

BRINGING TOGETHER A CROSS-SECTION OF THE FINEST UP-AND-COMING ECONOMISTS WITH THE MOST EMINENT ECONOMISTS OF OUR TIME

The 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel

Retrospects and Prospects 2006



Council for the Lindau Nobel Laureate Meetings
Foundation Lindau Nobelprizewinners Meetings at Lake Constance



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Foreword



Countess
Sonja Bernadotte af Wisborg
*President of the Council for the
Lindau Nobel Laureate Meetings*

The 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel managed to bring together a cross-section of the finest up-and-coming economists from 40 different countries with the most eminent economists of our time.

In a stimulating atmosphere, participants exchanged ideas on current research questions and discussed economic and social policy topics – a dialogue between the elite of today and the elite of tomorrow in Lindau, St. Gallen and on the Isle of Mainau.

In his opening address the German Federal President Prof. Dr. Horst Köhler established the benchmark for managerial decisions as much as for economic research: to better the lot of mankind. The globalised world in which we live must use the same measuring stick throughout decision making, which presents both a challenge and a responsibility.

The Meetings in Economic Sciences motivate young economists to appreciate new perspectives and insights from these encounters with the Prizewinners. They also challenge them to question their own values systems and presuppositions, with a critical eye. In this way they contribute significantly to the development of an agreed plan of action, vitally necessary to solve today's global challenges. A globalised world will survive by a globally understood sense of responsibility.

The Lindau Meetings would not be possible without the generous support of charitable foundations, public funding, corporate donations and our patrons. The Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobel-prizewinners Meetings at Lake Constance are especially thankful for this support, which is a living example of a successful public-private-partnership. I was therefore pleased to welcome State Minister Dr. Thomas Goppel twice this year to Lindau, considering it a particular sign of appreciation for the work and for the vision of the Lindau Meetings.

PARTICIPATING WINNERS OF THE BANK OF SWEDEN PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL



Professor Robert Engle (USA)

Current Institution: New York University

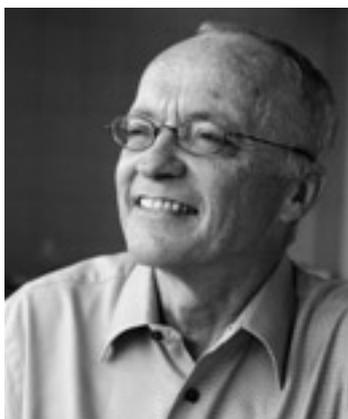
Year of Award: 2003 – together with Sir Clive Granger for methods of analyzing economic time series with jointly variable trends (co-integration).



Professor Sir Clive W. J. Granger (GBR)

Current Institution: University of California

Year of Award: 2003 – together with Robert Engle for methods of analyzing economic time series with jointly variable trends (co-integration).



Professor Finn E. Kydland (USA)

Current Institution: Carnegie Mellon University, University of California

Year of Award: 2004 – together with Edward Prescott for contributions to dynamic macroeconomics: the time consistency of economic policy and the driving forces behind business cycles.



Professor Sir James A. Mirrlees (GBR)

Current Institution: Trinity College

Year of Award: 1996 – together with William Vickrey for fundamental contributions to the economic theory of incentives in the case of asymmetrical information.

Professor Robert A. Mundell (CAN)

Current Institution: Columbia University

Year of Award: 1999 – for the analyses of monetary and fiscal policy under various exchange rate regimes, and for the analysis of optimum currency areas.



Dr. John F. Nash Jr. (USA)

Current Institution: Princeton University

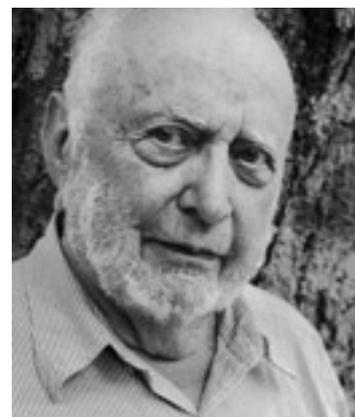
Year of Award: 1994 – together with John Harsanyi and Reinhard Selten for their pioneering analysis of equilibria in the theory of non-cooperative games.



Professor Douglass C. North (USA)

Current Institution: Washington University

Year of Award: 1993 – together with Robert W. Fogel for revitalizing research into the history of economics by applying economics theory and quantitative methods to explain economic and institutional change.



Professor Reinhard Selten (GER)

Current Institution: Rheinische Friedrich-Wilhelms-University Bonn

Year of Award: 1994 – together with John Harsanyi and John Nash Jr. for their pioneering analysis of equilibria in the theory of non-cooperative games.



YOUNG ECONOMISTS' STATEMENTS



“ The Lindau Meeting was a superb experience that I truly enjoyed. I learned a lot from the discussions with the Laureates and their speeches. In particular, I gained interesting insights about how these great minds developed the ideas that they are now famous for. Talking to those leading scientists, especially Professor Reinhard Selten, but also interacting with all the other international young economists was a really motivating and inspiring experience that I still benefit from and that will have a lasting stimulating effect on my own research.

Dr. Wolfgang Lemke, Germany ”

“ It was a great privilege to have been selected to attend the meeting, which provided a once in a lifetime opportunity to have personal interaction with the Prize Winners in Economics and also meet young researchers from all over the world. The meeting had an incredible academic atmosphere. I observed that the Laureates were very simple and approachable people which was a reflection of their great passion for research and love of learning. I will always treasure the special moments I could spend with them, which acted as a great motivational experience and strengthened my research interests. Meeting young researchers from all over the world was also a wonderful experience. The meeting has strengthened my resolve to work towards an integration of knowledge from different social science disciplines. I would like to thank the Council for the Lindau Nobel Laureate Meetings for their fantastic organization and hospitality. They are indeed doing a great service to the cause of knowledge promotion worldwide.

Rohit Mutatkar, India ”



“ It was overwhelming to meet Nobel Prize Winners and see the human beings behind those great names.

I was deeply impressed to realize what great curiosity and passion has been driving their work. This event was an extraordinary opportunity to meet people from so many dif-

ferent places. I met old friends and made new friends and I had some interesting and inspiring conversations. The beauty of Lindau contributed to this marvelous event to be unforgettable.

Lilia Filipova, Bulgaria ”



“ The 2nd Lindau Meeting had an environment conducive to both formal and informal discussions among some of the world's most powerful minds – the Prize Winners – and inquisitive minds – the students and young researchers. The disparity in research interests among the participants

set the tone for intriguing and limitless conversations. After four days of informative dialogues, I left Lindau feeling elated, inspired, and privileged to be a selected participant of a prestigious academic experience.

Nadine McCloud, Jamaica ”



“ Joining the Lindau Meeting was a great honour and opportunity for me. When you read about the research of the Laureates in the books, you could never imagine you will meet them one day in the future. And when I met them face to face I realized how much inspiration you can get from

them, from the knowledge they have. Sharing for a few days their great knowledge together with other young researchers made me feel so fortunate and gave me inspiration to continue studying and doing research. Thank you Lindau for the opportunity to be there!

Sara Borelli, Italy ”



“ It was a great honour for me to be able to participate at the Lindau Meeting as the first Korean student nominated by the Bank of Korea. The most important experience was to meet young economists from various countries such as Columbia, Philippines, India, Japan, etc.. I

was very happy to talk with them helped by sweet German beer, and I was challenged by their enthusiasm for society and their studies.

For the next meeting, I hope more Korean students will benefit from this great experience.

Ryu Sang Yun, South Korea ”

“ It was a great experience, not only intellectually, but also because of the fascinating atmosphere.

I was most impressed by the unique way that the Laureates approached to research problems. I could realize that their passion and enthusiasm about their fields are



central in their lives. The few days in Lindau have now become a noble memory, which will always have a privileged place.

Yalin Gündüz, Turkey ”



“ The meeting was a wonderful opportunity to discuss scientific and non-scientific questions in an informal atmosphere with the elite of the world’s economists, to learn about their current research activities, to see how different the opinions on the current economic problems can be. Also the

contacts created with the other young scientists are extremely valuable. Moreover, the beautiful Lindau is a wonderful place for such a meeting!

Egle Tafenau, Estonia ”

“ The Lindau Meetings in Economic Sciences offer a unique experience to young economists. It goes without saying that I learned a great deal, not only from the Prize Winners, but also from my fellow graduate students. I left Lindau with insights for my current research and ideas for future research. Beyond academics, my most memorable moments include the dinner over traditional Bavarian cuisine with four other students, each from a different stretch of the world. Our topics of conversation were as broad as our backgrounds – from German reunification to China-US relations to trade in pharmaceuticals –, yet despite our varied backgrounds, it is remarkable how much we all shared. I also remember fondly the discussion session with Professor North. His willingness to share his thoughts on the current state of world politics and receiving the Nobel Prize sparked a deep admiration for him beyond his work. My only regret is that I could not attend all of the lectures and discussions. I recommend that the sessions do not overlap in future meetings.

Jennifer Pamela Poole, USA ”



Addresses at the Opening Ceremony

of the 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel



Countess Sonja Bernadotte af Wisborg,
President of the Council for
the Lindau Nobel Laureate Meetings

“I would like to offer a very special welcome to 279 young up-and-coming scientists and individuals with an outstanding talent for economics from national banks. A total of 40 different nations are represented here. You have undergone a stringent process of selection and nomination and won through from a field of many applicants. The economic and sociopolitical issues which are addressed at the meeting are hugely significant for all of the countries represented here – not least for Germany.”

“Particularly given that globalization is on the rise, the integration of intercultural learning and the linking together of different disciplines is becoming especially important. These two aspects complement the specific transfer of specialist knowledge. The meetings in Lindau offer a unique platform for this to take place. This is very much a case of helping the elite for the best reasons and this represents an important basis for excellence – in science, in business and in society as a whole.”

“I would like to extend a special welcome to you, President Köhler. We are all delighted that you have come to Lindau to open the 2nd Meeting in Economic Sciences. This is not just because you are now the ‘third’ German President who has graced us with his presence, but in particular because this meeting focuses on your area of specialist expertise. You and we are all aware that nowadays education and talent are two of the key resources which govern success. In all countries which are not privileged enough to enjoy rich reserves of natural resources, they dictate the ability of the countries to compete on the world stage, both today and in the future. This is because they have strategic significance in a knowledge-based society. The Lindau Meetings do not just face up to the challenge of this competition – they promote it as well.”



Prof. Dr. Horst Köhler,
President of the Federal Republic of
Germany

“During the course of the Nobel Laureate Meeting, the researching elite of today hold discussions with the academic stars of tomorrow. In this form, this is unusual and a stroke of good fortune, not just for the participants from all over the world, but also for Germany as a seat of science. Above all, what probably really makes the unmistakable ‘spirit of Lindau’ stand out is this: Here is where curiosity and experience meet; here is where questions are answered in a relaxed atmosphere, and the answers are analysed.”

“It is not only the experts who are today discussing in which direction the economic sciences will continue to develop in future. Is their task solely to analyse as accurately as possible economic processes? Or should they go beyond this and also take ethical aspects more into consideration? To what extent are political, social and cultural questions justifiable, indeed perhaps even necessary, within the framework of economics?

Is the school of economics running the risk of concentrating too hard on questions of detail, thereby possibly losing the overall perspective which distinguished classical economists?

I believe that, above all, we require an open-minded and undogmatic perspective in order to successfully master the major global challenges such as poverty, climatic changes, social inequality and migration.

Economics will in future continue to be judged by the contribution it can make to solving these problems. Successful science – and you all stand for this – is not only satisfied with the frequently quoted ivory tower, but seeks its acknowledgement in reality.”

“‘The economy is our fate.’ This sentence from Walter Rathenau, a German entrepreneur and foreign minister during the Weimar Republic, appears relevant today, in this era of globalisation. Economic decisions have a huge influence on people’s quality of life – world-wide. Therein lies a large responsibility, not just on the part of managers and corporate owners, but also of economic scientists.”

Introduction



| Professor Mundell criticised the conformity of the educational landscape in European countries at the panel discussion at the University of St. Gallen.

2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel

INTRODUCTION

The 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel took place from August 16th to August 19th, 2006. Eight Prizewinners and 279 up- and- coming economists from 40 different countries came together in Lindau, at the University of St. Gallen and on the Isle of Mainau to exchange experience and understanding. The meeting was officially opened by Countess Sonja Bernadotte, President of the Council for the Lindau Nobel Laureate Meetings, who extended a special welcome to the Federal President of Germany Prof. Dr. Horst Köhler, who was addressing the guests at the opening of the Lindau Meetings for the first time, as well as to high-profile figures from the fields of science, research, politics and economics.

The members of the Council assigned responsibility for organising and coordinating the scientific programme for the meeting, as well as for selecting the young economists, to Prof. Dr. Peter Englund (Stockholm School of Economics and Secretary of the Prize Committee for the Prize in Economic Sciences in Memory of Alfred Nobel), Prof. Dr. Martin Hellwig (Max Planck Institute for Research on Collective Goods) and Prof. Dr. h.c. Wolfgang Schürer (University of St. Gallen, Chairman of the Board of the Foundation).

The following report is the result of a three-part evaluation process, which took place immediately after the conference. Following the Council's initial evaluation, feedback was requested from the Prizewinners. Analysis of questionnaires completed by the young researchers covering various aspects of the event, concluded the evaluation process.

“ For me it was a unique personal and scientific experience to meet the elite in Economics, so far only known from literature. The same experience in such a high concentration can not be acquired anywhere else in the world!

The lectures held by the Laureates were inspiring and the conversation with the Prize Winners in an amazingly relaxed atmosphere was motivational and unforgettable. Born in the Lake Constance area, I never imagined being on a conference in my homeland with hundreds of interesting and high-minded people from all over the world. Thank you very much for that outstanding event!



Martin Arnegger, Germany ”



“ The Lindau Meeting in Economics is a unique opportunity for young researchers to listen to very exciting lectures from Prize Winners. In all their presentations it was clear that the boost of their career was passion and strong commitment to research and scientific progress. However, there is something more that I could gather. Who is actively working in the field is aware about their scientific achievements but less aware about their life experience and all the challenges they had to face to achieve such remarkable results. The meeting has this extra twist that no other scientific meeting can offer. A big thank to the Council and to my sponsor, the European Commission, for selecting me. **Dr. Luisa Corrado, Italy** ”

Laureates and Young Economists

*Prizewinners
Young Economists
Selection Process*

Eight Prizewinners, three eminent scientists and 279 young economists took part in the 2nd Meeting in Economic Sciences at Lake Constance. With their joint presence, the conference acted as a platform for excellence, enabling international networks in science and economics to extend far beyond the realm of the conference itself. The Council made available a plethora of opportunities to promote interaction between the Laureates and the next generation of economists.

Prizewinners

The first-time participation of Professor Engle, Professor Kydland, Professor Mirrlees and Professor North clearly demonstrates the recognition won by the Meeting in Economic Sciences among Laureates since its inception in 2004. Their positive feedback shows that these encounters between Prizewinners and the world's best new generation of economists made possible at the Lake Constance Meeting do form a unique platform for scientific exchange – the attractiveness of which ensures increasing participation on the part of Laureates in future meetings.

Lectures by a total of eight Prizewinners spurred discussions that went far beyond the core material of economics. Laureates were free to choose their own subject matter, which allowed them to provide intriguing insights into their current areas of research and research projects.

THE 2006 LECTURES:

Professor Robert Engle, (Prizewinner 2003)

**“Global Financial Volatility:
Its Measurement, Interpretation and Causes”**

Professor Robert W. Fogel, (1993)

“Toward an Era of Longevity and Wealth”
(The lecture was read by Professor North.)

Professor Sir Clive W. J. Granger, (2005)

**“Building Econometric Models to Consider
Policy for Deforestation in the Amazon
Rain Forest”**

Professor Finn E. Kydland, (2004)

**“Monetary Policy, Taxes and
the Business Cycle”**

Professor Sir James Mirrlees, (1996)

“Optimal Commodity Taxation”

Professor Robert A. Mundell, (1999)

**“China’s Macroeconomic Strategy and its
Currency Relations with Asia and the
International Monetary System”**

Dr. John F. Nash Jr., (1994)

**“The Method of Agencies and
Cooperative Games”**

Professor Douglass C. North, (1993)

**“The Natural State or why Effective
Economic Reform is Difficult”**

Professor Reinhard Selten, (1994)

**“Experimental Investigation of
Day-to-Day Route Choice Behaviour”**



“ It was a unique opportunity to meet so many great scholars in a very friendly occasion with plenty of time to discuss a broad verity of economic and social issues. Being in company of the leaders of the Economics profession, indeed, emboldens the young researchers to get involved more ambitiously in challenging questions of our age.

Mostafa Beshkar, Iran ”

“ I enjoyed the Lindau Nobel Laureate Meeting as an inspiring and motivating event. In their talks and discussions, the Prize Winners brought to mind how many issues there are that are worthwhile to think about. They delivered, first and foremost, a sense of the big picture, and a joy of intellectual exchange with young people.

Dr. Karin Mayr, Austria ”



| Professor North lecturing on “The Natural State or why Effective Economic Reform is Difficult”.



| The Lindau Dialogue: Professor Selten and a young economist.

Disappointment at the withdrawal of Professors Fogel, Merton, Scholes and Stiglitz as a result of concern about possible terrorist attacks in London was muted. Following recommendations by Professor Robert M. Solow (Prizewinner 1987), the panel discussion “Labour Market Performance and Structural Adjustment”, held at the University of St. Gallen, added two renowned labour market experts: Prof. Dr. Jacques H. Drèze (Université Catholique de Louvain, Belgium) and Prof. Dr. Dr. h.c. Hans- Werner Sinn (President of the IFO-Institute for Economic Research in Munich, Germany). The lecture written by Professor Fogel was given by his colleague, Professor North.

A cross-section of the best economists was chosen from a pool of 4500 applicants, all eager to meet experts in their field in Lindau. Each individual participant went through an international, multi-level selection process, which was organised in cooperation with universities, scientific institutions and research institutions, the European Commission and foundations (see page 42/43, List of Nominating Institutions). Thanks to the collaboration between the Foundation Lindau Nobelprize-winners Meetings at Lake Constance and the Bank for International Settlements (BIS), 26 national banks also had the chance to nominate their most promising young economists for the 2nd Meeting in Economic Sciences.

Young Economists

279 young economists from 40 different countries took part in the 2nd Meeting in Economics. Of these, 196 came from European countries (103 from Germany alone), 49 from North and South America, and 34 from Asia. In comparison to the first meeting of this kind in 2002, participation has not only grown in numbers, but also in international diversity. This reinforces the importance of the event as a global platform for communication and exchange amongst top economists.

In the evaluations completed at the end of the meeting, the scientific chairpersons noted the considerable differences present in the pool of participants; whether in terms of motivation for participating in the event, or advances in their own research work. This assessment was especially applicable to the German economists. It should be rebalanced in the future by more rigorous requirements for these applicants. The scientific chairpersons also suggested that future Meetings in Economic Sciences should ensure more balanced representation, and higher quality participants, from European countries.

Selection Process

Participation in the 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel requires passing a multi-level, international selection process. This process entails a first selection round at the nominating institutions worldwide, following this the Review Panel of the Council for the Lindau Nobel Laureate Meetings decides. Members of the Review Panel base their decisions on the established selection criteria (see page 45). Strict adherence to these criteria ensured that the Laureates in Lindau could enter into dialogue with an international cross-section of the world's best rising scientific talent in economics. In order to maintain a high standard of participants, the scientific chairpersons revise the selection criteria before each meeting.

Challenging selection criteria are an imperative for success of the Lindau Meetings. This is underscored by the reputation of the nominating institutions. Through close collaboration of the Foundation with the Bank for International Settlements (BIS), it was possible to involve a large number of national banks in nomination of promising economists. Aside from the BIS itself, 26 national banks proposed young economists.

International financial institutions, such as the World Bank and the International Monetary Fund and several think tanks, undertook similar nomination processes to determine the best possible young economists to put forward for participation in these unique encounters on Lake Constance.

The Marie-Curie Programme of the European Commission, various university faculties and departments worldwide, charitable organisations (Konrad-Adenauer-Foundation, Schweizerische Studienstiftung) and corporate Patrons of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance (AUDI, Deutsche Telekom Stiftung, Ecoscienta, SAP, Siemens, Südwestmetall Baden-Württemberg) also nominated young economists.

The renowned German business newspaper Handelsblatt held its own competition for participation at Lindau, the winner of which could apply for the conference citing the newspaper as a reference. The Review Panel chose 17 promising rising economists out of those nominated, who attended the Meeting on Lake Constance as Handelsblatt Fellows.

Nominating National Banks:

Austrian National Bank

Bank of Canada

Bank of England

Bank of France

Bank of Israel

Bank of Italy

Bank of Japan

Bank of Korea

Bank of Mexico

Bank of Thailand

Central Bank of Chile

Central Bank of Malaysia

Central Bank of Norway

Central Bank of the Russian Federation

Central Bank of Argentina

Central Bank of the Federal Republic of Germany

Central Bank of the Republic of the Philippines

Central Bank of the Republic of Turkey

Federal Reserve System

National Bank of Belgium

National Bank of Denmark

National Bank of Poland

Netherlands Bank

Reserve Bank of India

Saudi Arabian Monetary Agency

Swiss National Bank

Application and Selection Process

How did you hear about the 2006 Meeting in Economic Sciences?

Total: 204 [Others: 24, Does Not Apply: 1]

Partner Organisation: 23

Academic Institution: 109

Bank for International Settlements/Central Bank 39

Internet: 8

What was your impression of the selection process?

Total: 207 [Does Not Apply: 8]

I was aware of the selection procedures: 88

I had professional feedback within the peer review: 9

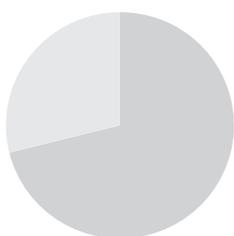
I only received a confirmation from the Review Panel via the Internet: 102

SUMMERY Survey results for the young generation of economists show that less than half of those questioned were aware of the individual steps incorporated in the selection process. For this reason, future meetings should steer the applicants' attention more strongly in the direction of the selection procedure. This would not only increase the general level of acceptance for the Review Panel's decisions, but would also bring the young scientists closer to understanding the special uniqueness of participation in a seminar with the Winners of the Economic Prize.

In their evaluations, the scientific chairpersons of the conference – Professors Englund, Hellwig and Schürer – advise that the future selection process should pay special attention to choosing an appropriate representation of European up-and-coming economists. The scientific quality of the German nominees for the 2nd Meeting of Prizewinners in Economic Sciences was rated as especially too heterogeneous. Nevertheless, the young economic scientists presented, all in all, a considerable international cross-section of the best young talented scientists.

Participation figures for men and women

Total: 279



Women: 29% (81)

Men: 71% (198)



YOUNG ECONOMISTS' STATEMENTS:

"Balanced mixture of doctoral students, post doc's and central bankers."

"Pretty heterogeneous group - international students seemed to have a very high level of knowledge and education."

"I received the feedback as quick as possible. I am impressed."

"Encourage institutions to tell everyone about the Lindau Meeting."

"The acceptance letter for the meeting was sent very late. Earlier notification would be appreciated."

"A very good place for networking. Very international!"

"The composition of the participants was quite comprehensive covering almost all the main economic institutions and universities all over the world. But still there were some countries or continents which were totally missing."

"I had the feeling that Germans were somewhat overrepresented at the meeting. Although the mixture of universities was very international, many of the students that came from foreign universities were Germans as well."



Programme

The Opening Ceremony

The Scientific Programme

*The Social Programme and
Closing Event on the Isle of Mainau*



“



I mostly enjoyed the relaxed atmosphere and the stimulating discussion with the Laureates in the afternoons. Moreover the meeting was an excellent opportunity to meet and exchange views with other scholars from around the world.

**Michel André Maréchal,
Switzerland**

Those days in Lindau were fantastic. The meeting gave me a great opportunity to communicate with Laureates and so many young students. I do appreciate what the organizers have done for the meeting and for us. Hopefully, there would be more Chinese students getting the opportunity to participate the meeting in the future.

Wei Zhong, China



”

PROGRAMME

Like the fora in the natural sciences (the 56th Meeting of Nobel Laureates took place in Lindau from June 25th – 30th, 2006), the agenda of the Meetings in Economic Sciences comprise two parts: the scientific programme and the social programme. Together, they create the special Lindau atmosphere which inspires Prizewinners and young economists alike. A special focus for the events in Lindau, at the University of St. Gallen, and on the Isle of Mainau was on global problems in financial and economic policy, with small group workshops and face-to-face conversation between researchers and celebrated experts.

The Opening Ceremony

The opening event, featuring Federal President Prof. Dr. Horst Köhler, set the pace for the 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. The presence of high-profile guests from the fields of science, politics and economics at the opening ceremony underlined the importance of the meeting. Together with the 279 rising economists, the audience welcomed Federal President Prof. Dr. Horst Köhler – who, as former Managing Director of the International Monetary Fund, is himself a renowned economic expert. Professor Köhler felt obviously in his element during his stay in Lindau.

In his opening speech, the President warned economists that they cannot lose sight of the economic realities of ordinary people. He appealed to economists and managers alike to include people as the focal point of their decision making: “Economic decisions have a huge influence on people’s quality of life – worldwide. Therein lies a huge responsibility, not just on the part of managers and corporate owners, but also of economic scientists.” Federal President Prof. Dr. Köhler went on to label the Lindau Meetings as “a stroke of good fortune, not just for the participants from all over the world, but also for Germany as a seat of science.”



| Federal President Prof. Dr. Köhler and Countess Sonja Bernadotte of Wisborg, President of the Council for the Lindau Nobel Laureate Meetings, opened the 2nd Meeting in Economic Sciences.

❖ The President of the Council for the Lindau Nobel Laureate Meetings, Countess Sonja Bernadotte, emphasised the Lindau Meetings as constituting a once-in-a-lifetime chance for many of the young economists to exchange knowledge and experience extending beyond geographical borders and generations. She challenged the participants to seek new stimulus for their own work. In doing this, she pointed out the challenges a globalised world presents the economy: “Particularly now that globalisation is increasing, the integration of cross and inter-cultural learning and the linking together of different disciplines is becoming especially important. These aspects complement the specific transfer of specialist knowledge. The meetings in Lindau offer a unique platform for this to take place.”

During the opening ceremony, the Foundation Lindau Nobelprizewinners Meetings at Lake Constance inducted two new members into their Honorary Senate: Dr. Malcolm Knight, General Manager of the Bank for International Settlements (Basle, Switzerland), and Prof. Dr. Dr.-Ing. E.h. Henning Kagermann, Chairman of the Executive Board and CEO of SAP (Walldorf, Germany). The Foundation honoured Professor Kagermann and Dr. Knight for their substantive contribution in the further development of the Lindau Dialogue as a global platform for the exchange between the scientific elite of today and of tomorrow.

Dr. Malcolm Knight, as General Manager of the Bank for International Settlements, has personally contributed to the scientific excellence and international diversity of the Meetings of Prizewinners in Economic Sciences since the inception of the conference in 2004. He campaigned to take advantage of the cooperation between the Bank for International Settlements and the major national banks, so that they would nominate promising young economists for the meetings on Lake Constance. The dedication of SAP to the Lindau Meetings extends far beyond their financial contributions to the charitable fund. It is the mirror image of a corporate policy that considers innovation to be of great significance, fuelling the motivation of up-and-coming scientists and revealing the positive future prospects for those who apply themselves to their scientific work. The initiation of Prof. Dr. Dr.-Ing. E.h. Henning Kagermann into the Honorary Senate of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance honours his exceptional personal dedication to the Meetings of Nobel Laureates.

Immediately following the opening ceremony of the 2nd Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel, the scientific programme began with the panel discussion on “Financial Markets, Financial Institutions and Macroeconomic Risks”, in the presence of the German Federal President. ❖



| Dr. Knight (above), General Manager of the Bank for International Settlements, and Prof. Dr. Dr.-Ing. E.h. Kagermann (below), Chairman of the Executive Board and CEO of SAP, were inducted into the Honorary Senate of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance during the opening ceremony.



“ Seeing and listening to the Laureates, in flesh and blood, was an enriching experience. But I must say I was more enriched, and indeed positively surprised, by the diverse group of highly motivated students and young researchers that I met along the way. Their curiosity and questioning aroused my curiosity and I came back with renewed motivation. I am hopeful that through connecting we can find new answers and pose better questions concerning our economic well being.

Luz Marina Arias Lopez Montes, Mexico ”

The Scientific Programme

Two panel discussions dealing with current economic questions in politics formed a prelude and a respective closure to the scientific programme. They once again emphasised the goal of the meetings on Lake Constance, namely to serve as a platform for dialogue and exchange between the best economists worldwide. During the four days spent in Lindau, at the University of St. Gallen, and on the Isle of Mainau, networks were formed that will extend far beyond the time spent together in the Lake Constance region.

Prof. Dr. Martin Hellwig led the panel discussion on Thursday, immediately following the opening ceremony. The following Prizewinners made up the panel, which spoke on the topic of “Financial Markets, Financial Institutions and Macroeconomic Risks”: Professor Robert Engle (New York, USA), Professor Sir Clive W. J. Granger (La Jolla, USA), Professor Finn E. Kydland (Santa Barbara, USA) and Professor Reinhard Selten (Bonn, Germany).

In their nine lectures (Professor North held the lecture of Professor Fogel) and eight seminar discussions on Thursday and Friday, the Laureates gave important insight into their current research interests and projects. Because they were able to choose their own topics for discussion, the scientific pro-

gramme offered a unique kaleidoscope of research questions with which the experts of the field are currently busy – a once-in-a-lifetime opportunity for the rising generation of scientists.

The panel discussion at the University of St. Gallen on the topic “Labour Market Performance and Structural Adjustment” closed the scientific programme of the 2nd Meeting in Economic Sciences. The encounters made by the Winners of the Prize in Economic Science and the best up-and-coming researchers went in a new direction at this event, held in Switzerland: The dialogue did not only extend beyond the borders of Lindau and Germany, but with the involvement of two renowned economic specialists, Prof. Dr. Jacques H. Drèze (Université Catholique de Louvain, Belgium) and Prof. Dr. Dr. h.c. Hans-Werner Sinn (President of the IFO-Institute for Economic Research in Munich, Germany) a broader spectrum of content could be covered.

The organisers were able, following the recommendation of Professor Robert M. Solow, to persuade the two economists to take the places of Professor Stiglitz and Professor Fogel on the panel next to Professor Mundell and Professor Mirrlees. The last minute change in the discussion panel actually encouraged a highly stimulating exchange and, at times, controversial discussion. Not only the expertise of those who spoke is to thank for this, but also the pointed and witty moderation of Prof. Dr. Martin Wolf. The Associate Editor and Chief Economics



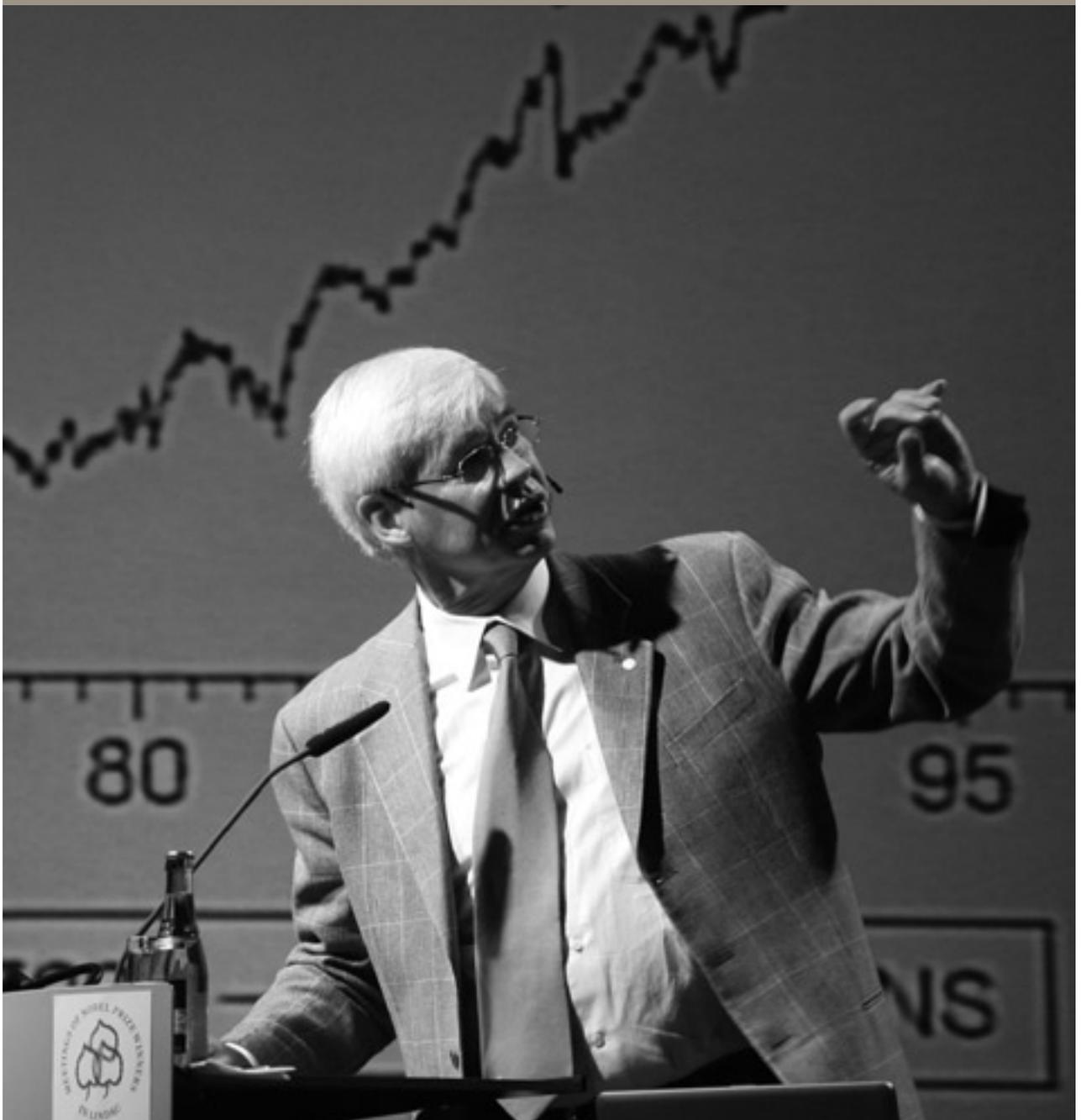
| Professor Mundell (left) and Professor Wolf at the University of St. Gallen.



“ Undoubtedly, the incentive scheme for the Lindau Meetings is provided by the presence of Prize-winners in Economics. However, ex post, I am deeply amazed by the contribution of all those outstanding researchers to our international get-together meeting, multicultural atmosphere and finally personal impression and memories. **Konrad Smolinski, Poland** ”



“ The Lindau Meeting was an outstanding experience! It was a unique possibility to meet all together the elite of Economics. I really enjoyed the Laureates' lectures and the round table discussions, but the best was to have the chance to talk to them in a relaxed and informal atmosphere. **Davide Furceri, Italy** ”



| Professor Engle during his lecture on “Global Financial Volatility: Its Measurement, Interpretation and Causes”.

Commentator of the Financial Times proved once again his extraordinary spectrum of knowledge. At the end, those attending were in full agreement that the closing event at the University of St. Gallen proved one of the highlights of the entire Meeting.

The discussion round illustrated the development of the European labour market, including the structural adaptations necessary for facing the challenges that a globalised world brings. The panel was jointly of the opinion that unemployment in Europe is above all a problem of under-qualified workers. Professor Mundell criticised the conformity of the educational landscape in European countries at the seminar in St. Gallen. In particular, the German universities have to find ways to distinguish themselves more effectively from one another and to reward the performance of their academic staff more competitively so that research pays off. His plea to reduce taxes in order to cut the level of unemployment was met with substantial agreement on the panel. Professor Sinn considered the German labour market's biggest problem to be that workers earn too little, and the state pays the unemployed social benefits that are too high. Government subsidies to boost income levels would mean that work, rather than idleness, would receive encouragement from the state. Concluding, panel members also agreed with Professor Drèze, who supported greater investment in the European education system so as to raise levels of productivity and income and thereby reduce the level of unemployment.

The Social Programme and Closing Event on the Isle of Mainau

Aside from the lectures and student discussions, the social programme offered further opportunities for younger economists and the Prizewinners to interact. Whether it was at the group get-together

on the eve of the official opening, during the group boat ride to the Isle of Mainau, or between one of the many lectures and discussion rounds – the interaction in Lindau, at the University of St. Gallen and on the Isle of Mainau encouraged international networks that are especially imperative in today's globalised world.

This year's evening get-together for all participants took place outdoors, in the grounds of the Villa Alwind, an imposing site on the shores of Lake Constance. Thanks to the friendly support of the Erholungswerk Post-Postbank-Telekom e.V., the evening set the mood for the following days. Against the backdrop of the Swiss Alps and the incomparable scene of Lake Constance, the evening allowed the young economists and Laureates to have their first chance to get to know one another. On the following day, the Bavarian Casino of Lindau (Bayerische Spielbank Lindau) together with the Savings Bank of Memmingen-Lindau-Mindelheim (Sparkasse Memmingen-Lindau-Mindelheim) treated Laureates and young economists to dinner in Lindau's restaurants. This offered a second opportunity for informal dialogue covering scientific and social issues.

The group boat ride to the Isle of Mainau has become a tradition for the Meetings of Nobel Laureates in the natural sciences, and now also for the Meetings in Economic Sciences. Countess Sonja Bernadotte received the Laureates and young economists in front of the Bernadotte family castle, wishing them a safe journey back home and hoping that she may greet some of them back on Lake Constance one day as Prizewinners. Iva Taneva, a Bulgarian student at the University of Magdeburg, spoke for the 279 attendees. She emphasised that the experience she had with fellow economists during the 2nd Meeting of Prizewinners in Economic Sciences on Lake Constance were simply overwhelming. Representing the Laureates, Professor Robert Engle extended words of thanks to Countess Sonja Bernadotte and to the organising Council.

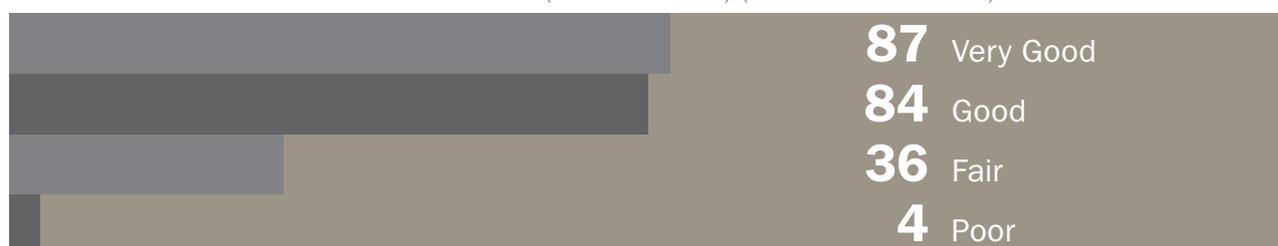
Academic Credentials of the Meeting

Please assess the following parts of the programme:

PLENARY LECTURES (215)



STUDENT DISCUSSIONS WITH LAUREATES (AFTERNOONS) (211 + 7 No Answer)



PANEL DISCUSSION “Financial Markets, Financial Institutions and Macroeconomic Risks” (212 + 4 N.A.)



PANEL DISCUSSION “Labour Market Performance and Structural Adjustment” (179 + 10 N.A.)



GET-TOGETHER AND SOCIAL PROGRAMME (212 + 2 N.A.)



How do you assess the conceptual orientation of the Lindau Meeting?

INTERNATIONALITY (218 + 1 N.A.)



INTERDISCIPLINARY CHARACTER (206 + 8 N.A.)



SELECTION OF TOPICS FOR PANELS (202 + 12 N.A.)



PANELS (207 + 8 N.A.)



STUDENT INVOLVEMENT (213 + 3 N.A.)



SUMMARY Academic Credentials of the Meeting

As the young economists' evaluations of the individual components of the scientific event offerings show, the opportunities for personal exchange with the Prizewinners – the afternoon discussions and the surrounding events – were, in particular, rated for the majority of the time with “excellent” and “very good”. Consequently, those questioned considered the goal of the 2nd Meeting of Prizewinners in Economic Sciences – bringing the worldwide best young economists together with the great experts of the field – as being accomplished.

Unfortunately, the podium discussion on the topic “Financial Markets, Financial Institutions and Macroeconomic Risks” had to be held without two of the Laureates, two recognised financial market experts. This is the most likely explanation for the scores – although good, they still ranked lower than the scores for the second round discussion. Its topic, “Labour Market Performance and Structural Adjustment”, a controversial and highly spirited debate between the podium's participants (Professors Drèze, Mirrlees, Mundell, and Sinn) and the eloquent moderation of Prof. Dr. Wolf from the Financial Times (Great Britain), created a round that served as a memorable conclusion to the scientific events at the 2nd Meeting of Prizewinners in Economic Sciences.

The survey results show that the conceptual structure of the meeting was met with wide acceptance. The young economists found the convention concept “appropriate” for all five of the listed categories. The values given for “Internationality”, however, showed that almost a fourth of those participants asked considered the seminar to be not international enough – despite the presence of participants from 40 different countries. For the item “Student Involvement”, a fourth of those asked stated that they would welcome increased student involvement in any of the individual events.

By reading the statements given on the questionnaire, it became clear why the scores for these particular two branches couldn't meet the same high marks as those given for “Interdisciplinary Character”. The young economists criticized the fact that the German speaking participants outnumbered the participants from other countries. Another area subject to critique was that several European countries were represented by very few economic scientists (or not at all).

The scientific chairpersons of the conference discussed the necessity of getting the young economic scientists more involved. The goal of bringing together the best young economists with the most significant economic scientists could be further assisted by improved structuring of the discussion events on afternoons, or by the utilisation of “Poster Sessions”.



| Professor Drèze (left) and Professor Sinn during the panel discussion at the University of St. Gallen.

Organisation of the Meeting

Please rate the following aspects of the Meeting:

OVERALL ORGANISATION (219)



REGISTRATION (217 + 1 N.A.)



INTERNET CAFÉ AND WLAN (185 + 31 N.A.)



HOMEPAGE (213 + 5 N.A.)



COST REIMBURSEMENT (173 + 45 N.A.)



ACCOMMODATION (214 + 5 N.A.)



SUMMARY Organisation of the Meeting

The organisation of the Lindau Meetings received high ratings in the survey. Those questioned issued critique on certain individual points.

The young economists made it clear in their statements that the information for certain areas (trip reimbursement, driving directions, etc.) was not covered well enough in depth on the website. In addition, the navigation of www.lindau-nobel.de did not allow clearly arranged access to the desired information. The feedback regarding “Accommodation” can be attributed to the fact that some of the young economic scientists were housed in hotels not directly located on the island. This resulted in longer travelling time to the island facilities and to the events listed in the main program.

YOUNG ECONOMISTS’ STATEMENTS:

“If possible, eliminate parallel lectures so that we can hear all Laureates’ lectures, and shorten lunches/social events to make lectures longer.”

“Nobel Laureates should not present narrow topics but topics which reflect more broadly their work and philosophy.”

“Very interesting discussions within Panel ‘Labour Market Performance and Structural Adjustment’”

“Fully agree with the conceptual orientation, but the implementation was not challenging enough! The lectures were not forward-looking enough. Where is the ‘economic research journey’ going? Where are concrete themes and which topics loose importance?”

“Discussions with the Laureates were awesome!” “Perhaps it could be possible to do a posters session so that students have the opportunity to present their work.”

“I think panels should be focusing on methodological issues of economic research. There are already many conferences around dealing with real world issues.”



“ It has been very interesting to meet some of the Prize Winners in person. The academic lectures for large audiences and the discussions in smaller groups complement each other well and provide a balanced view on the Laureates’ scholarship and personality. I particularly enjoyed the opportunity to sit at dinner with Bob and Marianne Engle on the first evening. The conversation was on a more personal level, and perhaps therefore very inspiring. To me, hearing Bob and Marianne speak of their own experiences and encourage us in our own research efforts was the experience closest to (what I perceive to be) the spirit of the Symposium. Another highlight was the very lively group discussion with Douglass North who is not only an eminent scholar but also an incredibly thought-provoking speaker. I presume that such personal encounters become less probable, and more of a strain to Laureates, as the number of participants per laureate increases. For the quality of the Symposium, I believe, it is therefore crucial to find the right scale for this event without compromising its spirit.

Samuel Seong-Chin Lee, South Korea ”



| Young economists on the group boat trip to the Isle of Mainau.

Benefactors and Donors

The 2nd Meeting in Economic Sciences was made possible by active private-public-partnerships and by generous support from scientific, commercial and political institutions. Without this patronage, it would not be possible to assure the future of the Lindau Nobel Laureate Meetings and their ongoing development.



“ I want to say “thank you” to all the people who made this conference real! Meeting the elite of economics, otherwise only known from literature, and discuss my actual research was very exciting. Even more thrilling was the unique chance to experience stories about the life as a

scientist, as well from a Nobel Laureate as from another young researcher. I returned to my institute in Zurich with new motivation for upcoming work of my Ph.D. thesis and was proud of having been part of this meeting.

Alain Cohn, Switzerland ”

A generous donation in kind from EnBW Energie Baden Württemberg AG meant that a new air conditioning system could be installed at the conference venue, the Inselhalle, well in advance before the Meeting’s opening. Having made a donation to the Foundation in 2005, the EnBW Board of Directors responded to a request from the Foundation by agreeing to take on financial responsibility for modernisation of the Inselhalle. This commitment is a classic example of private-public-partnership in the midst of public budget constraints, and is a

response to the 2005 evaluation report in which the Laureates and young researchers had uniformly criticised the lack of air conditioning.

The Foundation Lindau Nobelprizewinners Meetings at Lake Constance has taken a large step toward its goal of assuring financial security for future conferences. The donation made by Deutsche Bank marks the involvement of another German global player in developing the conference into the most important globally-oriented event in Europe for the scientific elite of tomorrow.

The Ecoscientia Foundation that promotes special affairs in education and science is another renowned institution that joined in supporting and advancing the Lindau Dialogue in economic sciences for the second time.

Responsibility for the initiation and development of cooperation agreements and donations has been assigned by Countess Sonja Bernadotte to Professor Wolfgang Schürer, Chairman of the Board of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance and a member of the Council. Nikolaus Turner, member of the Board of the Foundation and the Council’s Treasurer, and Senior Research Associate Dr. Urs V. Arnold supported this major effort. Taking both the 56th Meeting of Nobel Laureates that was held in June of 2006 and the 2nd Meeting in Economic Sciences into account, a total of 220 working days was spent on these activities on a pro-bono basis.

Thanks to the support given by the Federal Ministry of Education and Research, the Robert Bosch Foundation, the Deutsche Bank and the Deutsche Bank Foundation, Ecoscientia, HVB Group, Bayerische Landesbank, Landesstiftung Baden-



“ What fascinated me most during the meeting were the people. Meeting the Laureates in an informal atmosphere was an unforgettable experience. I found it very impressive to get to know the “personalities behind the scientists”. What I will keep in mind are not so much the theories – but what

the Laureates told us about the difficulties they had to face and how moments of frustration often led to higher motivation afterwards. In addition to that, I loved meeting young scientists and researchers from all over the world. This was a unique opportunity to discuss, to learn about their research projects, and to share experiences.

Carolin Bock, Germany ”



“ First and foremost, it was a highly motivating experience to me! The Lindau Meeting is really exceptional for gathering Prize Winners and young open-minded economists from all around the world. The former really amazed me by taking up discussions ranging from life in general to very detailed

technical questions. Prof. Robert Engle’s talks inspired me in particular. Well, with respect to other young researchers there is no denying that we had a truly good time. To cut a long story short, the congeniality of this conference in Lindau stems from both dimensions.

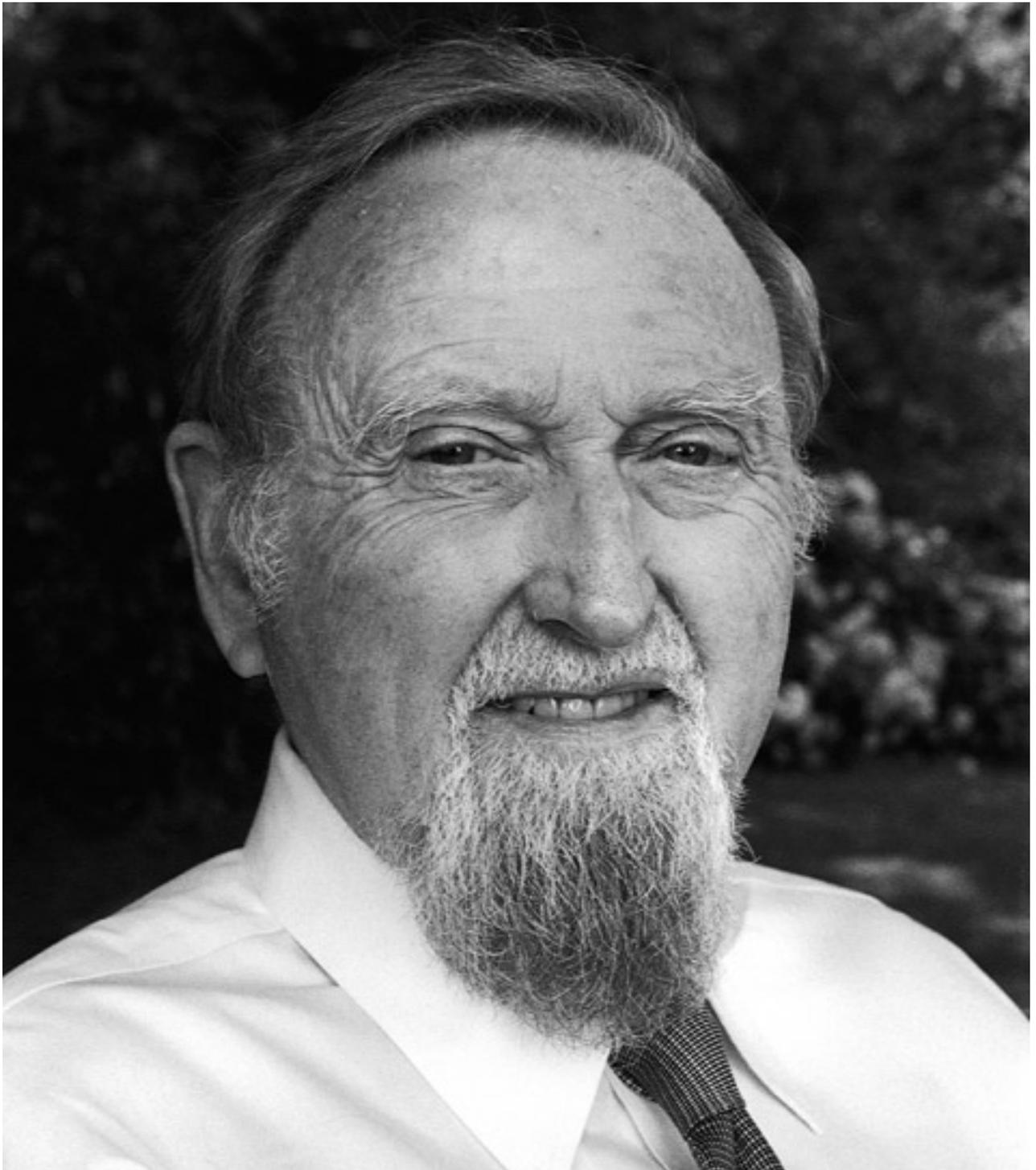
Christoph Moser, Austria ”

.....> Württemberg gGmbH, the Deutsche Telekom Stiftung, and the Sparkasse Memmingen-Lindau-Mindelheim, it has been possible to develop the Meetings in Economic Sciences into a platform for the exchange of knowledge between today’s greatest minds and the most promising economic talents of tomorrow. Furthermore, in the United States the National Science Foundation (NSF) nominated best talents and provided its participants the necessary travel allowance. The financial support allocated permitted a strict selection process exclusively based on adherence to the selection criteria and covered travel costs. These criteria ensured the high standard of the conference, an essential prerequisite for its standing in the scientific world. The donations also meant that the international character of the pool of participants could be further enhanced.

The International Lake Constance Conference (Rita Fuhrer, Chairperson of the IBK in 2006) provides substantial support of the Meetings of Nobel Laureates’ website. Together with the Free State of Bavaria, it enables up-and-coming scientists around the world to follow selected conference lectures over the Internet.

Crucial to the professional organisation of the Meeting were also donations in kind. Lufthansa, as Official Carrier, once again made airline tickets to and from the Meeting available for the Prizewinners. The limousine service provided by AUDI for the Nobel Laureates pleasantly shortened the distance between Hotel Bad Schachen and the Inselhalle. MAN provided seven coaches and drivers. The Laureates and young researchers made extensive use of this service. Deutsche Telekom opened its premises of the Villa Alwind for the participants and offered together with HP the necessary internet facilities. Other examples are the acoustic equipment made available in the Inselhalle by Sennheiser Electronic GmbH und Co. KG and the courier service provided by Deutsche Post AG/DHL.

The success of the 2nd Meeting in Economic Sciences at Lake Constance can also be attributed to the hard work of the Council members and the members of the Foundation, who provided their services throughout the preparation, execution and evaluation of this unique event pro-bono.



“Generally I found it to be very successful, the Laureates worked hard and communicated successfully, the students were even better than at the First Economics Meeting in terms of quality and at interacting. I was involved in interesting discussions with them and received a wide variety of questions. The location, hotel and organisation were excellent. I thought that the second panel discussion, on employment, was very good. We could have certainly done with a few more Laureates, but the late loss of several because of travel difficulties was just unfortunate.

I did think that the use of parallel lectures this year was much less successful than the practice used in the First meeting of having some of us give somewhat shorter lectures but in sequence so that all students could hear all of the lectures and all of the speakers could hear each other. The organisation of the lectures this year produced a much more constrained discussion.”

Sir Clive Granger, Prize in Economic Sciences 2003



| Professor Mirrlees and young economists on their way to the Bernadotte family castle on the Isle of Mainau.

Communication and Media Relations

“ I felt most inspired by the ideas by Prof. Selten and Prof. North challenging the rationality postulate. This personal reaction actually surprised me as it is neoclassically-based economics I encounter and practice day-by-day. The one thing I missed from the meeting was the presence of a female Prize Winner in economics, but I guess the organizing committee could not have solved this matter...

Krisztina Kis-Katos, Hungary ”



“ The Lindau Meeting in Economics was a distinguished experience for me, because I realized that I am not just an economist, who is carrying out his own research in somewhere in the world, but at the same time I realized that I am a member of a big family of economists that always appreciates good research of her members.

Dr. Azim Özdemir, Turkey ”

Accompanying the 2nd Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel were journalists from leading media agencies from Germany and the world. In particular, leading German daily newspapers, such as Handelsblatt, FAZ, Financial Times Deutschland and Die WELT, gave comprehensive coverage of the topics of the Meeting. A number of press agencies picked up the Federal President's opening speech and reported on his encounters with the young economists and Laureates in Lindau. The Neue Zürcher Zeitung also gave extensive coverage of the concluding discussion at the University of St. Gallen, amongst other topics.

As a new cooperation partner News Services, Business Wire supported the communications needs of the Meetings on Lake Constance for the first time. This business is a 100% owned subsidiary of Warren Buffet's Berkshire Hathaway, Inc., and has signed a partnership contract for 2006-2009. It will be responsible for targeted distribution of press releases relating to the globally-oriented dialogues on Lake Constance.

Business Wire's worldwide cooperation with over 60 news media agencies offers the Lindau Meetings the best possible chance of international distribution of news. This assistance adds a new dynamic to the mission of the Meetings on Lake Constance, initiating scientific dialogue that crosses national and cultural borders. Up to now, promising young scientists from 82 nations have taken part in the Lindau Meetings. In the future, Business Wire could help involve the international media more extensively, providing them with better information regarding the Meetings.

Thomas Ellerbeck, member and Speaker of the Council and member of the Board of the Foundation, was responsible for media coordination. He was actively assisted by Science&Media in Munich and by Christian Rapp in the Lindau office.

After very positive feedback regarding the installation of a gallery featuring the portraits of the Nobelprizewinners during the 18th Meeting of Nobel Laureates in Chemistry in June of 2006, the Council worked together with Pro Lindau Marketing GmbH in developing

Frankfurter Allgemeine **ARD** **Neue Zürcher Zeitung**
ZEITUNG FÜR DEUTSCHLAND

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PRESS REVIEW

“Nobel in Lindau – Prizewinners and Young Scientists in Conversation: Eight Laureates at Lake Constance, the German president as a guest, almost three hundred young scientists and a crowd of journalists – in the past few years, the Meeting of Winners of the Economic Sciences Prize has bestowed splendour und turmoil on Lindau, a tranquil small town on Lake Constance.”

FAZ, 21 August 2006

“A fixed-term republic of scholars on Lake Constance – At the second Lindau Meeting of Winners of the Economic Sciences Prize, students from all over the world were given the opportunity to hold relaxed conversations with eight Laureates. The topics ranged from China’s currency policy, national prosperity, through to recipes against unemployment in Europe.”

Neue Zürcher Zeitung, 21 August 2006

“A one-off meeting with ennobled global economic knowledge – this opportunity had attracted economist Horst Köhler, and above all young economics scientists from 40 countries.”

Handelsblatt, 18 August 2006

“According to one participant, the composure of the Prizewinners was the greatest surprise. Not only in the breaks or at mealtimes, but also on Saturday’s boat trip on Lake Constance, small groups of doctoral students would time and time again crowd around the old masters to discuss science and life.”

Financial Times Deutschland, 21 August 2006

“Honours for Malcolm Knight and Henning Kagermann”

Börsen-Zeitung, 16 August 2006

“Day-to-day economics at close hand – Prizewinners close meeting on topical themes on Lake Constance.”

St. Galler Tagblatt, 21 August 2006

“This small town on Lake Constance formed the stage for a meeting with an atmosphere somewhere between a school outing and the World Economic Summit in Davos. (...) The young economists in Lindau did not miss a single minute to listen to their idols. Like Paul Deng, who is excited about having dinner with North. ‘I have come from China to see North. It is absolutely unbelievable that I can sit here at the same table and talk to him,’ says the 26-year old doctoral student from the University of Peking.”

Die Welt, 18 August 2006

“Economists among their own – For the second time, Winners of the Economic Sciences Prize meet less decorated colleagues in Lindau on Lake Constance.”

Süddeutsche Zeitung, 18 August 2006

“Noble optimism – The outlook for the financial markets is good conclude the prize winners at their meeting in Lindau”

Euro am Sonntag, 20 August 2006

“Courting contacts and career turbocharger – meet the Prizewinners. (...) Today it is Lindau – and perhaps soon the World Economic Summit in Davos? That is not so far off the mark. Most of the students and young scientists of tomorrow in Lindau primarily use the occasion for informal conversations, both with the prize holders, as well as with the many managers of major corporations.”

Spiegel Online, 19 August 2006



| Dr. Nash joined photographers in covering the opening ceremony.

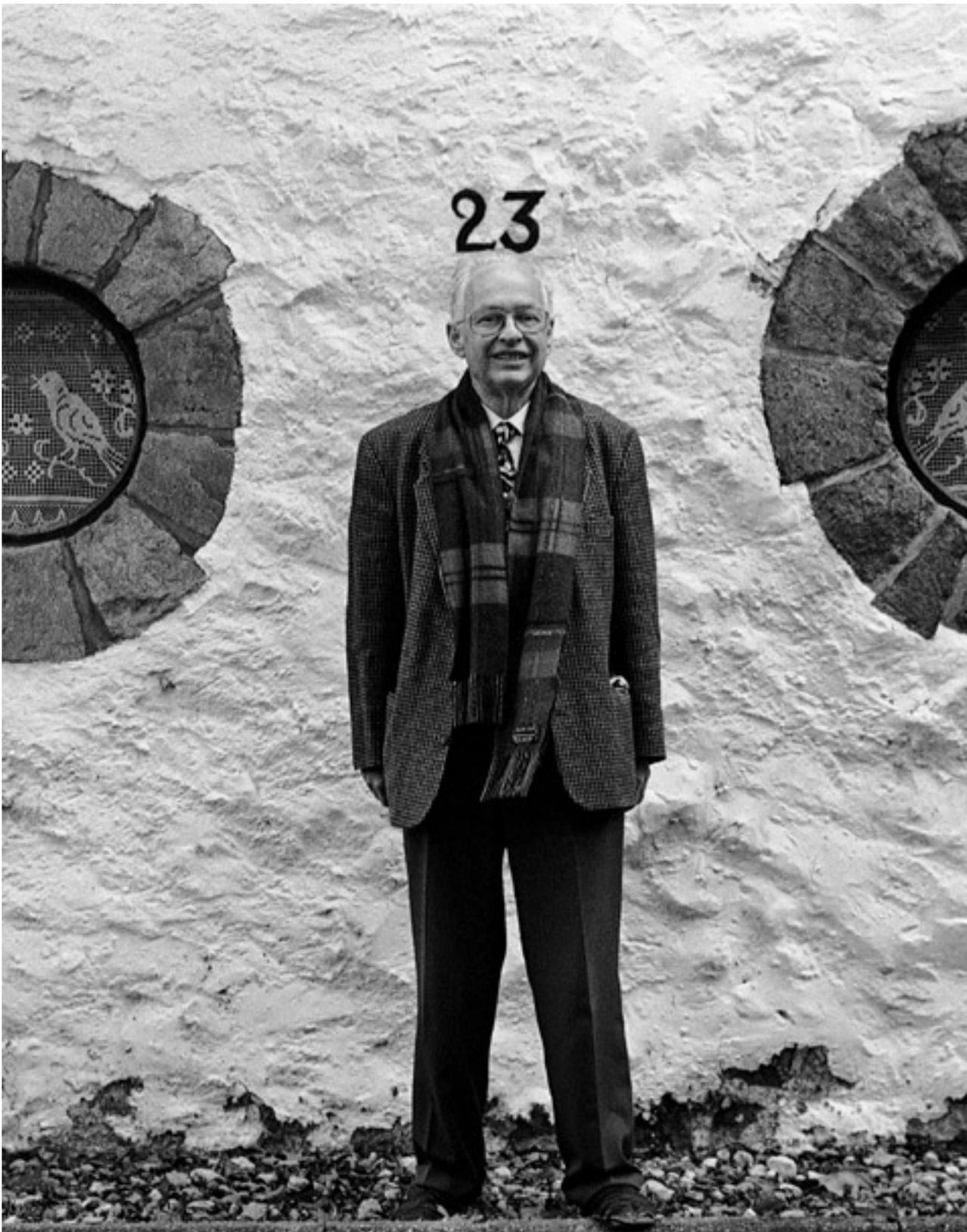
◆ a similar gallery featuring Peter Badge's portraits of the Prizewinners. The 10 x 10 meter large square located directly in front of the bridge to the isle of Lindau not only indicated the gallery to visitors and citizens of Lindau, but also greeted participants, often serving as a popular backdrop for souvenir photos.

The opening to the Meeting featuring an address by Federal President Prof. Dr. Köhler created the first high point of media interest. Not only newspaper and agency journalists, but also public and private television stations reported. German channels ARD and n-tv reported the Meeting as being a platform for exchange between today's elite in economics and the promising young economists of tomorrow. The German radio station Deutschlandfunk broadcasted an item on the career springboard that the Meetings create: "First Lindau, then Davos".

In contrast to the 56th Meeting of Nobel Laureates, the news coverage of the 2nd Meeting of Prizewinners in Economic Sciences stood out for the attention paid to the theoretical and policy issues in economics discussed at the Meeting. Less coverage was given to the oft-quoted special atmosphere present at the Meetings. Journalists often cited the

controversy surrounding the depreciation of the Chinese currency quoted in the lecture by Professor Mundell or the questions raised regarding taxation policy, for instance in the lectures of Professor Engle and Professor Mirrlees, in their reporting. Reporters were also able to ask follow-up questions during on-site personal interviews.

The Internet webcast of six out of the eight Prizewinner lectures at www.lindau-nobel.de created a virtual Meeting, where everyone interested in economics could take part from anywhere in the world, around-the-clock. This drives further forward the goal of the Lindau Meetings to initiate scientific dialogue that crosses national and cultural borders. This unique "window to the world" was made possible by the support of the International Lake Constance Conference (IBK) and by the Free State of Bavaria. The Internet website is on its way to becoming a "virtual forum" providing access to top level economics 24 hours a day – consequently promoting the Lake Constance region and the establishment of Germany as a scientific and economic hub. Open access to the contents at www.lindau-nobel.de represents the openness of the dialogues during the Meetings on Lake Constance – an important goal of the organisational Council.



“I thought that the discussion with the students was extremely pleasant. The allotted lecture times for the Laureates were perhaps somewhat too short. Parallel sessions prevented me from attending a lecture I would have liked to have listened to. But I am obviously aware that with the large number of Laureates present, parallel sessions are unavoidable. You can say that the outstandingly organised meeting was an absolute success.”

Reinhard Selten, Prize in Economic Sciences 1994

An Eye to the Future

The 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel took place under special conditions. Four of the Prizewinners felt compelled to cancel their appearance at short notice, a portion of the scientific programme was lost and student discussions during the afternoon became longer than planned.

Future Meetings will learn from this experience. Despite a high participant count, in order to sustain the unique encounter between Prizewinners and up-and-coming economists it is crucial to have 12 to 15 Laureates for lectures and discussions in Lindau. The diversity in the academic level of the young scientists reveals a space for more competitive criteria in the applications process. This would ensure that the very best young economists worldwide will receive an invitation to Lake Constance.

The Internet site www.lindau-nobel.de will create an important expansion of the Lindau Dialogues. It represents a virtual meeting place open to anyone around the world who is interested in economics. It can moreover serve

as an even stronger platform for supporting the international networks of young economists, as the Alumni section will be further expanded. The Council and the Foundation have made these two elements prime goals.

After the first Meeting in Economic Sciences on Lake Constance in 2004, this year's Meeting stood out as constituting an even broader internationalisation of the participant pool, a development that should be continued into the future. Best talents in particular from European countries, but also from Asia, should be made aware of the importance of the Meetings at Lake Constance and be encouraged to apply. The quality of the US delegation established a benchmark to be matched by other countries in forthcoming Meetings.

The Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobel-prizewinners Meetings at Lake Constance greatly appreciate the support of scientific, commercial and political institutions. Their generosity and patronage are indispensable to the progress of the Lindau Meetings.

Facts & Figures

The 2nd Meeting of Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel

The Council for the Lindau Nobel Laureate Meetings is collaborating closely with leading institutions throughout the global scientific and economic community to extend the internationalisation of the meeting even further. This network is undergoing continual and consistent expansion. Young economists from the following countries have attended the 2nd Meeting in Economic Sciences:



Argentina 11	Austria 11	Belgium 2	Brazil 4	Great Britain 3	Bulgaria 5
Canada 3	Chile 3	Chinese 8	Colombia 3	Croatia 1	Denmark 3
Estonia 2	France 8	Germany 103	Greece 2	Hungary 3	India 9
Iran 1	Israel 3	Italy 9	Japan 2	Lithuania 1	Malaysia 1
Mexico 4	Netherlands 1	Norway 3	Philippines 1	Poland 8	Romania 2
Russia 2	Saudi Arabia 2	South Korea 6	Spain 3	Switzerland 14	Thailand 1
Turkey 6	Ukraine 3	Uruguay 1	USA 21		



“ The Lindau Meeting was one of the best things that have ever happened to me which naturally makes it an experience I will never forget. I am so grateful and feel so honoured to have been chosen as a participant in this event. The lectures and discussions were very insightful and inspi-

rational, but most amazing of all was the opportunity to talk to the Prize Winners in the informal and relaxed atmosphere that this meeting was characterized by. Getting to know so many young scientists from all over the world was such an enriching and valuable experience that resulted in some wonderful friendships. I left beautiful Lindau knowing that what I had just experienced was of a once-in-a-lifetime kind. A superb celebration of science with an overwhelmingly magical vibe!

Ina Taneva, Bulgaria ”

“ Meeting the Prize-winners in Economic Sciences at the Lindau Meeting was a dream come true for me. The kind of struggle I had put up at my office to attend this meeting is exemplary and reaching Lindau made me feel that this struggle was worth it! In interactions with the Nobel Laureate

Dr. John Nash Jr., I learnt to take the petty struggles in life as parts of game theory, believe my life becomes an open book and learning an eternal exercise. The point which I etched in my memory is that deforestation is not an option for rain forests. My heart feels with gratitude for the organizers of this conference who imagined beautiful settings for a meeting for academic excellence. The Laureates teach me that simplicity is an ornament which adds charm to an academically versatile person.

Dr. Renuka Mishra, India ”



“ The Lindau Nobel Meeting was a unique scientific and personal experience. I really enjoyed the lectures and the panel discussions, but the discussions between Prize-winners and researchers were the best of all, it was wonderful to have the chance to talk to them in a very relaxed

atmosphere. I would recommend giving more emphasis to those discussions in future meetings.

Luis Federico Traverso, Argentina ”

“ The Lindau Meetings present young economists with an unparalleled opportunity to discuss ideas with the most distinguished scholars in the profession. It also furnishes a forum for young researchers from around the world to meet other scholars who are working in similar

research areas. The meetings are extremely well organized and take place in an idyllic setting.

Dr. Marc Tsien-Yung Law, Canada ”



“ When I talked about the Lindau Meeting with one of my friends, he said: “You are lucky. When you are only 24, you got a chance to discuss macro policy with Professor Kydland face to face”. Indeed, the Lindau Meeting brings luck to more than 300 young researchers by exposing them to the most beautiful minds of the world in economics. As a beginner in the research career, it is greatly beneficial if you can talk about your project and receive the comments from people who are on the top of this field. Besides this, I really enjoyed the informal discussion section between Laureate and students. I went to the one of Professor Engle. A wide range of questions were raised and he was amazingly open to any question from technical detail to a life tip. It was a brain storm for me, and I got to know what is currently going on in this field not only in the U.S. but around the world as well. Fabulous feeling! So thanks a lot for giving me this chance and I will keep the enthusiasm brought from the meeting all along my economic career.

Yang Lu, China ”



ACADEMIC AMBASSADORS

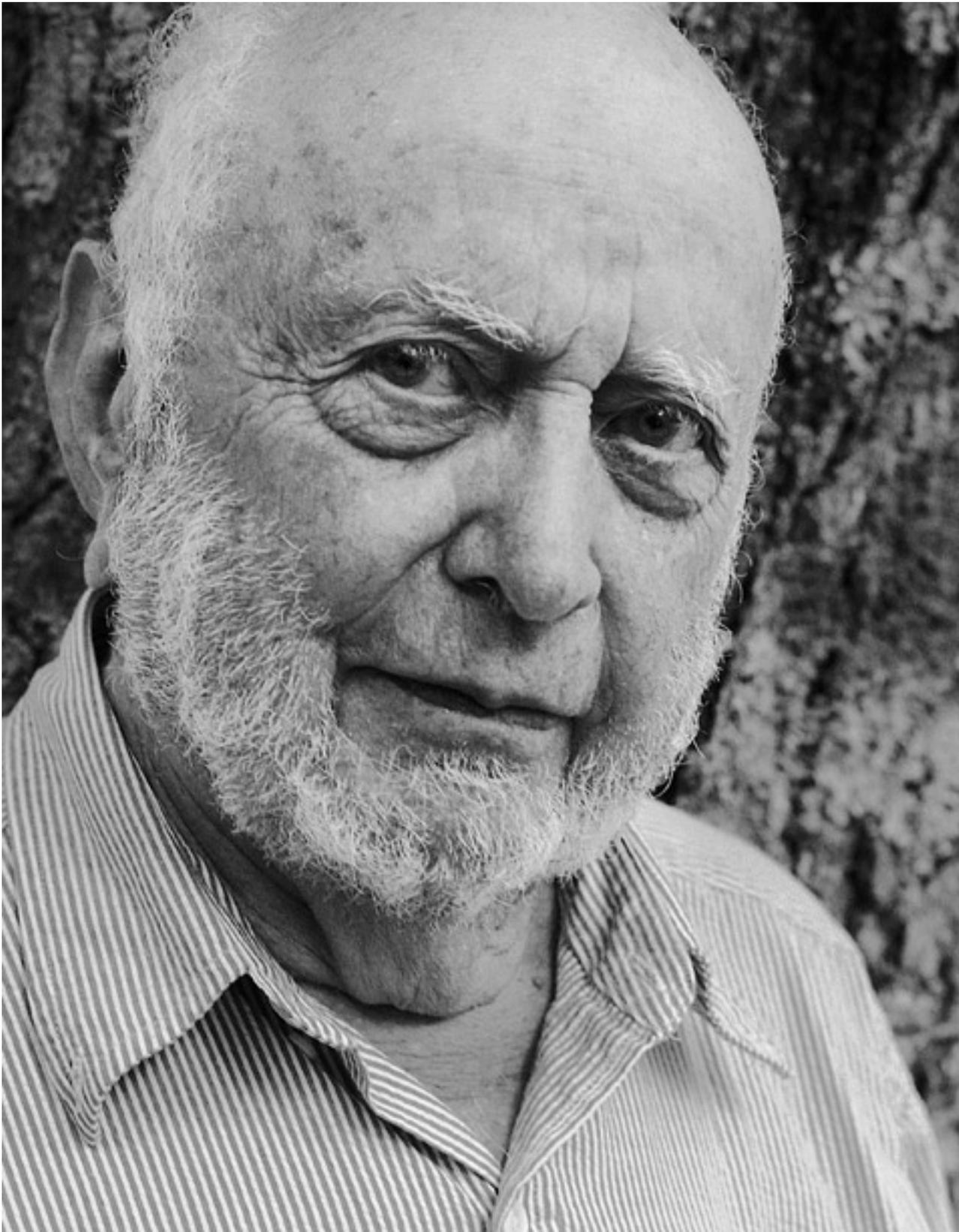
The Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobel-prizewinners Meeting at Lake Constance welcomed young economists nominated by a worldwide network of academic partners.

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Bank of Thailand
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Catholic University of Leuven
Catholic University of Mons
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Central Bank of Malaysia
Central Bank of Norway
Central Bank of the Federal Republic of Germany
Central Bank of the Republic of Argentina
Central Bank of the Republic of the Philippines
Central Bank of the Republic of Turkey
Central Bank of the Russian Federation
Central European University Budapest
Centre for European Economic Research Mannheim
Christian-Albrechts-University Kiel
Columbia University

Cusanuswerk
Duke University
Eberhard-Karls-University Tuebingen
Elite Network of Bavaria
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European Central Bank
European Commission/Marie Curie Fellowship Association
European Econometric Society
European Economic Association
European University Institute, Florence
Federal Ministry of Finance (Germany)
Federal Reserve System
Georg-August-University Goettingen
Georgetown University
German Council of Economic Experts
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University of Zurich
Vanderbilt University, Nashville
Vienna University of Economics and
Business Administration
Yale University



“In general I thought the meeting was very good. My one qualification would be that I think we should spend more time with the students and it ought to all be organized around a continuous interaction with the students. That actually worked out very well this time because so few Nobel Laureates showed up that most of us spent all of our time with the students, but I would urge that you formalize the way in which the program is developed.”

Douglass C. North, Prize in Economic Sciences 1993

SELECTION CRITERIA

for the 2nd Lindau Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel

The participants will be recruited worldwide among

- (a) young and highly qualified economists from central banks (up to the age of 35) and
- (b) young and promising students (up to the age of 30).

The Review Panel of the Council for the Lindau Nobel Laureate Meetings selects candidates for participation based on the following criteria:

- A collegiate candidate should be under 30 years of age, belong to the top of his/her class, and have strong recommendations from his academic advisor.
- A candidate should demonstrate fluency in the English language.
- A candidate should have a promising research agenda and have produced outstanding research papers on relevant subjects.
- A candidate should show a pronounced interest in the international dialogue within the academic community, i.e. by participating in exchange programmes.
- A candidate should be seriously interested in an academic career or professional occupation at institutions like central banks, the OECD, the European Bank for Reconstruction and Development, the IMF or the World Bank.

Finally, the candidate should be motivated and willing to prepare himself/herself solidly for the Lindau dialogue, e.g. by academically working through the issues and arguments in the publications of the participating Prizewinners.

In addition, the following requirements shall be fulfilled by the participants:

- (1) **Young Economists** shall
produce outstanding research,
be at the beginning of a promising career within their institution,
show genuine interest in the international dialogue.
- (2) **Doctoral Students** shall
have excellent graduation records,
produce outstanding research,
possess a good teaching experience
- (3) **Postdoctoral scientists** shall
have up to 5 years of postdoctoral experience,
have published in widely recognized academic journals,
have presented research reports at scientific meetings,
have acquired solid experience in teaching and tutoring,
have some experience in research management.

BENEFACTORS AND DONORS

The Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobel-prizewinners Meetings at Lake Constance wishes to thank its Principle Patrons and Patrons that have contributed to the endowment:

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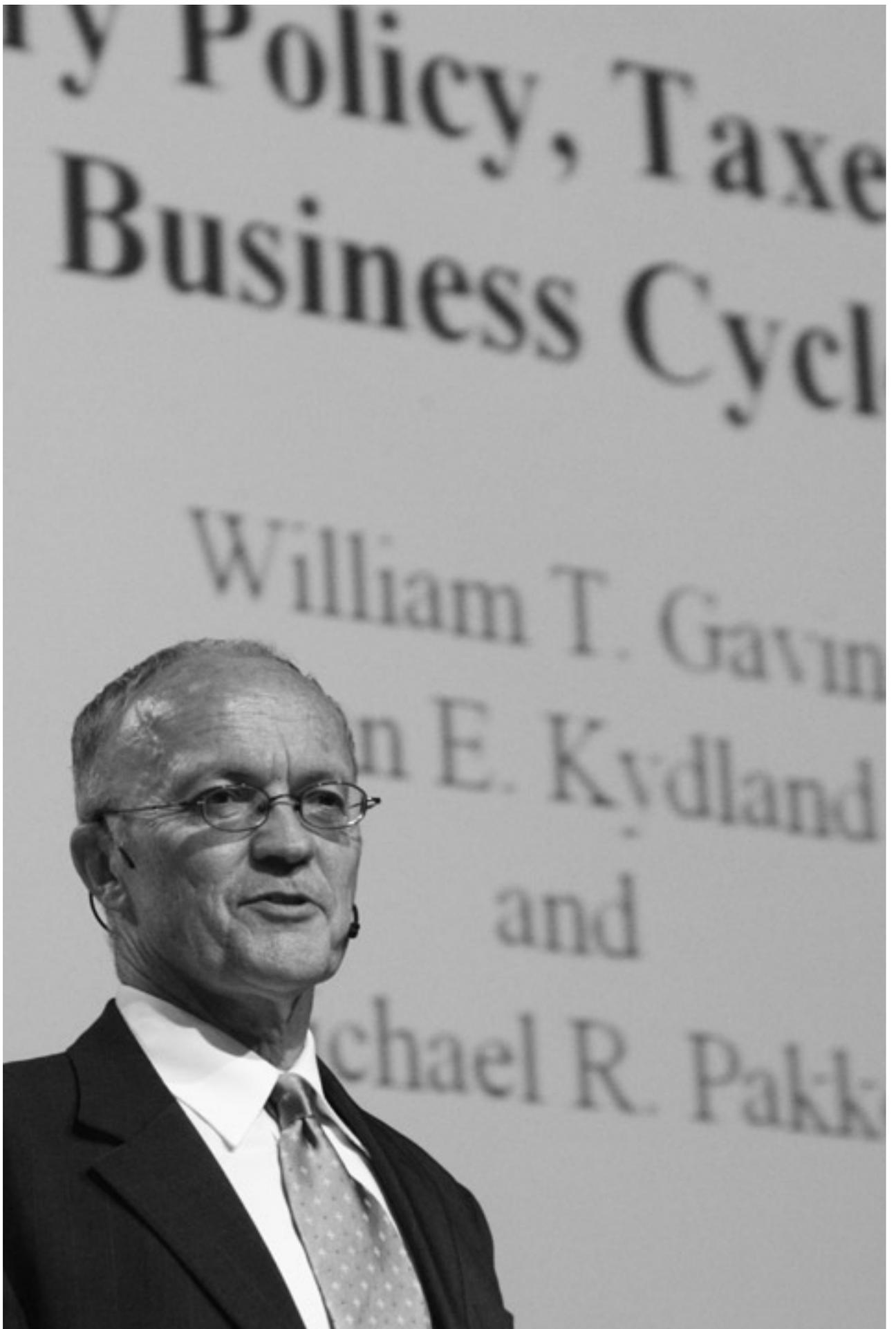
The Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobel-prizewinners Meetings at Lake Constance thank all benefactors and donors for their support of the 2nd Lindau Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel.

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| Professor Kydland lecturing on “Monetary Policy, Taxes and the Business Cycle”.

SCIENTIFIC PROGRAMME

of the 2nd Lindau Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel

THURSDAY, AUGUST 17TH

Inselhalle Congress Center

09:45 Opening of the Meeting with addresses by Federal President Prof. Dr. Köhler and Countess Sonja Bernadotte, President of the Council

10:35 Panel Discussion
“Financial Markets, Financial Institutions, and Macroeconomic Risks”

Prof. Dr. Robert Engle,

New York/USA

Prof. Dr. Finn E. Kydland,

Santa Barbara/USA

Prof. Dr. Reinhard Selten,

Bonn/GER

CHAIR:

Prof. Dr. Martin Hellwig, Bonn/GER

14:00 Prof. Dr. Sir Clive W. J. Granger
(Economics 2003), La Jolla/USA

“Building Econometric Models to Consider Policy for Deforestation in the Amazon Rain Forest”

14:30 Parallel Lectures at Inselhalle
Prof. Dr. Finn E. Kydland
(Economics 2004), Santa Barbara/USA

“Monetary Policy, Taxes and the Business Cycle”

Dr. John F. Nash, Jr.

(Economics 1994), Princeton/USA

“The Agencies Method and Co-operative Games”

15:30–17:30 Scientific discussions in groups individual between Prizewinners

Prof. Dr. Granger, Prof. Dr. Kydland, Dr. Nash, and young economists

FRIDAY, AUGUST 18TH

Inselhalle Congress Center

Parallel Lectures at Inselhalle

09:00 Prof. Dr. Robert Engle
(Economics 2003), New York/USA

“Global Financial Volatility: Its Measurement, Interpretation and Causes”

Prof. Dr. Robert W. Fogel/

Read by Prof. Dr. Douglass C. North

(Economics 1993), Chicago/USA

“Toward an Era of Longevity and Wealth”

09:45 Prof. Dr. Sir James A. Mirrlees
(Economics 1996), Cambridge/GBR

“Optimal Commodity Taxation”

Prof. Dr. Robert A. Mundell

(Economics 1999), New York/USA

“China’s Macroeconomic Strategy and its Currency Relations with Asia and the International Monetary System”

10:45 Prof. Dr. Douglass C. North
(Economics 1993), St. Louis/USA

“The Natural State or why Effective Economic Reform is Difficult”

11:30 Prof. Dr. Reinhard Selten
(Economics 1994), Bonn/GER

“Experimental Investigation of Day-to-day Route Choice Behaviour”

15:30–17:30 Scientific discussions in groups individual between Prizewinners

Prof. Dr. Engle, Prof. Dr. Mirrlees, Prof. Dr. Mundell, Prof. Dr. North, Prof. Dr. Selten, and young economists

SATURDAY, AUGUST 19TH

10:15 Closing Panel Discussion at the
University of St. Gallen

*“Labour Market Performance and
Structural Adjustment”*

Prof. Dr. Jacque H. Drèze,
Louvain-la-Neuve/BEL

Prof. Dr. Sir James A. Mirrlees,
Cambridge/GBR

Prof. Dr. Robert A. Mundell,
New York/USA

Prof. Dr. Dr. h.c. Hans-Werner Sinn,
Munich/GER

CHAIR:

Prof. Dr. Martin Wolf,
Financial Times, London/GBR

SCIENTIFIC CHAIRPERSONS:



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Stockholm School of Economics



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Max Planck Institute for Research on Collective Goods



Prof. Dr. h.c. Wolfgang Schürer, St. Gallen/SUI
University of St. Gallen, Georgetown University

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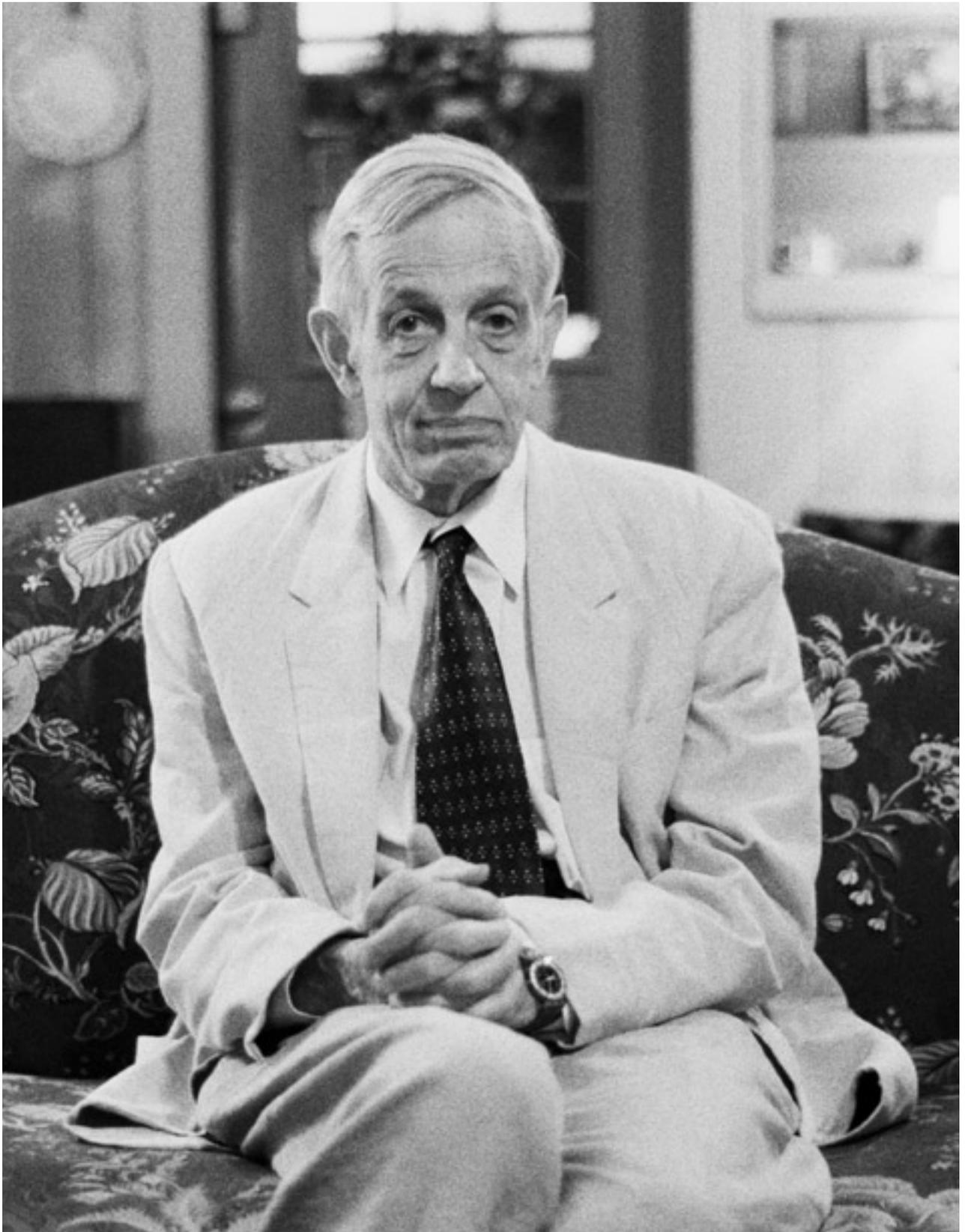
Dr. Urs V. Arnold

Junior Research Assistant to the Chairman

Patrick Müller

Personal Assistant to the Chairman

Daniela Preisig



“The meetings, involving Nobel laureates, that have been occurring in Lindau, on the Bodensee in south Germany, form an unique series of events in recent years. I have felt privileged to become a participant in this since the time of the inclusion of the Economics category in the series. It seems notable also that the interaction of the students and the senior participants and lecturers has also been widely appreciated and I can see personally that these experiences become rewarding to both of the involved categories of participants.”

John F. Nash Jr., Prize in Economic Sciences 1994

PRELIMINARY ACCOUNT

for the 2nd Meeting of the Winners of the Bank of Sweden Prize in
Economic Sciences in Memory of Alfred Nobel in Lindau (as per October 31st, 2006)

REVENUES

<i>Description</i>	<i>Amount</i>
<p>Donations and funds from the public sector (Bundesministerium für Bildung und Forschung, Bayerisches Staatsministerium für Wissenschaft, Forschung und Kunst, Internationale Bodenseekonferenz, Kanton St. Gallen, Stadt Lindau with Stadtverkehr Lindau (B) GmbH), from banks (Deutsche Bank AG, Bayerische Landesbank, Bayerische Hypo- und Vereinsbank AG (HVB), Sparkasse Memmingen-Lindau-Mindelheim, Sparkassenverband Bayern), from industry (Bayerische Spielbank Lindau, Deutsche Telekom AG, F S Fehrer GmbH, Swisslos Lotteriefond St. Gallen), and charitable or non-profit organisations (Robert Bosch Stiftung GmbH, Deutsche Telekom Stiftung, Klaus Tschira Stiftung gGmbH, Landesstiftung Baden-Württemberg, Stiftungsfonds Deutsche Bank im Stifterverband für die Deutsche Wissenschaft, Stifterverband für die Deutsche Wissenschaft and Foundation Lindau Nobelprizewinners Meetings at Lake Constance with its Principle Patrons (Audi AG, Bertarelli Foundation, Deutsche Bank AG, Ecoscientia Stiftung, EnBW Energie Baden-Württemberg AG, Novartis International AG, Dr. Ing. h.c. F. Porsche AG, SAP AG, Siemens AG, Südwestmetall Baden-Württemberg, Verband der Bayerischen Chemischen Industrie, Verband der Bayerischen Metall- u. Elektroindustrie e.V.), and Patrons (Deutsche Telekom Stiftung, Hansjörg Wyss Medical Foundation, Jungbunzlauer AG, Monika and Wolfgang Schürer, Synthes-Stratec Inc., Verein Deutscher Ingenieure (VDI)).</p>	355,870.81 €
<p>Participant fees for young scientists taken over by benefactors and subsidies or reimbursements of lodging and travel expenses of young researchers (among them Audi AG, Carl Zeiss AG, Elitenetzwerk Bayern, Konrad Adenauer Stiftung, SAP AG, Schweizerische Studienstiftung, Siemens AG, Südwestmetall).</p>	18,100.00 €
TOTAL SUM OF REVENUES	373.970,81 €

Any deficit which may arise upon presentation of all costs as of 31.12.2006 will be balanced by an existing letter of indemnity provided by the Foundation Lindau Nobelprizewinners Meetings at Lake Constance.

EXPENDITURES

<i>Description</i>	<i>Amount</i>
Printing costs and printed materials	20,152.82 €
Translation and interpreting costs	6,509.12 €
Rent for conference venue	50,152.03 €
Participant logistics	3,762.49 €
External services	24,795.61 €
PR (including outreach initiatives)	12,532.42 €
Costs of selection process for participants	7,000.00 €
Costs in kind for conference	5,459.70 €
General travel expenses	7,246.89 €
Travel expenses for Prizewinners	13,521.60 €
Travel expenses for participants	14,746.28 €
Travel expenses for scientific chairpersons and Council	7,018.43 €
General boarding costs	1,810.06 €
Boarding costs for Prizewinners	4,732.55 €
Boarding costs for participants	58,776.74 €
Boarding costs for Council	219.76 €
General lodging costs	7,725.98 €
Lodging costs for Prizewinners	11,115.10 €
Lodging costs for participants	50,011.54 €
Lodging costs for scientific chairpersons and Council	8,051.44 €
Expenses for Prizewinners	2,022.00 €
Postage	228.34 €
Newspapers, books	159.39 €
Telephone	5,357.88 €
Internet (website and global broadcasting)	54,258.78 €
Office equipment	5,425.33 €
Operating costs (rent, electricity, water etc.)	2,325.57 €
Insurances	125.54 €
Overheads for financial transactions	301.32 €
INTERIM TOTAL OF EXPENDITURES	345,500.71 €
Staffing, wages and salaries incl. payroll taxes	26,271.87 €
Accounting costs	1,291.41 €
TOTAL SUM OF EXPENDITURES	373,063.99 €

Additional donations in kind and pro-bono services (among them artificial image M M Müller, AUDI AG, Big Image Systems GmbH, Business Wire, BrainsToVentures AG | Umantis, Deutsche Lufthansa AG, Deutsche Post AG/DHL, Druckerei Hermann Brägger, Hewlett Packard, Lennart Bernadotte Stiftung, MAN AG, MS Management Service AG, PricewaterhouseCoopers AG, Sennheiser electronic GmbH, Staatliche Lotterieverwaltung, UBS AG).

Beyond Lindau

Would you be interested in visiting German and European academic institutions and research facilities following your stay in Lindau?

Total: 208 [does not apply: 18]

I am highly interested in it: 120

It would be an option for me: 60

I am not interested in it: 10

Would you like to receive more information about the Lindau Meeting's benefactors and to have access to the benefactors?

Total: 209 [does not apply: 0]

I am highly interested in it: 90

It would be an option for me: 81

I am not interested in it: 38

Would you be interested in joining the Meeting's alumni network (for free)?

Total: 210 [does not apply: 0]

I am highly interested in it: 142

It would be an option for me: 58

I am not interested in it: 10

Would you be interested in supporting the Lindau Council to promote the Meeting at your home institution and/or home country by writing a report about the Meeting? *Total: 203 [does not apply: 0]*

I am highly interested in it and will contact the executive secretariat: 46

It would be an option for me: 114

I am not interested in it: 43



SUMMARY The survey results in this category show that up-and-coming economists would like to continue the scientific dialogue started in Lindau. This is supported by their great interest in visits to European and German research institutes, as well as by their readiness to participate in an Alumni network.

The responses to question #2 (more information from/access to benefactors) demonstrate the young scientists' appreciation vis-à-vis all institutions that fund the Lindau Meeting. They applaud the current public-private-partnership model of the Lindau Meetings in Economic Sciences and suggest an even broader internationalization.

YOUNG ECONOMISTS' STATEMENTS:

"This meeting has improved my view of economics and I have taken a few ideas for my future research."

"It would be nice to have alumni meetings organized corresponding to the respective domains the researchers are working in."

"Thank you very much for that great opportunity to take part at the meeting. I felt really proud to have been chosen."

"It was interesting to get to know people with various backgrounds and to talk to Prizewinners. I would recommend the meeting to anyone who gets the chance to participate."

"I think an Alumni Network is a very good idea, since it is the second meeting now and hopefully there will be more in the future."



“The meeting was a great success in my opinion. The best part was the interaction with the young researchers, particularly on the boat and in the afternoon meetings. The visit to the island and the gracious presence of the Countess was very much appreciated. The organization was smooth and very well executed. I found the interaction with the other prize winners interesting even though our research is often far apart. I would have liked to have heard more of the other nobelists’ talks; however, because we were doubled up and needed press time, it wasn’t possible. Actually my only real suggestion is to improve the quality of the food at the student functions insofar as the budget allows it. Altogether it was a worthwhile experience.”

Robert Engle, Prize in Economic Sciences 2003

