "Incentives in Public Decision-Making," is still a basic reference in this area, Dr. Tirole said.

Dr. Laffont was known for his collaboration with other economists, including younger ones who showed promise. These included David Martimort, with whom he studied the possibility of collusion in complex organizations. Kenneth J. Arrow, a Stanford University economist and a 1972 Nobel laureate, wrote in a review of "The Theory of Incentives: The Principal-Agent Model" by Dr. Laffont and Dr. Martimort that the book "combines clarity, thoroughness, and a great respect for historical development."

Dr. Arrow said that over the last 40 years the most important development in economics had been "the study of incentives to achieve potential mutual gains when the parties have different degrees of knowledge." He called Dr. Laffont "one of the most important contributors" to this research.

Dr. Laffont worked with Dr. Tirole on a theoretical framework for developing regulatory rules for natural monopolies like electricity, gas and other utilities, as well as telecommunications providers. In particular, they examined the dynamics of collusion among auditors, regulators and politicians. They wrote a book on the subject, "Competition in Telecommunications," published in 2000.

Dr. Laffont was also an expert in econometrics, which uses mathematical models to test economic theories. One problem he addressed was trying to identify whether bidders in an auction compete vigorously.

Given "the specialization of economics in the last 20 years," Dr. Tirole said, "making pioneering contributions in both econometrics and theory is quite remarkable."

Dr. Laffont was born in Toulouse on April 13, 1947. Before joining the faculty of the University of Toulouse in 1979, he taught at the University of Amiens. For the last three years, he had a part-time appointment at the University of Southern California, one of many

teaching and lecture positions around the world he was invited to.

At Toulouse, Dr. Laffont created the Institut d'Économie Industrielle, an important economic research center. Dr. Laffont financed it almost entirely with private money, an unusual approach in Europe.

He served on the French prime minister's economic analysis council from 1997 to 1999. Among many other positions and honors, he was an associate editor of academic journals, president of the European Economic Association in 1998, the first French president of the [Econometrics](#) Society in 1992 and recipient of the Legion of Honor in 2002.

Dr. Laffont is survived by his wife, Colette; his daughters Cécile, Bénédicte and Charlotte; and his son, Bertrand.