NOBEL PRIZE REWARDS MONETARY EXPANSION

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On Monday, October 10th, the Nobel Foundation in Stockholm, Sweden, announced the 2022 winners of the Nobel Memorial Prize in Economics:

> *This year's laureates in the Economic Sciences, Ben Bernanke, Douglas Diamond, and Philip Dybvig, have significantly improved our understanding of the role of banks in the economy, particularly during financial crises.*

Ben Bernanke is the former chairman of the Federal Reserve Bank, the central bank of the United States, and currently a fellow of the Brookings Institution. Douglas Diamond and Philip Dybvig are faculty members of, respectively, the University of Chicago and Washington University in St. Louis.

The Nobel Foundation explains that the three laureates have developed theoretical foundations for how governments can regulate financial markets and address financial crises. Diamond and Dybvig have explained how government can serve as a lender of last resort in order to keep banks afloat through a crisis, especially in the face of so-called bank runs, i.e., when rumors that a bank is in a liquidity crisis cause depositors to make large withdrawals within a short period of time.

Bernanke is rewarded for his analysis of how such bank runs prolonged the Great Depression of the 1930s. The Nobel Foundation points in particular to Bernanke's explanation of how the bank runs limited the ability of financial institutions to provide loans for long-term, productive investments. Such investments, in turn, could have helped with the recovery from the depression.

During his tenure as chairman of the Federal Reserve from 2006 to 2014, Bernanke oversaw one of the largest expansions of U.S. money supply since the 1970s stagflation era.