



Nobel Prize in Economic Sciences 2022

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Winner

Ben S. Bernanke, Douglas W. Diamond and Philip H. Dybvig for “Research on Banks and Financial Crises”.

Basis of Research

- Reason behind bank's instability and long-term consequences of a banking crisis
- Damage following bank collapse
- Failure to establish new banks after fall in economy

Significance

- The research reduces the risk of financial crisis developing into long-term depressions with severe consequences for society.

Contribution

Ben S. Bernanke:

- Analysed the Great Depression of the 1930s, and demonstrated how failing banks played a decisive role in the depression. Showed how bank runs were a decisive factor in the crisis becoming so deep and prolonged.
- Was the head of the US central bank, the Federal Reserve, when the 2008 crisis hit, put knowledge from research into policy.

Douglas W. Diamond and Philip H. Dybvig:

- Diamond showed how banks are better suited to assessing borrowers' creditworthiness and ensuring that loans are used for good investments.
- Worked together to develop theoretical models explaining why banks exist, how their role in society makes them vulnerable to rumors about their impending collapse, and how society can lessen this vulnerability.
- Presented a solution to bank vulnerability, in the form of deposit insurance from the government.

Indian Nobel Prize Laureates

- In 1998, Amartya Sen was awarded the Nobel Prize in Economic Sciences “for his contributions to welfare economics”.
- In 2019, Abhijit Banerjee was awarded the Nobel Memorial Prize in Economic Sciences with his wife Esther Duflo and Harvard University's Michel Kremer, for his experimental work in order to alleviate global poverty.

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