

2026 Nobel Prize in Economic Sciences

Prelims: Current events of national and international importance | Awards

Why in News?

Recently, the Royal Swedish Academy of Sciences awarded the Sveriges Riksbank Prize in Economic Sciences jointly to Robert E. Hall (Stanford University) and Michael Woodford (Columbia University).

- The 2026 ***Sveriges Riksbank Prize in Economic Sciences*** in Memory of Alfred Nobel is the official name of the economics prize commonly called the Nobel Prize in Economics.
- This year the award recognises Robert E. Hall (Stanford University) and Michael Woodford (Columbia University)'s work on "microeconomic foundations of macroeconomic stabilisation."
- Their research helped develop ***New Keynesian models*** used by central banks and governments to manage economic fluctuations.
- **Robert E. Hall (Consumption Smoothing & Labor Market Frictions)**
 - **Random Walk Hypothesis of Consumption (1978)** - Showed that if consumers optimize their life-cycle spending under rational expectations, changes in consumption should follow a random walk, meaning future consumption is predicted only by current consumption, not by current income alone.
 - **Labor Frictions & Macro Dynamics** - Analyzed how search frictions, sticky wages, and unemployment fluctuations impact real economic cycles and policy effectiveness.
- **Michael Woodford (Inflation Targeting & Interest Rate Rules)**
 - **New Keynesian Framework (Interest and Prices)** - Reconstructed macroeconomic policy models to show how monetary policy operates primarily by steering market expectations of future interest rates rather than merely adjusting the money supply.
 - **Forward Guidance & Zero Lower Bound** - Established the theoretical foundation for modern central bank communication strategies (like forward guidance), explaining how central banks can maintain monetary policy traction even when short-term interest rates hit zero.

Comparison of Economic Modeling Paradigms

Structural Aspect	Traditional Macro-Models (Pre-1970s)	Hall-Woodford Reconstructed Framework
Foundational Basis	Purely aggregate statistical correlations (e.g., static Phillips Curve).	Microfoundations based on individual utility & profit maximization.
Handling Expectations	Backward-looking or adaptive expectations.	Forward-looking rational expectations incorporating future policy shifts.
Central Bank Transmission	Direct control over monetary aggregates ($M1, M2$).	Managing interest rate paths, forward guidance, and inflation targets.

Resilience to Shocks	Vulnerable to structural policy regime changes (Lucas Critique).	Robust to policy shifts because parameters reflect deep economic preferences.
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EKONOMIPRISET 2026
THE PRIZE IN ECONOMIC SCIENCES 2026



KUNGL. VETENSKAPS AKADEMIEN
THE ROYAL SWEDISH ACADEMY OF SCIENCES



Robert E. Hall
Stanford University, USA
Born 1943, USA



Michael Woodford
Columbia University, USA
Born 1955, USA

"för mikroekonomiska fundament för makroekonomisk stabilisering"

"for microeconomic foundations of macroeconomic stabilisation"

Reference

[The Hindu | Economics Nobel 2026](#)