

The John Bates Clark Award

*Citation on the Occasion of the Presentation
of the Medal to*

SANFORD GROSSMAN

December 29, 1987

Sanford Grossman's research has had a profound influence on the pure theory of markets as well as on financial economics, aspects of labor economics, and industrial organization. His work is unified by a concern with the economics of information and the efficiency tradeoffs that are attributable to conditions of uncertainty and information asymmetry. His early contributions demonstrated the fundamental tension between the social benefits of displaying the value of information through market prices and the private costs of traders in collecting costly information. An examination of labor market contracting revealed that unemployment may be an unavoidable result of the impossibility of conditioning wages on state realizations. His research (much of it in collaboration with Oliver Hart) has brought new insights into the relations between corporate financial structure and managerial incentives and the market for corporate control (takeover). More recent work on incentives, information asymmetries, and non-contractibility has opened up an entirely new area of research on incomplete contracting. Grossman's research is everywhere marked by keen economic intuition and the use and development of rigorous modeling techniques to study the leading information economics/complex contracting problems of the day.