

New York Times, 15 October 2007

3 Americans to Share Nobel Prize in Economics



Mike Left, Kamil Krazaczynski/European Pressphoto Agency; Derer/Associated Press; Craig Lassig/European Pressphoto Agency

From left, Roger B. Myerson, Eric S. Maskin and Leonid Hurwicz.

The [Nobel Prize](#) in economics was awarded today to three Americans for their work in mechanism design theory, a branch of economics that looks at the design of institutions in situations where markets do not work properly.

Leonid Hurwicz of the [University of Minnesota](#), Eric S. Maskin of the Institute for Advanced Study in Princeton, New Jersey, and Roger B. Myerson of the [University of Chicago](#) shared the award for “having laid the foundations of mechanism design theory,” the Royal Swedish Academy of Sciences said.

Their work addresses situations in which markets work imperfectly, such as when competition is not completely free, consumers are not fully informed or people hold back private information. In such cases — for example, when people refuse to divulge how much they are willing to pay for a good — trade can break down.

Their work also addresses cases where transactions do not take place openly in public markets, but within companies, in private bargaining between individuals or between interest groups.

The prize winners’ groundbreaking work has been pivotal in assessing how institutions perform under such conditions, and in designing the best mechanism to make sure that goals, such as optimal social welfare or maximum private profit, are reached, the academy said. The winners’ work has helped determine whether government regulation may sometimes be necessary.

Mechanism design theory today plays a central role in many areas of economics and parts of political science, the academy said.

“The theory allows us to distinguish situations in which markets work well from those in which they do not,” the academy said in a statement. “It has helped economists identify efficient trading mechanisms, regulation schemes and voting procedures.”

The three economists will share the prize of 10 million Swedish krona, or \$1.56 million.

Last week, former Vice President [Al Gore](#) and the Intergovernmental Panel on Climate Change, a [United Nations](#) network of scientists, were awarded the 2007 Nobel Peace Prize, for their work on man-made [climate change](#).

Also last week, [Doris Lessing](#), the Persian-born, Rhodesian-raised, and London-residing novelist, won the 2007 Nobel Prize in Literature.

Mr. Hurwicz, 90, who was born in Moscow, is Regents Professor Emeritus of Economics at the University of Minnesota. He pioneered the development of the field, and was followed later by Mr. Maskin and Mr. Myerson.

In a conference call with reporters today, Mr. Maskin was quoted by The Associated Press as saying of Mr. Hurwicz: “Many of us had hoped for many years that he would win. He is 90 years old now, and we thought time was running out. It is a tremendous honor to have the opportunity to share the prize with him and with Roger Myerson.”

Mr. Maskin, 56, was born in New York City. He has been the Albert O. Hirschman Professor of Social Science at the Institute for Advanced Study in Princeton since 2000. Mr. Myerson, 56, was born in Boston. He is the Glen A. Lloyd Distinguished Service Professor at the University of Chicago.

“There were a lot of us working in this area in the late 1970s,” Mr. Myerson told the A.P., describing his work as investigating “How does information get used in society to allocate resources.”

Last year, the Nobel Memorial Prize in Economic Science was won by Edmund S. Phelps, a [Columbia University](#) professor, for his contribution to macroeconomics, in particular his sophisticated explanation of how wages, unemployment and inflation interact with one another. His explanation held, in essence, that wages and inflation tend to rise in tandem, one pushing up the other, until the unemployment rate reaches an “equilibrium” or “natural” level at which prices no longer rise.