1 Kevin C. Sontheimer on Hugo F. Sonnenschein

I had my first encounter with Hugo in the fall of 1966. Hugo had joined the Department of Economics after I had finished the microtheory and other courses I needed for the PhD, and so I never had the benefit and pleasure of having him as an instructor. In fact I had not worked for or with him in any capacity, or even had a one-on-one meeting with him before the fall of 1966.

I had spent the summer of 1966 away from the University of Minnesota working on an initial effort to develop a dissertation topic and research plan. I had devoted about three months trying on my own to lay out an analytical method and framework for developing a general model of custom unions. My goal was to develop a model that would allow for the investigation of the existence of equilibrium and potentially some of the welfare properties of equilibrium in a world of multiple custom unions. When I returned to Minnesota I showed the product of my efforts to an appropriate faculty member with whom I had taken several courses. He read the write-up of my efforts and proposal. His response was that he did not think my proposed approach would work, and that he did not have any ideas as to how the problem(s) could be successfully attacked. I then went to a second faculty member, and she offered me some good advice. She suggested that, given the technical complexity of the proposed problem(s), I might try talking with Hugo Sonnenschein. It was excellent advice.

I then met with Hugo. I described what I wanted to try to do, the results of my summer’s work, and my meetings with the other two faculty members. Hugo’s immediate reaction was to suggest that I take on a less complex problem. Instead of trying to deal with a world of custom unions, why not deal with a trade model in which individual (small) countries can employ tariff-subsidy distortions? In particular, since the existence of a competitive international market equilibrium had not been proven in the presence of tariff-subsidy distortions, why not just try to do that? Hugo erased the overly ambitious vision of the inexperienced researcher in two succinct and gently put sentences. His wisdom was obvious. I accepted it immediately. The end result was that, with his subsequent guidance and supervision, my dissertation was completed in reasonable time and was published in *Econometrica*. The paper I have offered for inclusion in this festschrift is an outgrowth of my dissertation. It is on the existence of competitive equilibrium in a closed economy with tax-subsidy distortions and lump sum transfers. The existence problem in the latter case differs significantly from that in the neoclassical trade model. The latter paper, like my dissertation, would never have been written (by me) had it not been
for Hugo’s earlier counsel and guidance. I selected it not just because it reflects Hugo’s influence, but also for a second reason. The second reason is that Hugo and Wayne Shafer subsequently used my 1971 *Journal of Economic Theory* paper in their paper on “Equilibrium With Externalities, Commodity Taxation, and Lump Sum Transfers” that appeared in the 1976 volume of the *International Economic Review*. So I owe Hugo heartfelt thanks for not only providing invaluable counsel, guidance, and supervision, but also for the great pleasure of having a link to a piece of his work. Hugo is an outstanding scholar, teacher, and advisor. I wish I also had had the benefit of his famously wonderful classroom instruction. Then I could be even more deeply in his debt. Thank you Hugo, and happy birthday!