

THE 2006 NOBEL PRIZE IN ECONOMICS

Dear All:

The Nobel prize for economic sciences for 2006 will be announced on Monday, October 9, 2006.

I take a personal enjoyment in guessing who might win the Nobel prize each year. I also enjoy reminding people of the Nobel in economics, since it's great to recognize significant achievement in any endeavor.

Last year, the prize was a surprise to all. Even game theorists had to scurry through the library to find out what Aumann had published. And some people did not know that Schelling was a game theorist. Some people also thought that the Nobel prize of 2005 was somewhat politically motivated. Nevertheless, it marks a great achievement for these two men and we should all hope to be so fortunate. It also made me happy to see people win outside of the top tier universities.

But who will win in 2006? Sure there are some favorites, but each year is becoming more difficult to predict.

There are essentially three areas I think could win. FINANCE, LABOR, or CONTRACT THEORY.

Although, I don't think the Nobel committee is going to throw a curve ball this year, if they do, it might be in HEALTH economics. But let's first get to the three main categories.

FINANCE has not received the award in many years and there are two ripe names in this category. LABOR economics has not really received the award and is always an important social concern. CONTRACT theory has not received it, and it has been awhile since they have awarded the prize to pure theory.

Thus, based on this information, I think the Nobel prize committee will pick people whom everyone knows and have the equity markets cheering.

FOR THIS YEAR

1. [FINANCE: STEVE ROSS and EUGENE FAMA for their work in understanding security market pricing. S. Ross (for inventing the APT & Binomial) & Eugene Fama (for empirical testing of APT & the efficient markets hypothesis).
2. [LABOR: Ed Phelps and Ashenfelter (maybe)]
3. [CONTRACT THEORY: O. Hart, Williamson, Milgrom or Holmstrom]
4. [PUBLIC FINANCE: P. Diamond and M. Feldstein.]

THE CURVE BALL

If the Nobel committee decides to throw a curve ball, I think it will be in HEALTH economics or DEVELOPMENTAL economics. I am not very familiar with either area. But my curve ball guesses will be Culyer and Newhouse for the former and Srinivasan and Behrman and Bhagwati for the latter.

FOR FUTURE YEARS

4. [INDUSTRIAL ORG: Baumol (contestability)]
6. [ECONOMETRICS: J. Hausman and H. White. Note: They could consider giving it to Hausman for Public Finance with the other guys above, but that's not really how it should be given to him.]
7. [MACROECONOMICS: Paul Romer (theory) & Robert Barro (empirical testing)].
8. [INTERNATIONAL: Bhagwati, Dixit, and Krugman]

If anyone wishes to send their guesses to me, please do so!

Enjoy!

Ludwig