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John Bates Clark Medalist
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Acemoglu is an extremely broad and productive economist. He has made valuable contributions to several distinct fields, starting with labor economics, and successively moving to macroeconomics, institutional economics, and political economy. His most recent work on the role of institutions in development and in political economy is especially innovative, and has already had a large impact on research in these areas. Although Acemoglu is primarily a theorist, his work is always motivated by real-world questions that arise when facts are difficult to reconcile with existing theory.

We summarize Acemoglu's work roughly in chronological order.

Labor Economics: Skill Acquisition and Technological Change

Acemoglu in a series of papers explored the question of whether there is underinvestment in general skills, and if so, why. As is typical in Acemoglu's work, he began by looking carefully at existing models and understanding which assumptions driving the results might not be correct. Acemoglu in his 1997 REStud model departed from the standard assumption of perfect labor markets, and introduced costly search for unemployed workers. In variants of this model, Acemoglu and Pischke in their 1998 QJE and 1999 JPE papers include asymmetric information among employers about workers' abilities and other distortions that also decrease worker mobility. His 1998 QJE model endogenizes technological change by letting firms choose technologies based on the skill distribution in the available pool of workers. This body of work introduces into labor economics a rich set of models that are more realistic than those they replace and has led to a large body of empirical work.

Macroeconomics: Investment and Growth

Jointly with Zilibotti (JPE 1997), Acemoglu develops the idea that a historical shock that results in a favorable increment to the capital stock may itself stimulate further investment and growth through a risk-diversifying, expected-return-enhancing mechanism.

Macroeconomics: Directed Search and Unemployment

Search models with frictions have long been used to examine employment and unemployment. These models typically can match some of the stylized facts of labor markets, but are wildly off in other dimensions. Acemoglu has developed an original labor market framework that is proving useful to labor economists, particularly those with a macro-orientation (Acemoglu and Shimer, JPE 1999 and REStud 2000). Equilibrium in even the simplest version of the model yields most of the relevant stylized facts. The feature of the model that accounts for its success is the idea of directed search: workers first learn something about different firms' characteristics and then apply to a

small subset of firms. Allowing this sort of directed search expands greatly the model's ability to fit stylized facts. The model, along with subsequent variants, has led to a wide variety of empirical work.

The Role of Institutions in Economic Development and Political Economy

Acemoglu has several papers that argue that institutions play a more prominent role in development than was generally accepted. His 2002 QJE paper with Johnson and Robinson argues that countries that were relatively rich in 1500 are now relatively poor, a point that is inconsistent with the view that geography is destiny. The argument, supported by empirical evidence, is that this is due to colonizing countries treating rich and densely populated countries differently from poor and sparsely populated countries. In the former, they followed policies of extracting wealth and in the latter they followed policies that encouraged investment. Acemoglu's 2001 AER paper, also with Johnson and Robinson, uses differences in mortality rates faced by Europeans in different countries to study further the degree to which different policies lead to different institutions, which in turn lead to different development paths. Some of the methods and the conclusions of this paper are still being debated, but this line of Acemoglu's work has already stimulated substantial research that rethinks the development process. In related work on political economy, for example with Robinson in APSR 2001, he has examined the dynamics of political processes and the persistence of inefficient policies. This work has been influential in political science.

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