**2022 Nobel Laureates in economics**

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The 2022 Nobel Memorial Prize in Economic Sciences was divided equally between the American economists Ben S. Bernanke, Douglas W. Diamond, and Philip H. Dybvig “for research on banks and financial crises” on 10 October 2022. As we know, the award was established in 1968 by an endowment “in perpetuity” from Sweden’s central bank, Sveriges Riksbank, to commemorate the bank’s 300th anniversary. Laureates in the Memorial Prize in Economics are selected by the Royal Swedish Academy of Sciences.

This year the Nobel Committee announced that its reasons behind the recognition of these three gentlemen (Nobel Laureates) were that they have significantly improved our understanding of the role of banks in the economy, particularly during financial crises. An important finding in their research is why avoiding bank collapses is vital.” Ben Bernanke’s key contributions were his research on the role of bank crises in the Great Depression of the 1930s and his response to the 2007-2008 financial crisis as head of the US Federal Reserve. Douglas Diamond’s and Philip Dybvig’s, on the other hand, were in the development of their Diamond-Dybvig Model of bank runs. Critics of course are of the view that perhaps their research is too sympathetic to the banking industry and should have also focused the flip side on how mismanagement and skewed interests in banks can tend to instead aid global financial crises or then perhaps the careers of three in many ways are too closely intertwined with the banking sector to merit an objective critical analysis by them.

[Diamer Basha Dam a significant project for national economy](https://www.nation.com.pk/26-Oct-2022/diamer-basha-dam-a-significant-project-for-national-economy)

Interestingly their association as a team, dates back a long time, to a period where their collaboration came about in very different circumstances. As doctoral students at Yale in the late 1970s, Douglas W. Diamond ‘80 Ph.D. and Philip H. Dybvig ‘79 Ph.D. developed a friendship forged in part while waiting to meet with their mutual thesis advisor, the late Stephen A. Ross. That relationship grew into a fruitful research collaboration examining the causes of bank runs and related financial crises that today culminated with their receipt of the 2022 Nobel Memorial Prize in Economic Sciences.

The two Yale-trained economists shared the prize, officially called the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, with Ben Bernanke, the former Stanford and Princeton professor and chair of the Federal Reserve. Like Ross, who was a pioneering finance scholar and Sterling Professor of Economics and Finance, Diamond and Dybvig have left an indelible mark on the field of financial economics. In 1983, the pair published the Diamond-Dybvig model, a hugely influential model of bank runs and one of the most widely cited papers in finance and economics.

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The model shows how banks serve the economy by creating liquidity, and how this creation of liquidity can subject them to bank runs—when many depositors simultaneously withdraw their funds out of fear that their bank will become insolvent—if deposit insurance or other protections are not in place. Dybvig, who is now a professor of banking and finance at Washington University’s Olin School of Business, served as a postdoctoral fellow at Yale’s Cowles Foundation for Research in Economics in the fall of 1979 after completing his Ph.D. Then he served on the faculty at the Yale School of Management (SOM) from 1981 to 1986, encompassing the time when their model was formulated and published.

“Phil brings brilliant mathematical intuition to both the theory and practice of finance,” said William N. Goetzmann, the Edwin J. Beinecke Professor of Finance and Management Studies at Yale SOM, who also studied under Ross as a graduate student.

“As an instructor and a member of my Ph.D. committee, he was a patient and kind teacher, who shared and shares his insights generously.” Dybvig recently worked with Goetzmann and Jonathan Ingersoll, the Adrian C. Israel Professor Emeritus of International Trade and Finance, on an article about Ross’s contributions to finance.

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Ross, who authored more than 100 articles in finance and economics and joined the faculty of the MIT Sloan School of Management in 1997, died in 2017. Diamond, a professor of finance at the University of Chicago Booth School of Business, taught finance at Yale SOM from 1986 to 1987. During an interview published on nobelprize.org just after the prize was publicly announced, he reminisced about his graduate school experience at Yale.

“Steve [Ross] was an amazing advisor and stupendous mentor to both of us,” he said. Diamond recalled that Ross had a policy of not scheduling appointments with students and requiring them to wait outside his office until he was available to talk. Diamond would have conversations with Dybvik while they were waiting to speak with their mentor, he said. They decided as graduate students that they wanted to collaborate but didn’t land on bank runs as a research topic until after they had completed their doctorates, Diamond said. He also recalled that Ross had an assistant who provided the waiting student’s cookies and other treats as they waited. “No one starved outside Steve Ross’ door,” he said.

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In 2017, Diamond received the Wilbur Lucius Cross Medal, the highest honor that the Yale Graduate School Alumni Association bestows on its alumni. Each year only a small number of alumni are recognised for distinguished achievements in scholarship, teaching, academic administration, and public service.

The trio of Monday’s newly minted Nobel laureates includes a third Yale connection: Bernanke, who directed the Federal Reserve’s response to the global financial crisis of 2007-2008, currently serves on the advisory board of the Yale Program on Financial Stability (YPFS) at SOM and is a frequent campus presence.

“Ben Bernanke’s academic work shows how financial crises can devastate the economy,” said Andrew Metrick, the Janet L. Yellen Professor of Finance and Management and director of YPFS. He brought a deep understanding of this mechanism to his job as chair of the Fed, where he brilliantly applied this knowledge to fight the global financial crisis.

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