Peter A. Diamond

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Peter Arthur Diamond (born April 29, 1940) is an American economist known for his analysis of U.S. Social Security policy and his work as an advisor to the Advisory Council on Social Security in the late 1980s and 1990s. He was awarded the Nobel Prize in Economic Sciences in 2010, along with Dale T. Mortensen and Christopher A. Pissarides. He is an Institute Professor at the Massachusetts Institute of Technology.

Peter A. Diamond

Birth	April 29, 1940
Nationality	United States
Institution	MIT University of California, Berkeley
Field	Political economics, welfare economics, behavioral economics
Alma mater	MIT Yale University
Awards	**Nobel Memorial Prize in Economic Sciences** 2010

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Education and career

Diamond earned a bachelor's degree in mathematics from Yale University in 1960 and defended a Ph.D. at the Massachusetts Institute of Technology in 1963. He was an assistant professor at the University of California, Berkeley from 1964 to 1965 and an acting associate professor there before joining the MIT faculty as an associate professor in 1966. Diamond was promoted to full professor in 1970, served as head of the Department of Economics in 1985–86 and was named an Institute Professor in 1997.

Diamond was in 1968 elected a fellow and served as President of the Econometric Society. In 2003, he served as president of the American Economic Association. He is a member of the National Academy of Sciences and a Fellow of the American Academy of Arts and Sciences. Fellow of the American Academy of Arts and Sciences (1978), and Member of the National Academy of Sciences (1984), and is a Founding Member of the National Academy of Social Insurance (1988). Diamond was the 2008 recipient of the Robert M. Ball Award for Outstanding Achievements in Social Insurance, awarded by NASI.[1]

Diamond wrote a book on Social Security with Peter R. Orszag, President Obama's former director of the Office of Management and Budget,[2] titled *Saving Social security: a balanced approach* (2004,-5, Brookings Institution Press).[3] An earlier paper from Brookings Institution introduced their ideas.[4]

On April 29, 2010, Diamond was announced by Barack Obama as one of three nominees to fill the three vacancies then present on the Federal Reserve Board, along with Janet Yellen and Sarah Bloom Raskin.[5]

On August 5 the Senate returned Diamond's nomination to the White House, effectively rejecting his nomination.[6] President Obama renominated him on September 13.[7]

Ben Bernanke, the current Chairman of the Fed, was once a student of Diamond.[8]

Diamond was awarded the Nobel Prize in Economic Sciences in October 2010, along with Dale T. Mortensen from Northwestern University and Christopher A. Pissarides from the London School of Economics "for their analysis of markets with search frictions".[9]

Professional activity

Diamond has made fundamental contributions to a variety of areas, including government debt and capital accumulation, capital markets and risk sharing, optimal taxation, search and matching in labor markets, and social insurance.

Diamond (1965) – possibility of dynamic inefficiency

Diamond (1965) extended the representative agent growth model, where there is a fixed measure of infinitely-lived individuals, to a model where new individuals are continually being born and old individuals are continually dying.

Since individuals born at different times attain different utility levels, it is not clear how to evaluate social welfare. One of the main results of this paper is that the decentralized equilibrium might be dynamically Pareto efficient even though it is *ex ante* inefficient.

Diamond and Mirrlees (1971) – "Diamond-Mirrlees Efficiency Theorem"

Diamond and Mirrlees (1971) provide sufficient conditions for a second best Pareto efficient allocation with linear commodity taxation to require efficient production when a finite set of consumers have continuous single-valued demand functions.

Diamond and Mirrlees examine a situation in which the government requires a revenue raised by taxes but lump-sum taxation, and therefore a first-best Pareto optimal allocation of resources, is unavailable. However, if there are no other distortions in the economy (e.g. externalities), if firms are characterised by constant returns to scale and if the government can set the vector of indirect consumption taxes independently of production prices then it is optimal to have productive efficiency in the economy. This implies that there should be no taxes on intermediate goods and imports.

The key idea is that when the government can control all consumer prices, the producer prices are disconnected from the consumer prices and the consumption decision part of the optimal taxation problem becomes independent of the production decision.[10]

Diamond (1982) – labor market search and match

Diamond (1982) is one of the first papers which explicitly models firm and worker heterogeneity and how the search process might result in equilibrium unemployment.

Social Security policy

Diamond has focused much of his professional career on the analysis of U.S. Social Security policy as well as its analogs in other countries, such as China. In numerous journal articles and books, he has presented analyses of social welfare programs in general and the American Social Security Administration in particular.

He has frequently proposed policy adjustments, such as incremental but small increases in social security contributions using actuarial tables to adjust for changes in life expectancy and an increase in the proportion of earnings that are subject to taxation.

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External links

- List of publications of Peter Diamond (http://econ-www.mit.edu/faculty/pdiamond/papers)
- An interview with Peter Diamond (http://econ-www.mit.edu/files/1573)

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