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Economics Nobel Prize 2026

2 Americans win economics Nobel

STOCKHOLM, Oct 12: American economists Robert E Hall and Michael Woodford won the Nobel memorial prize in economics on Monday for their work on models that have helped governments and central banks manage economic shocks, such as energy crises and inflation.

The Royal Swedish Academy of Sciences announced the winners in Stockholm, saying the two were being honoured for work that has helped policymakers deal with economic fluctuations.

"The laureates' research has made it possible to manage major macroeconomic crises far more effectively than before," the Nobel committee wrote. "It has been hugely beneficial during the pandemic and the energy crises of recent years," it said.



ILLUS: NIKLAS ELMEHED

Robert E Hall Michael Woodford

Hall is affiliated with Stanford University in California, and Woodford with Columbia University in New York.

Woodford spoke to the committee by phone on Monday from New York, saying: "It's a tremendous honour, it's a surprise."

The Nobel committee said the laureates' work has created the theoretical foundation for models now used by central banks and governments around the world.

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Key Highlights

- **Awardees: Robert E. Hall and Michael Woodford** (as stated in the provided article).
- **Contribution: Improving economic models to understand economic fluctuations and help policymakers manage economic shocks**.
- **Key Areas: Consumer behaviour, business pricing decisions, inflation expectations and monetary policy.**

Important Concepts

1. **Economic Shocks**: Unexpected events, such as energy crises, that disrupt economic activity.

2. **Stagflation**: A situation involving high inflation, high unemployment and sluggish economic growth.

3. **Consumer Expectations**: Expectations about future income influence present consumption and savings.

4. **Monetary Policy**: Central banks use interest rates and communication to influence inflation and economic activity.

5. **Policy Credibility**: Clear and credible central bank communication helps shape public and market expectations.

Significance

- **Improves understanding of how households and businesses respond to economic changes.**
- **Helps central banks formulate effective monetary policies.**
- **Highlights the importance of inflation expectations and credible policy communication.**

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India-specific relevance: **The Reserve Bank of India (RBI) can use expectations about inflation, interest rates and consumption to inform monetary policy decisions.**

Prelims Questions

Q1. Stagflation refers to:

A. High inflation with rapid economic growth

B. High inflation accompanied by high unemployment

C. Low inflation with high employment

D. Falling prices with increasing output

Answer: B

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