

# The 2017 Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel

Since 1901 the Nobel Prize has been presented to the Laureates each December 10, but in October we learn who they are.

## Alfred Nobel and the Nobel Prize

Alfred Nobel lived between 1833 and 1896. During his lifetime he made many inventions, with the best-known being dynamite.

Alfred Nobel was thus an inventor, but also a chemist, entrepreneur and industrialist. When he died, he left behind a large fortune. In his will, Nobel declared that a large part of this money should be used to establish a prize for “those who shall have conferred the greatest benefit to mankind.” The Nobel Prize is divided into five equal parts and is awarded in the following categories: Physics, Chemistry, Physiology or Medicine, Literature and Peace.



Economic Sciences was not among Nobel’s own original Prize categories, and the Economics Prize is not counted as a Nobel Prize.



## The Economics Prize

Alfred Nobel was a leading industrialist and a successful inventor. At his death in 1896 he owned a total of 96 Nobel factories in 20 countries. At his death, he was one of the richest people in Europe.

The will of Alfred Nobel did not include economics as one of the Prize categories he himself wanted to create. Instead Sveriges Riksbank – Sweden’s central bank – established the

Prize in Economic Sciences in Memory of Alfred Nobel with the help of a donation related to the bank’s 300<sup>th</sup> anniversary in 1968.



## The 2017 Economics Prize

Richard H. Thaler, born in 1945 in New Jersey, is Professor of Behavioural Science and Economics at the University of Chicago, IL, USA, where he has done research since 1995.

Economics is often about understanding how people make economic decisions, for example what to buy for their income or how much, and for what, to save. There are economic theories that describe how people think and behave when making these decisions.

In the past, such theories assumed that people usually make logical choices or make the decisions that benefit them the most. Through his research, Thaler has shown that these theories are not always correct. He has performed a number of experiments to study how people make choices in different situations, for example what they should buy for their income or how they should save for retirement.

In one of his studies, Thaler looked at taxi drivers in New York City. When it rains, more customers want to ride taxis and it is easier for drivers to earn a lot of money per hour. It would thus make the most sense to work longer days when it rains and to take time off when the weather is nice. But instead, the taxi drivers seemed to have a kind of unstated target amount for what they should earn every day. This meant that they drove shorter shifts when there were lots of customers and longer shifts on days with few customers.

Thaler has carried out a number of studies that give us a better knowledge of how people behave when they have to make economic decisions. This can help politicians to organise our society better.

# Discussion questions



Below are a few questions about the Economics Prize and the Laureate. Think about them by yourself or discuss them in groups, as your teacher suggests.

## 1. What did the Laureate study?

Research in economic sciences includes a number of different fields.

- In what field of research did the Laureate work?

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## 2. What did the Laureate do?

Imagine that you are asked to explain the work of the 2017 Laureate to someone aged around 13.

- What did the Laureate do?
- What was new about it, and what were the results?

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## 3. Highly important research in economic sciences

Think about what importance this particular research may have.

- What can the research lead to?
- Do you think it is something that will benefit you?
- Can it help other people in some way?

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