# On the Economics Nobel Prize

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The Economics Prize is not strictly a “real” Nobel Prize: it was not created by the Nobel Foundation but by the Central Bank of Sweden in the late 1960s. And economics is not a “real” science. It is not even that clear whether the mainstream economics discipline as it exists today contributes much to human knowledge, or well-being (as the literature and peace prizes are supposed to celebrate).

So how come economics get this privilege of a Nobel Prize unlike other social sciences? The human rights activist Peter Nobel felt that his grand-uncle Alfred Nobel would not have approved of a prize that he called "a PR coup by economists to improve their reputation ... most often awarded to stock market speculators".

As it happens, at least two of the winners of this year’s prize (Eugene Fama and Robert Shiller) do have companies that engage in or advise on stock market activities. They also famously disagree about how financial markets work. Fama argues that these markets are highly competitive and “efficient”, as investors immediately incorporate any new available information into the price of an asset. Shiller argues that investors in these markets behave in ways that are not completely rational, as psychological factors play a big role. The third winner, Lars Peter Hansen, has produced econometric work that largely supports Shiller’s argument.

So it is surely a sign of the confusion rampant in the discipline today that the award is being given simultaneously to contradictory positions. But this award tells us about more than the confusion.

The award reminds us that, five years after the collapse of Lehmann Brothers triggered the Global Financial Crisis, the power of finance over politics, economic policies, media and even academic discourse, remains undiminished – and possibly, bizarrely, even strengthened. It emphasizes the role the prize has played in cheerleading for capitalism, and even more so for capitalists, rather than rewarding useful analyses of economies in general. There are shocking exclusions of many scholars who had important and still valid insights, while prizes have often been given for minor or questionable achievement.

It underlines the geographical domination of the North Atlantic (especially the US) in the global economics profession – not because there are really more economic insights coming out of that region, but because those powerful in the profession are not interested in looking further afield and remain quite ignorant of other contributions especially in developing countries.

Most of all, the citation itself suggests the narrowness of the world that those who choose the awardees inhabit: pointing to contributions in “the empirical analysis of asset prices”. This explicit privileging of the 1 per cent goes some way in explaining why mainstream economics has also become the target of the ire of the 99 per cent.

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