

France's Jean Tirole wins Economics Nobel for market regulation

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USPA News - French economist Jean Tirole has been awarded the 2014 Nobel Prize in Economic Sciences for his analysis of market power and regulation, the Royal Swedish Academy of Sciences announced on Monday, wrapping up this year's Nobel season. The academy hailed Tirole, 61, as one of the most influential economists of our time, having made important theoretical research contributions in a number of areas.

But most important of all, the academy said, Tirole helped clarify how to understand and regulate industries which are dominated by a small number of large firms or a single monopoly. Markets often produce socially undesirable results - such as higher prices and the prevention of new and more productive firms from entering the market - when unregulated industries are dominated by a small number of powerful firms or a single monopoly. As a result, Tirole worked from the mid-1980s to research such market failures. "Jean Tirole's research contributions are characterized by thorough studies, respect for the peculiarities of different markets, and the skillful use of new analytical methods in economics," the academy said in a statement. "He has penetrated deep into the most central issues of oligopolies and asymmetric information, but he has also managed to bring together his own and other's results into a coherent framework for teaching, practical application, and continued research." Before Tirole, researchers and policymakers sought general principles for all industries, advocating simple policy rules such as the capping of prices for monopolists and prohibiting cooperation between competitors, while permitting cooperation between firms with different positions in the value chain. Tirole showed that such rules may work well in certain conditions, but are harmful in others. In a series of articles and books, Tirole explained that regulation or competition policy should be carefully adapted to every industry's specific conditions. He presented a general framework for designing such policies and applied it to a number of industries, allowing governments to better encourage powerful firms to become more productive and prevent them from harming competitors and customers. Responding to Monday's announcement in Stockholm, Tirole said he was "very surprised" but "very proud" to have won the prize, which comes with a monetary award of 8 million Swedish Krona (\$1.1 million). "I was incredibly surprised at the honor and it took me half an hour to recoup from the call," he said. "I still haven't recouped yet, but I immediately thought of all those who helped me." Tirole said his late colleague, French economist Jean-Jacques Laffont who died in 2004, deserved to have shared Monday's award. The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel was established by Sweden's Central Bank in 1968 and rewards a person or persons who have produced work of outstanding importance in the field of economic sciences. It is the only Nobel Prize not set out in Alfred Nobel's will and has at times been the subject of criticism.

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UPA United Press Agency LTD
483 Green Lanes

UK, London N13NV 4BS
contact (at) unitedpressagency.com
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