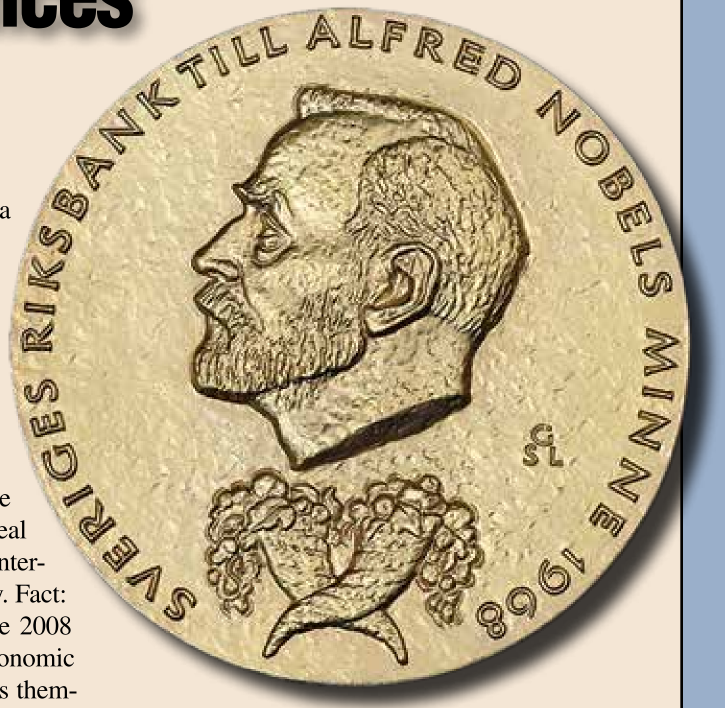
A SYMPOSIUM OF VIEWS

Should the Nobel Prize In Economic Sciences Be Put on Hold?



The field of economics seems to have entered a crisis moment. True, in some areas of the micro economy, analysts are still making important contributions. But in the so-called "science" of fully understanding and predicting the outcome of the broader economy, the field seems less a science and more a blind walk through a wasteland of uncertainty.

Witness the once-certain relationship between the unemployment rate and inflation—the so-called Phillips Curve—which has become dubious at best. The link between long-term inflationary expectations and real inflation is hardly reliable. The so-called "neutral" interest rate has too often become an impenetrable mystery. Fact: most of the profession blew the call in predicting the 2008 financial crisis. And the Federal Reserve's macroeconomic models are described by many FOMC board members themselves as deeply flawed.

Perhaps the Peterson Institute's Adam Posen put it best when he told the *New York Times:* "Macroeconomics behaves like we're doing physics after the quantum revolution … We're really at the level of Galileo and Copernicus."

When he received the Nobel Prize in 1974, Friedrich Hayek said that had he been consulted when the prize itself was conceived in 1968, he would have "decidedly advised against it." The reason: the world is simply too complex. His insight was echoed by John Kenneth Galbraith, who said that there are two classes of forecasters: those who don't know, and those who don't know they don't know. Since Hayek and Galbraith were in their heyday, the economy has become far more complex and global—at times a paradox wrapped in a riddle.

Posen argues that economists need more "humility." Should that include putting the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel on hold until the profession establishes a more credible track record? As *Time* magazine once noted, economics is the only field in which people can share a Nobel Prize for arriving at the complete opposite conclusion—something that arguably actually happened.

Fourteen prominent thinkers offer their views.

The Riksbank prize should not be paused. It should be repealed, abolished, revoked, erased from memory.

JAMES K. GALBRAITH
Lloyd M. Bentsen, Jr., Chair in Government/Business Relations, LBJ School of Public Affairs, University of Texas at Austin

Hayek was right. The prize should never have been started. In its early days, one could argue for the distinction of some recipients—Wassily Leontief, Simon Kuznets, and Gunnar Myrdal come to mind. Nor can one complain about Paul Samuelson, Robert Solow, James Tobin, or Milton Friedman, major figures in their time, even though their various theories have not endured.

More recently, the prize mainly converts otherwise obscure academics into a caste of media celebrities, whose names are forever prefixed, whose egos are inflated and marriages damaged by the attention, who yield too often to the urge to be quoted on topics of which they know little. A few have mastered that art, a few have shunned it—but this is a common case.

Should the Nobel Prize in Economics therefore be "paused"? Emphatically not, for two reasons.

First, there is no Nobel Prize in Economics. What there is, is the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, an impostor, pretentiously linking economics to science and captiously trading on the prestige of the real thing.

Second, to pause that prize would leave in place the previous winners. It would foreclose any chance of diluting their influence, whether by moving further down the ladder of diminishing returns in "mainstream" economics, or by tapping the richer veins of heterodoxy. Either way, as an elementary principle of supply and demand, to cut the flow of new awards would raise the value of those already given out.

So, no. The Riksbank prize should not be paused. It should be repealed, abolished, revoked, erased from memory, and the ruins should be sown with salt. *Carthago delenda est.* Let the sands close over it, as though it had never been.

The economics Nobel often corrupts the recipients.

JAGDISH BHAGWATI
University Professor, Economics, Law, and International Relations) Columbia University

One can only speculate, in the absence of archival investigation, on what the officials at the Bank of Sweden thought about the rationale for an "as if" Nobel Prize in Economics which they started in 1968 with monies pledged by Sveriges Riksbank during its tercentenary celebrations.

Sweden has recently had hugely distinguished economists in the generations after the remarkable Wicksell, among them Erik Lundberg, Ingvar Svennilson (who first introduced me to the Stockholm School of Economics by inviting me to join the defense of Bo Södersten's dissertation on trade and growth), Staffan Linder, Assar Lindbeck, Gunnar Myrdal, and Bertil Ohlin, all of whom I knew well. I can only guess that they were all consulted in the matter of launching this prize, though we have only the testimony of Lindbeck that he, Lundberg, and Myrdal were consulted and concurred.

Apparently, the only condition imposed by the Riksbank was that the "conditions and rules" applied to the original Nobel Prizes be extended to the new "Nobel" as well.

But in retrospect, the critical decision on the Economics "Nobel" came rather from the linking of the new award to all the traditional and legitimate Nobels (in physics, chemistry, medicine, literature, and peace) through the simple but effective device of its simultaneous announcement with the traditional Nobels so that the fact of its not being a real Nobel Prize would soon be obliterated and forgotten, as indeed happened. The consequences, whether intended or unforeseen, have defined the serious problematics of the new "Nobel," which are not generally understood as critics focus on trivialities instead.

Principally, the consequence of the strong linking of the economics prize to all historical Nobels has been that, while there has always been a benign plurality of awards for outstanding accomplishments in economics, including honorary degrees from prestigious universities, the economics Nobel enjoys unique prestige and lends to the awarding committee in Sweden what can only be called extraordinary power in the game. This matters and defines the serious adverse consequences that have followed from the economics Nobel.

First, it often corrupts the recipients. Economics Nobelists divide into the few, like Robert Solow and the late Paul Samuelson, Milton Friedman, James Tobin, Kenneth Arrow, William Vickrey, and Franco Modigliani, who lend great distinction to the prize and rarely advertise their receipt of it, and the many whose websites and op-eds are used to proclaim to the world the year of their award. The latter group use the Nobel as a shield behind which they hide their inadequacies and often growing Nobel-induced incompetence. Thus, I have remarked jokingly about a colleague who has post-Nobel become a patron saint of the radical left, that he was a savant when he received the Nobel, then became an idiot savant, and is now just an idiot.

Second, while the Nobel laureates in the hard sciences rarely push for anything from their universities except funds to finance their laboratories and research projects, the record of the economics Nobel recipients often offers a shoddy contrast. Typically, we have seen them using their new status to flout the conventional restrictions on nepotism, for example, by getting their spouses and children appointed to well-paying university jobs, and even appointing their spouses as their public relations officers who then proceed to intimidate department heads and deans into compliance with their demands.

Third, one cannot help noting the arrogance with which the economics Nobelists (unlike the Nobelists in the hard sciences) disregard elementary standards of academic integrity and inquiry.

I recall how one such laureate was giving a lecture at the law school, drawing on case law from the U.S.-Canada cases to illustrate his thesis. Unfortunately for him, a lawyer in the audience intervened to say that he had been involved in all these cases and the Nobel laureate had gotten all of them wrong. A normal scholar would have sunk through the floor; but the Nobelist said: "It makes no difference to my thesis!" Arrogance combined with ignorance and indifference to the normal canons of scholarship is the kind of corruption that the economics Nobel fosters but has no place in scholarly discourse.

Fourth, the economics Nobelists typically corrupt the public policy discourse because, unlike the major scholars in the hard sciences who rarely enter the public policy arena (nuclear disarmament and climate change being two exceptions), most economists are typically operating with gusto in the public policy arena and inevitably wind up using their Nobels as scimitars with which to cut down their opponents.

The passion with which major economists will fight with their opponents on public policy was brought home to me when my Cambridge tutor, Joan Robinson, who was passionately opposed to Milton Friedman, was in India and heard that Friedman had gone to several campuses advocating an end to Indian planning. She got hold of Friedman's itinerary, and traveled to all the campuses where Friedman had lectured, to undo the damage that Friedman must have caused!

One can actually see the manner in which the economics Nobel distorts public policy debates when these Nobelists sign manifestos advocating opposed policy opinions, the distressing fact being that neither group has any competence in the matter at hand. Ignorant Nobel laureates, the know-nothings, drive out from the policy arena the economists who truly know the subject.

So, what is to be done? The "original sin," as I have argued, is the elevation of the Riksbank prize to a Nobel status. I doubt if the Swedes can be persuaded to delink the prize from the genuine, conventional Nobel prizes. My Oxford tutor, John Hicks, once said the Monopolist's chief revenue is Leisure. Unfortunately, the distinguished Swedish Committee surely knows also that the Monopolist's chief revenue is Power.

Awarding the Nobel Prize to pairs of economists whose work is in tension with each other can make perfect sense.

JEFFREY A. FRANKEL

Harpel Professor of Capital Formation and Growth, Harvard University's Kennedy School

It is true that the Prize in Economics in Memory of Alfred Nobel has been awarded in the same year to economists representing opposite viewpoints. Not just once, but three times.

In 2013, the topic was stock markets. The winners included both Eugene Fama, for his work on the Efficient Markets Hypothesis, and Robert Shiller, for his rejection of the EMH in favor of the existence of bubbles, excessive volatility, and investor behavior that departs from rational expectations.

In 1979, the topic was economic development. The prize was awarded to both Theodore Schultz, who argued that peasants were rational and optimizing, and Sir Arthur Lewis, who originated a dual-sector model of development in which the agrarian sector is governed by social norms that pay workers above their marginal product.

In 1974, the topic was how society should be organized. One recipient was Gunnar Myrdal, who was on the Left—a critic of race relations in America and force behind the social welfare state in Sweden. The other recipient, Friedrich Hayek, was on the Right—a leading proponent of the view that expansion of the role of the government was "the road to serfdom."

If two economists are at odds with each other, does that mean that one or the other (or both) must be wrong? And that therefore economics is not a science worthy of having a Nobel Prize?

No. The essence of economics is that life is usually a trade-off. Consumers, for example, balance their desire for different goods and services, subject to a budget constraint. Governments trade off the environment against economic costs of regulation. Central banks balance economic expansion versus inflation. So it is also, in balancing competing economic ideas.

Consider the three odd couplings:

On the one hand, the EMH is a good antidote to the illusion that it is easy to make above-normal profits in the stock market. Index funds do tend to beat active investors. But on the other hand, speculative bubbles capture the valid idea that market prices sometimes differ from the economic fundamentals underlying the assets. Both perspectives embody a lot of truth.

On the one hand, modeling peasants in developing countries as rational was a useful antidote to the arrogant assumption that they did not respond to incentives and that their governments or well-meaning foreign advisers knew what was best for them. On the other hand, the dual-sector model persuasively illuminates the stages of rural-urban migration and industrialization, for example in China.

Finally: On the one hand, it is impossible to formulate economic policy intelligently without recognizing such important failures of the private market as environmental externalities or monopoly power. Thus, there is inarguably a role for the government. On the other hand, it is also impossible to proceed intelligently without recognizing the importance of government failure as well, such as rent-seeking, regulatory capture, or the political business cycle.

Awarding the Nobel Prize to pairs of economists whose work is in tension with each other can make perfect sense.

The core of economics is not prediction and the fact that macroeconomics is in a rough period is not a reason to stop awarding the prize.

W. BOWMAN CUTTER
Senior Fellow and Director, Economic Policy Initiative, Roosevelt Institute

The question has to be answered at two levels: common sense, and epistemological.

At the common sense level, of course the Nobel Prize should continue to be awarded. There are precious few recognitions of global stature of truly exceptional intellectual achievement in the social sciences. When one exists, what could possibly be the value of discontinuing it? And the list of those recognized in the first thirty years or so makes the point by itself. You can disagree with a choice here and there. You can wish someone else had also been recognized. But I don't think it is possible to argue that on balance, the first thirty years of Nobel Prize awardees is not a list of exceptional intellectual accomplishment.

But the real question is deeper. What is economics and what represents the best of economic thought now? You could argue—and some will—that economics is whatever it is that current tenured professors of economics at elite universities do. I think that used to be a pretty good answer but is not now as dependable a direction.

Or you could argue—as I think—that the best economics today involves the rigorous application of economic reasoning and methods to subjects somewhat different than those normally considered by the profession as big-boy economics. To be fair, the Committee has moved out—Elinor Ostrom, Bill Nordhaus, Esther Duflo, Angus Deaton, and Richard Thaler are all examples of the kind of careful moving out of the boundaries I think should be the rule over the next couple of decades.

But I'd like to go further. The directions I'd personally like to see are economic history, economics and political science, economics and sociology, and big data and climate. There are scholars in all of these subjects whose work already merits consideration. As examples, the work of Claudia Goldin and Lawrence Katz or Robert Gordon in economic history, or the work of Andrew Cherlin on the American working-class family, all represent scholarship of the highest intellectual quality. There are many other possible examples in the areas I mentioned above.

So, yes, of course the prize should continue. The core of economics is not prediction and the fact that macroeconomics is in a rough period is not a reason to stop awarding the prize.

Replace the annual prizegiving with the occasional Oscars-style lifetime achievement award.

BRIGITTE GRANVILLE
Professor of International Economics and Economic Policy, Queen Mary University of London, and author, What Ails France *(2021) and* Remembering Inflation *(2013)*

Finding myself wanting to answer "yes" to this question, I step back to survey a range of possible reasons why. Is it that I reckon this prize does not go to the most deserving? Or is the problem rather that too many winners, meritorious enough in themselves, are exponents of the same style of economics? Or perhaps I have wider doubts whether the study of economics is capable of making contributions to human welfare sufficient to deserve a Nobel Prize (even if only of a "memorial" variety)?

While I have some sympathy with all these points, I don't think they should bear too much of the burden of the case for a moratorium on Nobel economics prizes.

The *ad hominem* (not much *feminam* in sight) critique is the most easily dismissed. I greatly admire or even revere some laureates (such as Thomas Sargent) but less so some others. Such opinions, especially the less favorable ones, may reflect more on me than on them.

More serious is the narrow school of economic thought which is most widely taught and practiced—and perpetuated by the related institutional judge-and-jury problem of the peer-reviewed journals. Even for those who, like me, do see a problem here (albeit sometimes overstated or misdiagnosed), it is not clear how the Nobel Prize aggravates, let alone causes, this problem. The possible argument that the prestige of the Nobel entrenches mainstream orthodoxy may be countered by recalling how the laureates comprise some well-known antagonists—as in the striking instance of Robert Shiller and Eugene Fama, with their very contrasting ideas about financial asset markets, sharing the prize in the same year (2013).

The irresolvable nature of such controversies takes us on to the question of whether economics as a discipline is inherently Nobel Prize material. This point goes beyond the epistemological contrasts between the natural and social sciences to bear on Alfred Nobel's ideal of welfare. Even the impressive empiricism of this year's laureates (and "shadow" laureate in the tragic figure of Alan Krueger) will always have only limited applications. The technique of randomized control trials, three of whose leading exponents received the 2019 prize, is a means to the end of poverty reduction. Turning from material (science-based) progress to the spiritual welfare enhanced by (literary) artists or the composite welfare brought about by peacemakers, the potential of economics to contribute to these lofty goals seems even more indirect and remote. To the extent that economics may claim to be an "imperial science" (to quote the 1982 laureate George Stigler), it is as often itself colonized by its hinterland, as reflected in the awards to outstanding thinkers from other disciplines like Daniel Kahneman (2002) and Elinor Ostrom (2009).

This very fluidity makes economics seem a slippery fish to catch in a Nobel net. But the same fluidity also reflects the distinctiveness and ultimate worth of economics as a certain way of thinking about human life and society that has proved persistently fertile and cross-fertilizing. True progress lies in advancing or somehow changing this way of thinking. I think the supply of such advances falls short of demand for an annual "top" prize like the Nobel. While incremental advances in the natural sciences may amply justify annual awards of Nobel prizes, economics beats to a slower rhythm. The Riksbank should replace its annual prizegiving with the occasional Oscars-style lifetime achievement award.

The Nobel Prize in Economics is a reward to a self-regarding, delusional, and ultimately destructive industry.

BERNARD CONNOLLY
Founder, Connolly Insight, LP

With timing as impeccable as Irving Fisher's when he said in October 1929 that "Stock prices have reached what looks like a permanently high plateau," Olivier Blanchard wrote in August 2008 that "a largely shared vision both of fluctuations and of methodology has emerged … The state of macro is good."

Good for whom? Good, perhaps, for the legions of Ph.D.s in mathematical economics churned out every year. A "largely shared vision" means that they can ignore the real world and can concentrate on ornamenting their castles in the air. Good, too, perhaps for policymakers: the canonical models developed by academics and used by their clients and patrons in central banks seem so attractive because they tell a false but seductive story in which everything will come right because it will come right.

But for the macroeconomics industry to have clung to such models after 2008 and to cling to them now, when both logic and all the available evidence point so strongly to their deficiencies, represents intellectual cowardice and *déformation professionnelle.*

The economic and financial world is in a mess, with terrifying social and political implications. Everyone accepts that. But instead of questioning the "largely shared vision" which has brought us so close to the edge of catastrophe, the macroeconomics industry casts around for excuses and scapegoats. In the financial crisis, the scapegoats were bankers, accused—often all too rightly—of greed and stupidity. Now the scapegoats are a different kind of virus and its variants. But the real culprit is the application of macro models that depend fundamentally on ignoring the true, entrepreneurial genius of capitalism, encapsulated in the maxim "Build a better mousetrap and the world will beat a path to your door." (Karl Marx put its corollary with characteristic sourness: "Every capitalist lays many of his fellows low.") Build a better mousetrap, not just invent one. For the most part, technological progress does not fall like manna from heaven; it does not rain down on the just and the unjust alike. And when an entrepreneur is building a better-mousetrap factory, there are (except in the mythical small, open economy) fewer resources currently available for consumption or other investments. Something has to be squeezed out—via the rate of interest, the key intertemporal price, in a capitalist economy. The clue is in the name: the process of installing capital represents future productive potential and current demand.

When central banks, following the dictates of the model, fail to recognize this implication of bursts of high-return investment (there should be a near flattening of the curve, with short- and medium-term rates first up and then back down), they establish intertemporal disequilibrium. And once that has happened, then as Dennis Robertson, John Maynard Keynes, John Hicks, and Allan Fisher all said, in different ways, in the 1930s, the natural rate of interest—a concept absolutely central to the canonical model—becomes impossible to identify, never mind implement. The result has been a real rate trending ever lower, with attendant bubbles, as the only way to defer crashes and vicious recession. Capitalism and the financial system cannot, contrary to some recent theorizing within the canonical model, survive a permanently negative and ever-falling long rate; and when capitalism is gone, democracy will soon follow it. Yet that is what modern macroeconomics has entailed.

The Nobel Prize in economics is a reward to a self-regarding, delusional, and ultimately destructive industry. It is as offensive as Hollywood and the Oscars.

STEPHEN G. CECCHETTI
Rosen Family Chair in International Finance, Brandeis International Business School; Vice Chair of the Advisory Scientific Committee, European Systemic Risk Board, and co-author, **Money, Banking and Financial Markets**, *2020, Sixth Edition*

KERMIT L. SCHOENHOLTZ
Clinical Professor Emeritus, New York University's Leonard N. Stern School of Business; former Chief Global Economist, Citigroup; and co-author, **Money, Banking and Financial Markets**, *2020, Sixth Edition*

Recipients of the Nobel Prize in economics clearly meet Alfred Nobel's charge of having worked "for the greatest benefit of mankind." Putting the prize on hold would be both unfair and shortsighted.

No. Critics of the Nobel Prize in economics make two specious claims. They argue that economics is not a science and assert that economics is inherently political. Both are incorrect.

On the first, economists posit testable theories of how the world works. As in other scientific disciplines, these theories are falsifiable: statistical analysis of relevant data leads to their refinement or replacement. With each round of careful theorizing, followed by improved measurement and testing, economic knowledge advances.

As a science, economics focuses primarily on the tradeoffs arising from constrained choices by consumers and producers. Subject to income constraints, households choose what they purchase, and firms adjust production to maximize profits. The resulting exchange of goods and services typically occurs in markets that (subject to government intervention) determine prices and influence the allocation of resources across the economy.

As a science, economics is primarily "positive" (descriptive), not "normative" (prescriptive). Using an ever-widening range of diagnostic methods, economists identify where poor incentives lead to market failure and look for efficient remedies. This focus is analogous to that of architects and engineers, who strive to build bridges and skyscrapers that are both cost-effective and resilient. Improvements in contract and market design, and in the tools for government intervention, can help expand the choices that people face without dictating what they choose.

For example, one recent Nobel Prize in economics rewarded the development of "systems for matching doctors with hospitals, school children with schools, and organ donors with patients," allowing for more efficient exchange where markets do not even exist. A key to policy success is identifying the forms of government intervention that are most effective while minimizing unintended consequences: hence, the recent prize for an "experimental approach to alleviating global poverty." In the future, we hope to see prizes for work that helps us re-design financial markets and practices to make the global financial system more inclusive, efficient, and resilient.

This scientific focus means that economics is not inherently political. It does not prescribe how many parks to build or how much education and health care to provide. Rather, it illuminates the tradeoffs, if any, that societies face if they wish to consume more public goods and services. It also helps to design a tax system that minimizes the economic costs of supplying these goods and services.

In this sense, economics is about a wide range of private behavior and public policy. It includes the study of labor and employment, corporate finance, education, the environment, international trade, innovation, and public finances, as well things like inflation and unemployment. In all of these, prize winners have made important contributions that improve our lives.

To sum up, recipients of the Nobel Prize in economics clearly meet Alfred Nobel's charge of having worked "for the greatest benefit of mankind." Not only that, but there are many others who are worthy of the prize but have not yet received it. Putting the prize on hold would be both unfair and shortsighted.

If there are to be Nobel prizes, economists deserve to receive them.

MARTIN NEIL BAILY

Bernard L. Schwartz Chair in Economic Policy Development and Senior Fellow and Director of the Business and Public Policy Initiative, Brookings Institution

It is better to keep the economics Nobel prize than to discard it. Economics has contributed enormously to human welfare.

Adam Smith saw that the actions of individuals expressed in a competitive marketplace could benefit the whole society. Market-based economies have propelled the bulk of humanity into prosperous lives. Economists, such as Paul Samuelson, Robert Solow, and George Stigler, developed market-based neoclassical economics that have contributed to a vast increase in human welfare.

John Maynard Keynes saw that market economies could spiral into deep and persistent recessions. Economists such as James Tobin and Milton Friedman have ensured there has been no return to deep and uncontrolled recessions, nor to runaway inflation, despite severe economic shocks.

Another flaw in market economies is that companies and individuals do not consider the impact of their pollution (or other externalities) on others. They release billions of tons of pollutants and ignore the impact on climate and health. Economists such as William Nordhaus have been leaders in recognizing the problem and pointing to solutions, if only more people would listen.

Economists have made breakthroughs in data analysis and in the understanding of labor markets, international trade, financial stability, and many other areas. Economists are not good at prediction, but neither are natural scientists who can predict the results of controlled experiments but not complex real-world phenomena.

Economists can make terrible mistakes and their views can be distorted by those paying them. The Nobel committee makes mistakes too and has discriminated.

Nevertheless, if there are to be Nobel prizes, economists deserve to receive them.

The meddling by Nobel laureate Joseph Stiglitz in German politics is the latest example of the abuse of influence.

THOMAS MAYER

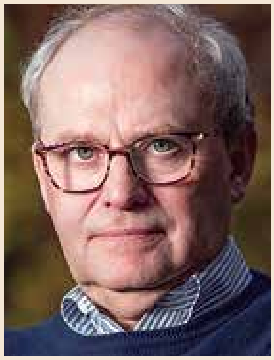
Founding Director, Flossbach von Storch Research Institute, and former Chief Economist, Deutsche Bank Group

As a professional in the banking and finance sector for now almost four decades, I have found economics to provide a useful framework for analyzing and understanding economic and financial developments. But I have also experienced its limits. Most importantly, I have learned to appreciate Friedrich Hayek's warning that an economy is "a system of organized complexity," which we will never be able to understand in full. Hence, it is neither possible to make reliable quantitative predictions nor to steer the system in a precise way. Therefore, all we can do is to shape the environment such that an outcome we desire is likely.

In 1968, the Swedish Riksbank took its 300th anniversary as a reason to hijack the brand of the Nobel Prize for economics. The unfortunate result was that the perception of economics moved closer to that of the natural sciences, which Alfred Nobel wanted to honor with his prize. The impression of belonging to the "hard sciences," created by the appropriation of the prize, reinforced the "pretence of knowledge" (Hayek) by economists for making quantitative forecasts like natural scientists, and for steering the economy according to their or their masters' wishes. In central banks, economists have pretended to be able to steer a questionable measure of inflation to the first digit after the decimal point to a target they have arbitrarily defined. And in the public debate, economists have used the accolade of the Nobel Prize to pontificate on issues outside of their area of competence for political purposes.

In his speech at the Nobel banquet in 1974, Hayek warned that "the Nobel Prize confers on an individual an authority which in economics no man ought to possess… an influence over laymen: politicians, journalists, civil servants and the public generally." The meddling by Nobel laureate Joseph Stiglitz in German politics is the latest example of the abuse of this influence, which Hayek had in mind. On October 27, 2021, in an article in the weekly *Die Zeit,* Stiglitz, along with Columbia University's Adam Tooze, campaigned for Green politician Robert Habeck against FDP leader Christian Lindner for Germany's next finance minister. Their campaign received widespread public attention, for no other reason than the Nobel Prize attached to Stiglitz's name.

Pretense of knowledge for the sake of self-exaltation or political purposes threatens the integrity of our profession. If the Swedish Riksbank really cared about the integrity of economics, it would abolish its prize, for the award gives new reason to regard economics as "the dismal science."



At the very least, this prize should be suspended, but it would be more appropriate to abolish it.

ANDERS ÅSLUND

Adjunct Professor, Georgetown University

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel has only existed since 1969. It has been controversial from the outset and it seems to become even more so. Unlike the real five Nobel Prizes, it does not arise from Alfred Nobel's will, and its funding does not come from the Nobel Foundation but from the Riksbank.

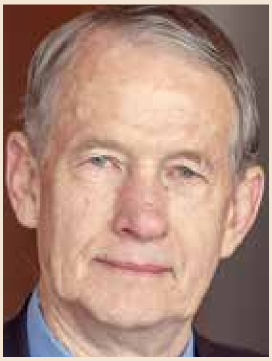
Alfred Nobel never thought of instituting a prize in economics. Numerous scientists and many economists dispute whether economics is really a science at all. Modern economics may be characterized as either model building with many unrealistic assumptions or laborious empirical studies. Both activities are derivative of mathematics, but there is no Nobel Prize in mathematics, one of the true fundamental sciences.

Nobel seriously considered introducing a prize in mathematics. The alleged reason why he did not is that he could not stand the leading Swedish mathematician of the time, Gösta Mittag-Leffler, and did not want him to obtain any Nobel prize. Incidentally, Mittag-Leffler became a member of the Nobel Prize Committee in Physics. Instead, mathematics got the less well-endowed Fields Medal in 1924.

The economics prizes that have caught public imagination have primarily been awarded for macroeconomic achievements, but in recent years much of macroeconomics has been debunked. As the Phillips Curve collapsed in the inflationary spurt in the 1970s, old-style Keynesianism fell flat. Milton Friedman's monetarism experienced a similar fate when Margaret Thatcher and Ronald Reagan tested it in the 1980s. The next fad was inflation targeting that ruled for nearly two decades, but it was of little use in the global financial crisis in 2008–2009. Since then, macroeconomics has appeared pretty helpless and increasingly come into disrepute. Economists seem to have little but guesses and hunches on key questions, such as how large a budget deficit should be, what is a permissible size of the public debt, and what is the preferable monetary policy. In this state of uncertainty, any Nobel prize related to macroeconomics becomes dubious.

Instead, most recent Nobel prizes in economics have been awarded for microeconomic work. Many economists argue that microeconomics stands on more solid ground, but admit that the findings of many economics prizes awarded in recent years appear to become intellectually increasingly pedestrian, while the computing is impressive. Yet then it becomes a prize in computer science, where there are surely greater achievements.

Thus, the very introduction of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 1969 appears to have been a mistake, a landmark of the hubris of economists. It was launched just before the demise of macroeconomics. At the very least, this prize should be suspended, but it would be more appropriate to abolish it.



Fortunately, the Stockholm committee has awarded rather few prizes to macroeconomic soothsayers.

GARY CLYDE HUFBAUER
Nonresident Senior Fellow, Peterson Institute for International Economics

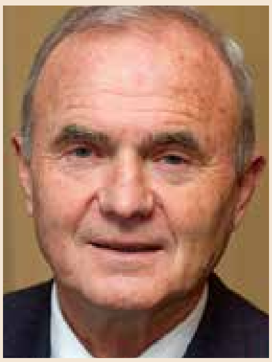
If Nobel Prizes in Economics were awarded for forecasting skill, laureates would have names like Warren Buffett, John Paulson, Julian Robertson, and other titans chronicled by Sebastian Mallaby in *More Money Than God.*

Macroeconomists need not apply, since their mathematical concoctions perform little better than coin tosses beyond horizons of a year or so. Even so, macroeconomists can take solace: weather forecasts are no better beyond ten days. Chaos is the natural enemy of efforts to map the future of large dynamic systems.

Fortunately, the Stockholm committee has awarded rather few prizes to macroeconomic soothsayers, instead concentrating on insights that illuminate particular aspects of vast economic systems. Thanks to past laureates, we better appreciate the impact of raising minimum wages for restaurant waiters, Harvard's effort to nudge larger gifts from alums, and the random walk of asset prices—even if we are no better a predicting when market bubbles will pop.

In fact, a perusal of the fifty-three annual awards since 1969 reveals only five times when the committee's summary description includes the term "macroeconomics." All the rest are for economic slices, not pretending to forecast future business cycle perturbations or pronounce immutable laws governing the natural interest rate or the Phillips Curve.

Arguably, the contributions of economic laureates fall short of laureates in medicine, chemistry, or physics. Retrospectively, however, the names of economic laureates are considerably more memorable than the names of literature laureates (awarded 114 times since 1901), and without the embarrassments that occasionally plague the Nobel Prize in Peace (awarded 102 times since 1901).



Putting the prize on hold until economics has established itself as an exact science would mean suspending it forever.

OTMAR ISSING
President, Center for Financial Studies, Goethe University Frankfurt, and founding Member of the Executive Board, European Central Bank

The founder of *TIE* has raised the question of whether the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel should be put on hold until the profession establishes a more credible track record.

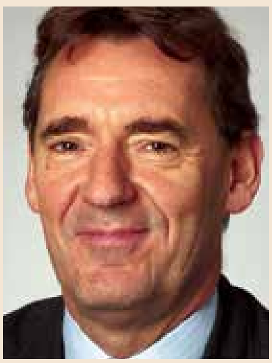
To be quite clear: suspending the prize is no solution.

What is the issue at stake here? F.A. Hayek already said it all in his Nobel Prize speech of 1974. Economics cannot be compared with the exact physical sciences. Hayek even goes one step further and disputes whether one important branch, macroeconomics, is even a science at all.

The fundamental problem lies in the way economists understand their science. The increasing mathematization and formalization of the economic profession might give the impression that economics is on its way to becoming an exact science. More than a few economists also seem to be convinced of this. Yet despite all the progress made, not least due to the aforementioned trend, economics is far from being an exact science. And as Hayek has pointed out in many epistemological contributions, the complexity of the subject matter means that it will never reach this state. Hayek condemns the failure to recognize this fundamental distinction from the natural sciences as a "pretence of knowledge."

The problem with the Sveriges Riksbank Prize is the name's resemblance to the traditional Nobel prizes in the natural sciences. One must also acknowledge that the behavior of more than a few laureates does little to enhance the reputation of the prize. Who has not attended an event featuring a "Nobel Prize winner" who spoke on a topic and showed their knowledge to be at best on par with a competent economic journalist?

Such conduct is diametrically opposed to the humility that Hayek called for, and which would befit economists in particular. Putting the prize on hold until economics has established itself as an exact science would mean suspending it *ad kalendas graecas*—in other words, forever. A great deal would be gained if future prize winners showed a little of the humility demanded by Hayek.



No, the best innovative and recognized research should get achievement acknowledgment.

JIM O'NEILL

Former Commercial Secretary to the Treasury, United Kingdom, and former Chairman, Asset Management, Goldman Sachs International

No is the simple, and in my opinion, the easy answer! Economics is a social science, not a factual science. I was influenced a lot by my own experience as a Ph.D. student in the late 1970s and early 1980s. In those days, before laptops or indeed, even personal computers, you would typically have to figure out a punch card to leave overnight for the mainframe computer to churn out your results. This was hugely dependent on whether you had entered the right material, and on whether the computer broke down. The endless frustrations, turning up the following day to pick up reams of empty paper as something had gone wrong, drove me mad, and also made me suspicious of when the results did occasionally get printed. I was conducting my thesis research into the oil price crisis of the mid- to late 1970s, and on top of this technical problem, the dearth of data about what OPEC oil producers did with their revenues and investments also made a slight mockery of some aspects of my research. Did that stop me from developing a theory, and one I found interesting? No. Did this stop me being awarded a Ph.D.? No. So a Ph.D. is no Nobel prize, but it felt as good for me, and that certificate, and the ability to think outside the box and work alone in great detail were the makings of my career. I told every young aspiring Goldman Sachs intern that if he or she wanted to advance to a career as a senior economist, that person should go back to school and get a doctoral degree.

Why on earth should economists agree about what is a social science, where by definition there are huge unknowns and uncertainties? But ideas that influence others, including governments, brilliant. Of course, the best innovative and recognized research should get achievement acknowledgment, irrelevant of whether others might disagree.

As for economic forecasting often being wrong, so what? In this regard, I do sympathize with the reality check many economists often need: Don't take your own forecasts or views overly seriously. Be humble. Recognize that there is a decent chance you could be wrong. I got humbled endlessly in my days as foreign exchange forecaster. Indeed, those repeated early humblings often led me to answering, "I don't know."

These days, despite nearly a decade of no formal responsibilities at all, my answer when asked is often: The dollar might go up before it goes down, unless it goes down before it goes up. Perhaps I should get a Nobel prize? ◆