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# Work in Consumption, Poverty and Welfare Earns Nobel Prize

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**Duc Nguyen**

The consumption of goods and services is one of the key determinants of human welfare. In macroeconomics, consumption not only is the largest component in the aggregate demand of many countries but also determines savings and subsequently investments. On the other hand, in microeconomics, the distribution of consumption among individuals can represent important issues on welfare such as inequality and poverty. As a result, consumption has been one of the most studied topics in economic research over the last century. Among researchers who have devoted greatly to this field, Professor Sir Angus Deaton has been recognized as an outstanding scholar with major contributions to the measurement and understanding of consumption behavior, welfare analysis, and poverty study. (Nobel Prize in Economics Committee, 2016).

Among his important contributions to the study of consumption, Angus Deaton is well-known for his outstanding contribution to development economics through his work on providing methodological breakthroughs and pioneering the empirical analyses on income inequality and poverty in developing countries. Due to the scarcity and low quality of data available in developing countries, development economists have faced many difficulties in testing development theories and assessing welfare policies. However, over the last two decades, the progress of microeconomic methodology, with the collection of high-quality household data, has improved our understanding on welfare and the implications for policy to help reduce poverty in developing countries. Professor Deaton is the one who has made substantial contributions to this progress through his work on providing methodology for measuring poverty and designing the household-survey program, both of which are fundamental to the proper assessment and adoption of policy to reduce national and global poverty.

The cover for this edition of the PPE represents the image of a slum in Mumbai, India with high modern buildings in the background, which represents the existing drastic inequality in income and living conditions. Along with the recognition of Professor Sir Angus Deaton on his great contribution to the study of poverty in developing countries, we would like to convey the message of the important role of economics in understanding and guiding appropriate treatment to reduce poverty and inequality which are widespread phenomena, especially in developing countries.

## **Reference**

Nobel Prize in Economics Committee (2016). Angus Deaton: Consumption, Poverty, and Welfare. *The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2016*. Nobel Foundation.