



Labour-market trio win Nobel economics prize

Economics Editor

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WITH UNEMPLOYMENT at elevated levels across much of the world, Sweden's central bank has awarded the 2010 Nobel prize in economics to a trio who have advanced thinking on labour market functioning.

Peter Diamond, a 70-year-old American, Dale Mortensen, also American and a year older and Christopher Pissarides (62), originally from Cyprus, were awarded the the 10 million crown (€1.1 million) prize jointly.

The three academic economists, working almost entirely independently of each other over decades, have contributed to understanding as to why supply and demand in markets are not always in equilibrium.

Their work is recognised to have most relevance in labour markets.

The Diamond-Mortensen-Pissarides (DMP) Model was described by the Royal Swedish Academy of Sciences as "canonical" and having "fundamentally influenced the way economists and policy-makers approach the subject of unemployment".

Prof Diamond is a nominee for membership of the interest rate-

setting committee of the Federal Reserve Board, the US central bank.

His appointment was opposed by some Congress members, but the White House continues to push him as a candidate. His success in winning the prize is likely to silence his opponents who have questioned whether he has the requisite experience.

Dr Vincent Hogan of University College Dublin, who was once Prof Diamond's teaching assistant, said the American has been spoken of as a possible winner of the prize for two decades.

Prof Diamond is a member of the faculty at the Massachusetts Institute of Technology, whose economics department is recognised to be among the best in the world.

Prof Morentensen holds a chair at Northwestern University in Illinois.

Prof Pissarides is a professor of economics at the London School

of Economics.

Their insights are relevant to Ireland at a time of high unemployment, according to Prof Colm Harmon, head of UCD's **Geary** Institute.

"When we see high levels of vacancies and high levels of unemployment, we have the emergence of a labour market problem where, for example, firms are shedding labour at a faster rate than firms are hiring, so long-term unemployment will rise.

"This is at the heart of the DMP story and very pertinent for the current Irish labour market," said Prof Harmon.

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Peter Diamond (left) Dale T Mortensen and Christopher Pissarides worked almost entirely independently of each other over decades. Photographs: Getty/Reuters