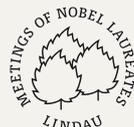


3RD MEETING OF THE WINNERS OF THE SVERIGES RIKSBANK PRIZE
IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL

THE 2008 MEETING IN RETROSPECT AND PROSPECTS FOR THE FUTURE

Kuratorium für
die Tagungen
der Nobelpreisträger
in Lindau
Council for the Lindau
Nobel Laureate Meetings



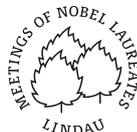
Stiftung Lindauer
Nobelpreisträgertreffen
am Bodensee
Foundation Lindau
Nobelprizewinners Meetings
at Lake Constance



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Countess Sonja Bernadotte af Wisborg, 1944–2008



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

Countess Sonja Bernadotte af Wisborg, President of the Council for the Lindau Nobel Laureate Meetings and Vice-Chairperson of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance, passed away on October 21st, 2008 at the age of 64 years following a long illness.

She took over the presidency of the Council in 1987 from her husband, Count Lennart Bernadotte, who helped to launch the Lindau Dialogue in 1951. In the 20 years of her involvement at the head of this conference, she left her distinct mark on the meetings. Countess Sonja welcomed generations of young people from all over the world to Lindau and the Isle of Mainau, and was a true ambassador for the international exchange of scientific knowledge.

The Council, the Foundation and the employees at the executive secretariat are deeply saddened. Countess Sonja Bernadotte characterised the close and trusting relationship which marked the work carried out by the Council in her own very personal way. She combined a sense of duty, great discipline and a deep interest in people with a radiating personality, expressing warmth and kindness. We shall miss her immensely, and we are grateful for her work in support of the international exchange of knowledge in the field of science and of the Lindau Nobel Laureate Meetings.

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

IMPRINT

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FOREWORD

by Countess Bettina Bernadotte af Wisborg



Countess Bettina Bernadotte

President-designate of the Council for the Lindau Nobel Laureate Meetings

The 3rd Meeting in Economic Sciences at Lake Constance took place at a particularly eventful time for the world economy. In all, 15 Nobel Laureates took part, meeting with those who may be the economic elite of tomorrow, discussing intensely and exchanging experiences with them. Besides the global financial crisis, the programme also focused on labour markets and social business and enterprises. Enriching the exchanges alongside the 14 winners of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel was Muhammad Yunus, winner of the Nobel Peace Prize.

The Council and the Foundation's Board of Directors are very pleased that, in comparison with the Meeting in Economic Sciences in 2006, the international participation in the meeting was widened further. This was in no small part due to the support of the Bank for International Settlements, which enabled more federal and central banks than ever before to nominate the best up-and-coming economists for participation in the Lindau Dialogue. The signature during the meeting of a Memorandum of Understanding (MoU) with the Principality of Liechtenstein was part of the continuing strategy of internationalisation carried out by the Lindau Institutions, in line with the expansion of pre-existing MoUs from meetings in natural to economic sciences.

The Meetings in Economic Sciences at Lake Constance are marked by a new dynamic, with their international character and their emphasis on scientific excellence. Their goal is to initiate dialogue between scientific generations and thereby to make a contribution to the exchange of knowledge and experience between them. This is only possible thanks to the support of many individuals and institutions. First and foremost, the 15 Laureates "invested" four days of their own time for the benefit of rising academic specialists in their field. Institutions from the world of science and politics, as well as foundations and companies, made the organisation of this year's meeting possible by grants and benefits in kind – thereby ensuring the future of this platform for scientific dialogue between generations. Sincere thanks therefore must go to every one of them from the Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobelprizewinners Meetings at Lake Constance.

MEETING
IN
ECONOMIC
SCIENCES
2008



George Akerlof, United States
Economic Sciences, 2001



Robert Aumann, Israel
Economic Sciences, 2005



Robert Fogel, United States
Economic Sciences, 1993



Sir Clive Granger, United Kingdom
Economic Sciences, 2003



Finn Kydland, Norway
Economic Sciences, 2004



Daniel McFadden, United States
Economic Sciences, 2000



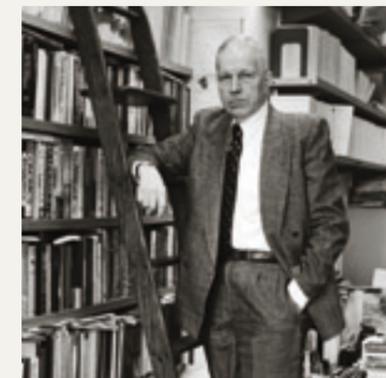
Robert Mundell, Canada
Economic Sciences, 1999



Roger B. Myerson, United States
Economic Sciences, 2007



John F. Nash, Jr., United States
Economic Sciences, 1994



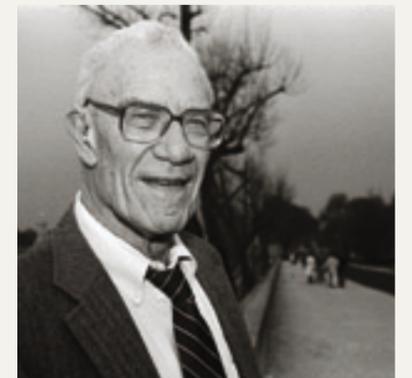
Edmund Phelps, United States
Economic Sciences, 2006



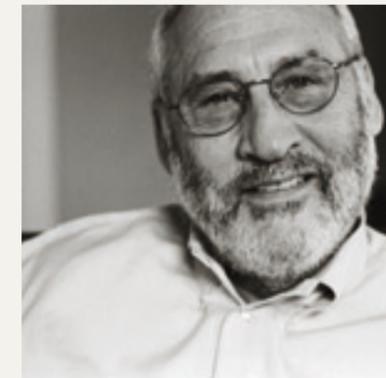
Myron Scholes, Canada
Economic Sciences, 1997



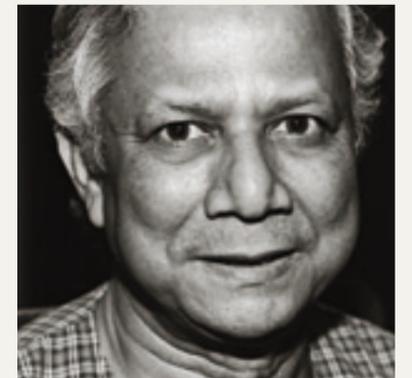
Reinhard Selten, Germany
Economic Sciences, 1994



Robert Solow, United States
Economic Sciences, 1987



Joseph Stiglitz, United States
Economic Sciences, 2001



Muhammad Yunus, Bangladesh
Peace, 2006

SUMMARIES of the Addresses at the Opening Ceremony

of the 3rd Meeting of Winners of the
Sveriges Riksbank Prize in Economic
Sciences in Memory of Alfred Nobel



Countess Bettina Bernadotte af Wisborg,
President-Designate of the Council for the
Lindau Nobel Laureate Meetings

“The guiding principle of Lindau’s ‘Mission Education’ means that you will be able to interact throughout the coming three days of lectures, round-table discussions, luncheons, and afternoon discussions – all in the very special ‘Lindau Ambiance’. Young scientists, you will be meeting Nobel Laureates, who are icons in their fields of research, thanks to their ceaseless curiosity and their exceptional dedication. And you will also meet fellow researchers from all over the world – for example, from Austria, China, India and the U.S. These three days will provide ample opportunity for interesting discussions about your particular fields of work, but nor should you neglect this rare chance for broader exchanges on whatever topics interest you personally. Nowadays this sort of wide-ranging debate is becoming more and more important as we recognise that ‘facts and figures’ are only one side of the coin – in research, different cultural approaches and different perceptions can count for a great deal too.”

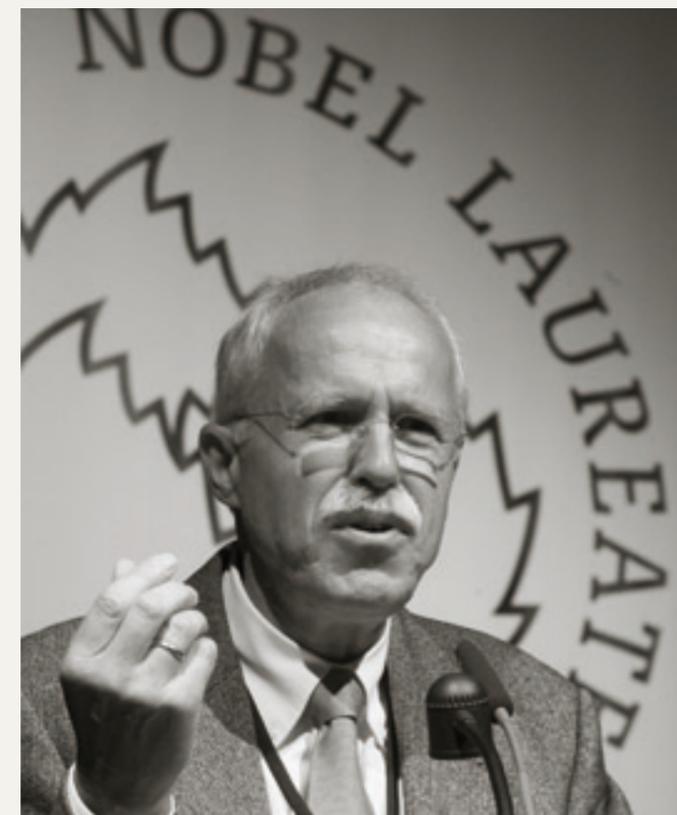
“Let me add that preparing this meeting has been quite a challenge for us, with regard not only to its organisation, but also to its financing as well as with respect to communication with the media and outreach. I should like to thank you all, our benefactors and academic partners, for supporting us and making the meeting a success.”

“It was in the year 2000 that the Lindau Meetings took an important step forward. The Foundation Lindau Nobelprizewinners Meetings at Lake Constance was founded then with the task of ensuring a sound financial base for the traditional Lindau Meetings of Nobel Laureates, which have been taking place now since 1951. The Foundation has been working hard to reach this goal ever since, and I am glad to announce that in the mean time 190 Nobel Laureates have joined the Founders’ Assembly and the foundation’s assets now amount to more than 15 million Euro, a very impressive achievement, especially in times of looming recession.”



Thomas Goppel,
Bavarian State Minister of Sciences,
Research and the Arts

“The Lindau Nobel Laureate Meetings project goes back to a brilliant idea by Count Lennart Bernadotte and is actively continued by Countess Sonja and Countess Bettina Bernadotte today. The meetings are events of international consequence and they are important for the State of Bavaria and the entire Lake Constance region. This year already marks the third time that there will be a meeting in the area of economic sciences. Especially for young, up-and-coming scientists, the meetings offer a once-in-a-lifetime chance personally to rub shoulders with the best in the field and to have conversations with them as equals.”



Frieder Meyer-Krahmer,
State Secretary of the Federal Ministry
of Education and Research

“Lindau is devoted to fostering close personal contact between young researchers and Nobel Laureates – personalities who have taken risks and won, and in return have been awarded the highest academic honour. It is a very human characteristic to associate ideas with places. I expect that many of you have experience of how a thought – a new idea – is associated with the fact that it occurred in a certain situation or in the course of a discussion in a certain place, which often in turn gives the idea its name. The name Lindau already has a very positive ring to it in the ears of scientists as a place in Germany which regularly provides just such a stimulus.”

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Closing Panel at the University of St. Gallen (Switzerland)

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Robert Aumann and young economists during the Get-Together Evening.

INTRODUCTION

From August 20 – 23, 2008, 14 Laureates in Economic Sciences, Nobel Peace Prize winner Muhammad Yunus, and 299 carefully selected young scientists from 58 countries came to Lake Constance to discuss current phenomena in the economic and financial world. The meeting's programme included major topics in economics, politics, and society – labour markets, the financial crisis, and social business. Lectures, panel discussions, seminars, and events within the surrounding programme offered countless opportunities for exchanges between the best economists of our times and those of tomorrow.

Especially in the light of the emerging worldwide financial crisis, the meeting received much attention – not only from the young economists, but also from the media representatives who were present there. One of the participants at the meeting was Myron S. Scholes, winner of the 1997 prize, who is one of the world's most distinguished experts in the type of modern financial products that played a role in the turbulence on the financial markets. Joseph E. Stiglitz, who was awarded the Prize in Economic Sciences in 2001, addressed the global financial crisis in his lecture. Prize winners Daniel L. McFadden, Myron S. Scholes, Joseph E. Stiglitz and Muhammad Yunus assembled for the panel discussion on "Systemic Risks in Financial Markets".

The task of coordinating and organising the Scientific Programme for the 3rd Meeting in Economic Sciences was in the hands of Peter Englund (Stockholm School of Economics and Secretary of the Bank of Sweden Prize Committee for the Prize in Economic Sciences in Memory of Alfred Nobel), Martin Hellwig (Max Planck Institute for Research on Collective Goods, Bonn) and Wolfgang Schürer (University of St. Gallen, Chairman of the Board of the Foundation). They were also responsible for selecting the 299 outstanding young economists from a pool of 2,500 interested applicants who were invited to the Meeting at Lake Constance.

The unique nature of the Lindau Meetings is the reason why the best young economists in the world apply to

participate and why the Laureates regularly return to Lake Constance. A three-stage evaluation process is used to continuously assess the meetings according to previously developed standards and to support their on-going development. The Council and the Foundation are the first to evaluate the meeting. This includes the organisation of the meeting, the selection process, the cooperation with Academic Partners and central banks, and press/public relations. This year 82% of all participants took part in the next stage of the evaluation and completed a questionnaire several pages long. At the end of this second stage in the process, the results provide important insights into the quality and international vision of the young scientists, the main points of emphasis in the programme and its didactic impact, as well as the overall organisation, data management, services, and infrastructure of the meeting. In the third and final step, the Nobel Laureates themselves were asked to give their feedback on the 3rd Meeting in Economic Sciences.

The resulting report helps to make the work of the Council, Foundation, and the Executive Secretariat more transparent and gives an account of the challenges that have been overcome over the past several months. It is available for download in PDF on the Nobel Laureate Meetings website www.lindau-nobel.de. The meeting's scientific contributions can also be accessed there as Video on Demand.

LAUREATES, YOUNG ECONOMISTS AND NOMINATING INSTITUTIONS

LAUREATES 15

YOUNG ECONOMISTS and
NOMINATING INSTITUTIONS 18



Muhammad Yunus engaged in discussions with participants right after his lectures.



Edmund Phelps enjoyed the informal setting of the Get-Together Evening.



Sir Clive Granger and young economists at the conference venue Inselhalle.

Fourteen Laureates in Economic Sciences, Nobel Peace Prize winner Muhammad Yunus, and 299 young economists from 58 countries took advantage of their three days at Lake Constance for an intensive exchange of ideas and experiences. This year's Meeting in Economic Sciences was more international than ever before. In all, 28 federal banks and international institutions, including the Bretton Woods institutions World Bank and the International Monetary Fund, nominated their best young economists.

LAUREATES

The Meetings in Economic Sciences at Lake Constance are gaining increased recognition amongst the prize winners. Furthermore, by participating the 14 Economic Laureates who attended this year – including Roger B. Myerson, who received the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel in December 2007 – supported the Council and Foundation's "Mission Education". Particularly pleasing was the large number of Laureates who participated in the Lindau Dialogue for the first time. They included George Akerlof, who received the prize in 2002 for his research on markets with asymmetrical information; game-theorist Robert J. Aumann of Israel (2005 prize winner); Edmund S. Phelps, who received the prize in 2006 for his study of inter-temporal tradeoffs in macroeconomic policy; Myron S. Scholes, the Canadian scientist who received the prize in 1997 for his method to determine the value of derivatives, and foreign trade theorist Joseph E. Stiglitz, the 2001 prize winner. Sir Clive W.J. Granger, Robert A. Mundell, John F. Nash Jr., and Reinhard Selten are Laureates who have participated in all three of the Meetings in Economic Sciences at Lake Constance since 2004.

Nobel Peace Prize winner Muhammad Yunus of Bangladesh, recognised in 2006 as a pioneer of sustainable development through the application of micro-credit, contributed an important perspective to the talks and discussions. He has proposed an economic system whose main driving force, in contrast to usual market mechanisms, is the promotion of socio-economic development. He articulated this difference at the panel discussion on the financial crisis in the following terms: "The Grameen Bank business model is designed to grant people credit not only faster, but also in spite of very low creditworthiness – and we're still performing better than the US mortgage banks who are now footing the bill for

their lending model." Yunus founded the Grameen Bank in his native Bangladesh in 1983, to take up the cause of "Banking for the Poor".

One of the distinctive features of the Lindau Dialogue is that it does not give any specifications to the speakers concerning the topic of their lectures. This open approach creates new perspectives for all of the participants, fosters new ideas, and invites the participants to go beyond the boundaries of their field of research. Participant feedback shows that this concept for the Lindau Meetings is very successful. When asked if the meeting was successful in initiating dialogue between young economists of different fields, 52% of those asked answered "Yes" and 34% answered "Rather Yes".

Through their participation in the meeting, all of the Laureates give very substantial support to the Council and Foundation's "Mission Education". Their willingness to discuss the questions raised in their lectures and in the panel discussion during countless personal conversations with young economists, forms an inspiring and motivating dialogue between scientific generations. This direct exchange of knowledge and ideas between Laureates and young researchers is at the heart of the Lindau Meetings – for the natural sciences just as for economic science. Thanks to the recordings which were made of the scientists' contributions, science enthusiasts from all over the world can view the lectures as Video on Demand in the new online mediatheque at www.lindau-nobel.de. The new mediatheque also features lectures from past meetings and direct access to abstracts and further information on the Laureates' professional backgrounds. Nearly 7,000 Internet users in 69 countries made use of the opportunity during or immediately after this year's meeting. Most of the users accessing the site were located in the USA, Germany, Switzerland, Canada, Great Britain, and Japan.

During the meeting prize winners George Akerlof and Muhammad Yunus also became new members of the Founders' Assembly of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance. Their decision to become members demonstrates their support of the Nobel Laureate Meetings' goal to serve as a platform for dialogue between scientific generations. Thus far, 187 Laureates have become members since the Foundation was created in 2000.



**Laura Hospido, Spain/
Bank for International
Settlements-Fellow**

The 3rd Meeting in Economic Sciences in Lindau was a fantastic experience that I really enjoyed. The Laureates' lectures and especially the panel and students' discussions were inspirational. In addition, this event was an extraordinary opportunity to meet young researchers from all over the world. Also, the beauty of Lindau contributed to create this relaxed and, at the same time, motivational atmosphere. I am deeply grateful to the Council for their hospitality and to the Scientific Review Panel and my sponsor, the Bank of Spain, for selecting me.



Myron Scholes willingly answered questions of participants.

YOUNG ECONOMISTS and NOMINATING INSTITUTIONS



John F. Nash, Jr. and young economists.



299 highly talented young economists from 58 countries took part in this year's meeting.



First photo impressions of the meeting were shared during the boat trip to the Isel of Mainau.

No fewer than 299 highly talented young economists from 58 countries took part in the 3rd Meeting in Economic Sciences at Lake Constance. Selected institutions from all over the world identified up-and-coming scientists as candidates to participate in the Lindau Meeting and nominated them to the Council's Review Panel. The Council and the Foundation have established an international network for this purpose over recent years, and this continues to expand.

Nominations this year were received from leading professional associations (European Economic Association, Econometric Society) and research funding organizations (National Science Foundation, USA), as well as many universities, independent research institutes, international organizations (World Bank, IMF, BIS, ECB) and Central Banks. This made it possible to attract talented young economists from the best known research institutions in economics as well from institutions that are less visible, in Asia and Africa as well as in Europe and the United States. The nominations were added to by Fellowship Programmes from benefactors of the Lindau Meetings. This allowed SAP and Mars in particular to fund substantial numbers, thereby helping to promote more adequate participation from under-represented regions. The Deutsche Bank Foundation covered the costs for all German participants, picking up on a successful cooperative model that was used in the meetings in natural sciences. The new dynamism of the Lindau Dialogue was thus also evident in the nomination process.

Thanks to the Council and Foundation's cooperation with the Bank for International Settlements (BIS), with the European Central Bank and with 28 national banks, these banks also nominated their best young economists to participate in the meeting. Malcolm D. Knight, who was the General Manager of the BIS until October 2008, made the cooperation with the BIS possible through his tremendous personal involvement.

NOMINATING NATIONAL BANKS

Bangko Sentral ng Philipinas

Bank of Canada

Bank of England

Bank of Israel

Bank of Italy

Bank of Japan

Bank of Mexico

Bank of Spain

Bank of Thailand

Central Bank of Argentina

Central Bank of Brazil

Central Bank of Chile

Central Bank of Malaysia

Central Bank of Norway

Central Bank of the Republic of Turkey

Central Bank of the Russian Federation

De Nederlandsche Bank

Deutsche Bundesbank

Hong Kong Monetary Authority

Monetary Authority of Singapore

National Bank of Belgium

National Bank of Denmark

Notenbank Österreich

Notenbank Schweiz

Reserve Bank of India

Saudi Arabian Monetary Agency

South Africa Reserve Bank

Sveriges Riksbank

The renowned German economic newspaper Handelsblatt conducted its own competition for participation in Lindau; the winners could then apply with the recommendation of the newspaper. The Review Panel chose 21 promising young economists from the winners, who attended the meeting as “Handelsblatt Fellows”.

A multi-stage, international selection process ensures that academic achievement will be the sole basis for decision in determining whether an applicant will be invited personally to meet the experts in his or her field at Lake Constance. The decision is based on selection criteria, which are re-examined by the scientific coordinators prior to every meeting (see pg. 84). The members of the Review Panel (and simultaneously the scientific coordinators) of the 2008 Meeting in Economic Sciences were Peter Englund, Martin Hellwig and Wolfgang Schürer. The importance for the success and reputation of the Lindau Dialogue of maintaining transparent, clear selection criteria is evident when one notes the standing of the nominating institutions (complete list on pg. 79ff).

More than 2,500 young economists applied to participate in the Lindau Dialogue during the first stage. Of the 299 candidates accepted – 34% of them were female – 173 were from Europe and 62 were from Asia. Seven young scientists took part from the Arab world, eight from Australia, five from Africa, and 50 “Best Talents” from North and South America. All these were welcomed at Lake Constance. This Meeting in Economic Sciences was more international than ever before. (In 2006, there were 279 participants from 40 countries.)

“Educate. Inspire. Connect.” – these three aims lie at the centre of the Council and the Foundation’s work. With high expectations, young economists from all over the world travel to Lake Constance to meet face-to-face with the best economists of our time and to form or expand their own international networks.

Geneviève Verdier, Canada/ International Monetary Fund-Fellow

I greatly enjoyed attending the Lindau Meeting this past August. For me, the highlight of the meeting were the smaller gatherings of Nobel Laureates and young researchers. During these discussions, the Laureates were more than willing to interact and share their insights with participants. They were open, outspoken and funny. In addition, the organization was flawless and the city of Lindau, lovely.



Pepijn Schreinemachers, The Netherlands/ Robert Bosch Stiftung-Fellow

These Laureates I only knew by name from textbooks and journal articles. But now I also know how they look and how they walk and talk. Knowing how human and humble they are, gives a whole new dimension to their work, and it becomes even more interesting studying it.



Christiane Pott, Germany/ Handelsblatt-Fellow

It was an honor to be allowed to take part in such an event. I appreciated the opportunity to listen to such amazing scientists, listen to their views on the global economy – currently unsettled by the huge banking crisis and to interact with other fellows from all over the world. Especially, how Muhammad Yunus explained his beliefs in the advantages of social businesses given our profit maximizing society touched me a lot.



The evaluation specifically addressed their expectations: 62% of those asked said that their expectations had been fulfilled; 29% reported that they had even been exceeded.

Evaluation of the three “promises” of the Lindau Meetings also showed very positive results. “Educate” – the panel discussion topics were rated “Appropriate” by the large majority of participants (81%). The Laureates’ lectures and the afternoon discussions with them were two components of the programme that were specially appreciated by the participants. Further results on the scientific design of the meeting are listed on pg. 88ff.

“Inspire” – the Nobel Laureate Meetings inspire the scientific elite of both today and tomorrow. Participants of the Meeting in Economic Sciences even expect it to influence their scientific career (on which point 25% said “Yes” and 47% said “Rather Yes”). When asked if the meeting had been motivating, 61% of the participants answered “Yes” and 33% answered “Rather Yes”.

“Connect” – the results clearly reflect the international scope and the wide range of subject matter covered at this year’s meeting. Fully 97% of those asked answered “Yes” (71%) or “Rather Yes” (26%) when asked if the organizers had been successful in initiating dialogue between young economists from different countries. The goal of the Council and the Foundation to foster dialogue between different fields of economics received equally high scores (52% responded with “Yes” and 34% with “Rather Yes”).

In the evaluation of the 2006 Meeting in Economic Sciences, the scientific coordinators had been advised of the high variance in the scientific quality of the German participants and of the disproportionate representation of European countries. This year, there were fewer participants from Germany (88 as opposed to 103 in 2006), and the variance of scientific quality was lower. Representation from Europe overall was increased. The number of European countries represented went up from 21 in 2006 to 28 this year.



Countess Bettina Bernadotte with Wolfgang Schürer, Dieter Gunz (Hochschule Liechtenstein), two participants from the Principality of Liechtenstein, Prime Minister Otmar Hasler and Klaus Näscher (Rector, Hochschule Liechtenstein) after the signing of the Memorandum of Understanding (from left).



Within the framework of this year’s meeting, Countess Bettina Bernadotte, designated President of the Council, Otmar Hasler, Prime Minister of the Principality of Liechtenstein, and Wolfgang Schürer, Chairman of the Board of Directors of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance, signed a Memorandum of Understanding covering cooperation between the Principality and the Lindau Meetings. The foremost purpose of the agreement is to sponsor young scientists from Liechtenstein and to support worldwide, interdisciplinary, cross-generation dialogue to serve “Mission Education”. Two young scientists from the Principality of Liechtenstein had the chance to take part in the Meeting of Nobel Laureates in Physics this summer, and two took part in the Meeting in Economic Sciences.

During the 58th Meeting of Nobel Laureates, which was dedicated to Laureates in the field of physics and took place from June 29th – July 4th, 2008, cooperation agreements were concluded with the National Science and Development Agency of Thailand, the Lithuanian Academy of Sciences, and the Swiss National Science Foundation.

During the visit of the German Federal Chancellor, Angela Merkel, and the Federal Minister of Education and Research, Annette Schavan, to India in November 2007, a Memorandum of Understanding between representatives of the Indian Department of Science and Technology (DST) and representatives of the Lindau Nobelprizewinners Meetings was renewed, while a MoU was established with the Indian Council for Social Science Research (ICSSR) for economic sciences.

A cooperation agreement with the Mexican Academy of Sciences was already signed in October 2007. The Council for the Lindau Nobel Laureate Meetings held their autumn 2007 meeting at the Ministry of Education and Research in Berlin at the invitation of Minister Schavan. Immediately following the meeting, the late Countess Sonja Bernadotte, President of the

Council, greeted the President of the Academy, Juan Pedro Laclette, as well as the Mexican ambassador in Berlin, H.E. Jorge Castro-Valle Kuehne, at the signature of the Memorandum of Understanding. This made Mexico the first Latin American country to ensure its Best Talents’ access to the international networks which will be created in Lindau in the coming years.

Negotiations with the Conselho Nacional de Desenvolvimento Científico e Tecnológico in Brazil were successfully concluded immediately following the 58th Meeting of Nobel Laureates. Additional Memoranda of Understanding were signed with the following institutions in 2008: the Federal Ministry of Science and Research (Austria), the Japan Society for the Promotion of Science (JSPS), the Royal Netherlands Academy of Arts and Sciences, and the Academy of Sciences, Malaysia.

In close consultation with the Council, the Chairman of the Foundation Board of Directors, Wolfgang Schürer, is pursuing new cooperative agreements and is leading negotiations with scientific institutions. At the current time, talks are being held with institutions in Egypt, Belgium, Ireland, Romania, Russia, with the Association of Southeast Asian Nations (ASEAN), and the OPEC Fund for International Development. Urs V. Arnold, Senior Research Fellow, is supporting him in the process.

PROGRAMME

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President-designate Countess Bettina Bernadotte opened the 3rd Meeting in Economic Sciences.

In the space of just three days, the 3rd Meeting in Economic Sciences presented science at its highest level – in Lindau, St. Gallen, and on the Isle of Mainau. The Laureates' lectures reflected the very latest state of economic research and understanding. In the seminar discussions, they as the acknowledged experts in their field, took part in intensive exchanges with the academic leaders of the future, sharing with them knowledge, ideas, and experience. In the panel discussions, the Laureates assembled for a thought-provoking exchange of opinions on the current challenges in economic sciences. The events of the supporting programme provided opportunities for more informal, personal encounters amongst the participants.



Guests from the worlds of science, economy and politics took part in the opening ceremony.

COMMENCEMENT

In the presence of Nobel Laureates, young economists, and guests from the world of science, economics, and politics, Countess Bettina Bernadotte officially opened the 3rd Meeting in Economic Sciences. Her principal message was clear. "Nowadays, the opportunity for wide-ranging debate is becoming more and more important as we recognise that 'facts and figures' are only one side of the coin – in research, different cultural approaches and different perceptions can count for a great deal too." Thomas Goppel, Minister of the State of Bavaria for Sciences, Research and the Arts, emphasised the importance of the Lindau Meetings for the Lake Constance region: "The Meetings are events of international consequence and are important for the State of Bavaria and the entire Lake Constance region," (also see pg. 9). In his address at the opening ceremony, Frieder Meyer-Krahmer, State Secretary of the Federal Ministry for Education and Research, pointed out the necessity of developing mutual understanding between different cultures and peoples in order to solve global problems: "A global political discourse can only succeed if it has secure foundations in science, preferably in a global scientific discourse".

The official opening ceremony also included the induction of Josef Ackermann, Chairman of the Management Board and the Group Executive Committee of Deutsche Bank AG, as a member of the Honorary Senate of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance. The Foundation, whose Founders' Assembly includes 190 Nobel Laureates, offered him membership in recognition of his dedication to education and science in Germany and the rest of the world. The Honorary Senate functions as an advisory body to the Foundation's Board of Directors

and is comprised of figures in science, economics and politics – including the former German Federal President Roman Herzog, Federal Chancellor Angela Merkel, SAP CEO Henning Kagermann, and the Secretary-General of the European Research Council, Ernst-Ludwig Winnacker. Countess Bettina Bernadotte, designated President of the Council for the Lindau Nobel Laureate Meetings, presented him with the honour.

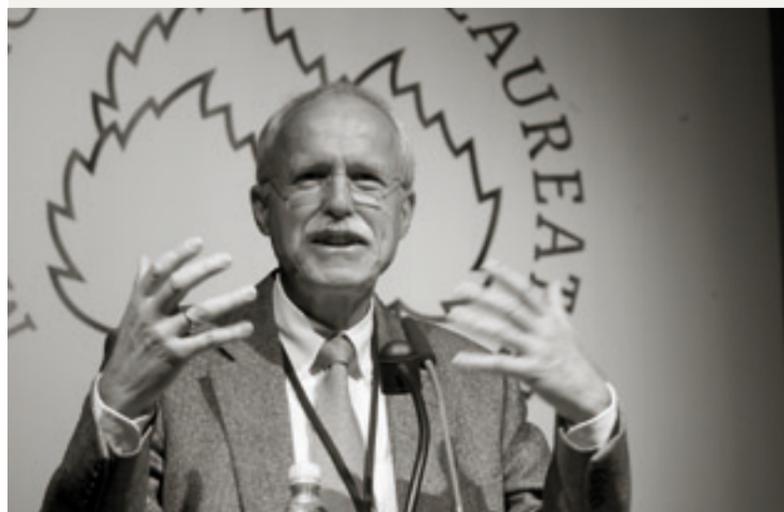
In his acceptance speech, Ackermann stressed the special role of the Lindau Meetings in a globalised world: “The challenges of the age of globalisation can only be mastered if excellently trained people are motivated to achieve exceptional levels of performance, showing drive and industriousness. In this context, the Lindau Nobel Laureate Meetings make a key contribution to supporting highly talented young researchers, an important endeavour for all of us”.

As a Visiting Professor at the London School of Economics and through his dedication to the University of Frankfurt, which named him Honorary Professor in July 2008, Josef Ackermann exemplifies the interchange between science and economics. As Chairman of the St. Gallen Foundation for International Studies, he encourages up-and-coming scientists in economic sciences by assembling important decision-makers of civil society at the St. Gallen Symposium.

In the context of the 58th Meeting of Nobel Laureates, which was dedicated to Laureates in the field of physics and which took place from June 29th – July 4th, 2008, three additional members were accepted into the Honorary Senate: Klaus J. Jacobs, Pamela Mars Wright and Martin Winterkorn. The Foundation thereby honoured their commitment to the encouragement of science and excellence in Germany and throughout the world. Klaus J. Jacobs passed away on September 11th, 2008. The Council and Foundation will keep his memory in great honour.



Thomas Goppel, Bavarian State Minister of Sciences, Research and the Arts



Frieder Meyer-Krahmer, State Secretary of the Federal Ministry of Education and Research



Members of the Honorary Senate: Josef Ackermann and Pamela Mars

SCIENTIFIC PROGRAMME

The scientific programme of the Meeting in Economic Sciences featured 15 lectures, two panel discussions, seminar discussions, and countless personal encounters between Laureates and young economists from all over the world. In just three days, young economists were offered a compact scientific programme covering a broad spectrum of topics in the field. Laureates gave parallel lectures in the mornings and were then involved in intense discussions in the afternoons. In order to intensify the scientific exchanges and to give the young participants the opportunity to attend all of the lectures in the future, the next Meeting in Economic Sciences will be extended by one day.





Daniel McFadden



Muhammad Yunus



Panel at Lindau



Joseph E. Stiglitz

Panel/Lindau

"Systemic Risks in Financial Markets"

Daniel L. McFadden, Myron S. Scholes, Joseph E. Stiglitz, Muhammad Yunus. Chaired by David Wessel (Wall Street Journal) and Martin Hellwig.

Under the leadership of David Wessel, the panelists discussed the causes leading up to the global financial crisis and the lessons to be learned from it.

At the beginning of the discussion, David Wessel reminded the participants of the basic function of economics: "As a journalist and as a citizen of the world it seems to me that economics has a practical and social value only to the extent that it can help us figure out how to organize our lives so we can live better". He continued by saying that the past several months had shown how difficult it is for economics to fulfil this function. The Laureates then lead into the topic with their opening statements.

The first contribution was by Myron S. Scholes (Economic Sciences, 1997) who pointed out that a long line of remarkable innovations had been introduced to financial markets over the past 20 to 25 years. In the process, it had proved difficult to control the impacts of these new products on important functions in society, such as the costs of the transaction, financing of large-scale projects, savings, risk transfer, exchanges of information (in terms of signals) and reducing asymmetric information. In the past, the new products have contributed to growth and to an increase in wealth. Yet the financial crisis has shown that the system was not adequately prepared for shocks. This is likely to have consequences for the future- in the form of additional regulation.

Scholes warned that the state should not cushion all of these cases, as it would give banks and their managers false incentives. He hoped that "there is no rush for regulation, but rather due consideration," - as the costs for such extensive regulation of the financial markets run the risk of becoming higher than the resulting benefits.

In his opening statement, Joseph E. Stiglitz (Economic Sciences, 2001) analysed the macroeconomic and microeconomic causes of the financial crisis. He primarily emphasized the "massive failures" of the financial markets, which had not "managed risks, they had created risks". He warned against condemning innovative financial products as a whole, but said "the financial markets have a long history of resisting important innovations and moving into kinds of innovation that were really oriented to increasing profits at the expense of society". Stiglitz also described the possible consequences of the prevalent financial crisis for economic theory and practice. For economic theory, he saw the crisis as a "testing ground of alternatives," which would, above all, probably result in "a rejection of the rational expectations approach". Stiglitz also saw the necessity to regulate the financial markets more strongly than before - he hoped for a new way of thinking amongst political decision-makers. "If you put in charge of regulation people who don't believe in regulation you won't get good regulation - and that is what happened in the United States." The regulation of the financial sector could not be left to the financial markets. What is needed is "a regulatory



Young economist during the discussion.



Josef Ackermann



Myron S. Scholes

framework that encourages innovation and has to be aware of the cost of innovation".

Daniel L. McFadden (Economic Sciences, 2000) drew attention at the beginning of his statement to the "principal-agent relationship" between banks and their customers. The present financial crisis could be attributed to the fact that banks have no incentive in assuming responsibility for the interests of their clients. McFadden formulated three suggestions for dealing with the present situation: first, "prudential supervision of banking has always been important and it needs to be applied even in an era of open markets". In doing so, "it may be desirable to restore some of the responsibilities between bankers and their clients that have been lost in the current banking market". And third, "it may be desirable to clean up the market for financial products". In doing so, McFadden suggested a "financial instruments administration" that could test the transparency and resilience of new products for the financial market.

The winner of the 2006 Nobel Peace Prize, Muhammad Yunus, also participated in the discussion and was able to contribute valuable new perspectives to the discussion thanks to his experiences in the banking sector of Bangladesh and in other developing countries. He pointed out, for example, that two thirds of the world's population was not even represented by the banking system being discussed by the panel - people living in developing countries. For this reason alone, he called for an "inclusive system".

In order to create a sustainably successful financial system, "we must go back to the drawing board". The second weak point of the current financial system (and jointly responsible for the current crisis), according to the manager of the Grameen Bank - similar to Daniel L. McFadden's argumentation - was that no one seemed to feel responsible for the current difficulties: "We don't seem to accuse anybody!"

In his statement, Martin Hellwig named three components that contributed to the current financial crisis. First, was the question of "origination". "The person initiating the mortgage who thinks he is shifting the entire risk away to some asset holders worldwide is not going to worry about the quality of the property", he said. He dubbed the second component "yield panic", which comes from the specific situation on the financial market and which he explained with a rhetorical question. "When interest rates are low and yield curves are flat, where do you earn the money that you need to run the bank or that you need to earn returns for your foundation?" And third, Structured Investment Vehicles (SIV) were also at fault because they had borrowed short to buy these long-term securities in great amounts. Based on this analysis, Hellwig concluded that the current system of "banking regulation is not satisfactory," especially because major financial institutions had been allowed "to compute their equity requirements merely on their own internal models, and these models did not allow for systemic risk from somebody else borrowing short to lend long."



Martin Hellwig



Edmund Phelps during the discussion.



David Wessel



Panel/
St. Gallen

Globalisation, Technical Progress and Labour Markets – Causes and Consequences of the Bifurcation of Wages and Income

In the discussion that followed, Myron S. Scholes was “open for discussion” regarding possible changes to the current financial system. He did indicate, however, that too little data are currently available to make it possible to name the exact reasons for the crisis. He also spoke up in support of the function of hedge funds, which “tend to make the markets work more efficiently” by providing risk transfer and liquidity services.

Joseph E. Stiglitz described the behaviour of the banks as showing a “herd mentality” and underlined his demand for more external regulation, seeing that all systems for self-regulation had apparently failed. The goal, according to Stiglitz, should be the installation of “rather simple regulation”. The Nobel Laureate in Economics also spoke in favour of new, more democratic structures for regulation. Until now, they had been mainly designed by the banks alone and were characterized by a strikingly low aptitude for learning. That is why the regulatory bodies should also include representatives of those who are affected by the “social costs” of the crisis, such as bank customers and jobholders. Innovations should indeed still have their place in financial markets, yet they would have to face the questions of whether or not they could truly deal with risk and were sufficiently “inclusive”.

Muhammad Yunus followed up by referring to the role of aggressive sales people who had sold incredibly risky products but had basically been offering fantasies. He also called for reflection on “containment of the whole crisis”, since the consequences of a financial crisis in a globalised world also affect those who have absolutely no access to the financial system – people living in developing countries.

The audience in the auditorium participated in the discussion. Josef Ackermann, who had been inducted into the Foundation’s Honorary Senate shortly before and is CEO of Deutsche Bank AG, pointed out (amongst other things) the “interconnectedness of financial markets” and described this circumstance as the “biggest challenge we are facing”. He warned against formulas for a solution that were too simple given the complex causes of the credit crisis. Every form of regulation must confront the challenge of the enormous globalization of the financial markets and their simultaneous strong decentralization. Controlling the conduct of millions of investors around the globe through regulation would be an extremely difficult task. Myron S. Scholes agreed with this assessment. One of the young economists picked up on Daniel McFadden’s line of argument when he spoke of a “disconnection between Wall Street and Main Street”. The problem, he said, was that no methods were currently in existence that could measure this “distance” between banks and their customers. David Wessel ended the discussion with the comment that the members of the panel might be in agreement on which questions had to be asked in order to determine the lessons that should be drawn from the current financial crisis, “but not on what the answers might be – but that is precisely what makes a good intellectual exercise.”





Daniel McFadden

Reinhard Selten H Countess Bettina Bernadotte

Dieter Gunz

George Akerlof

John F. Nash, Jr.



Robert Fogel, George Akerlof, Martin Wolf, Robert Solow and Finn E. Kydland discussed "Globalisation, Technical Progress and Labour Markets" at the University of St. Gallen.

George Akerlof, Robert Fogel, Finn E. Kydland, Robert Solow.
Chaired by Martin Wolf (Financial Times).

The second panel discussion, which took place in the Audimax auditorium of the University of St. Gallen, marked the end of the scientific programme. The panel was moderated by Martin Wolf, Associate Editor and Chief Economics Commentator of the "Financial Times". Introducing the topic for discussion, he outlined the key questions which needed to be addressed.. Are we experiencing an increase in the inequality between wages and income? Which factors are contributing to this trend? And finally, what needs to be done about it?

In his introductory statement, Robert Fogel (Economic Sciences, 1993) spoke in favour of governments taking measures which intervened directly in the economy "in order to reduce inequality in income and in standards of living". However, the income of individual household members should not be used as the basis for benefits, but rather "household earnings" taken together. In this way, structural changes – such as, for example, the increasing number of working women – would be included in the assessment as to whether or not poverty is on the increase. Fogel included a plea for an accurate examination of the statistical data. "More than half of the rise in inequality is due to changes in the pattern of labour supply. Less than 6% of the increase of inequality is due to wage changes. The use of annual income in measuring inequality is misleading because of the

important structural changes." The data also show that "the index of inequality by expenditure is much lower than the index of inequality by income". In fact, poor people do not usually remain poor for long, and in addition to their income (e.g. state benefits, food stamps, etc.), they also have savings which they can fall back on during such "times of transition" in order to "maintain a normal level of consumption". The distinction between what he termed the "chronically poor" and the "temporarily poor" is of particular significance because "otherwise we will be misdirecting our redistribution efforts".

Robert Solow (Economic Sciences, 1987) began his statement with the declaration that "in the world there is increasing inequality", before going on to present his arguments relating to the "underlying causes" of this increasing inequality. In the first place, it is the "increasing supply of labour" (especially in the case of lower-skilled workers) which results in the wages in particular of low-skilled and semi-skilled workers around the world being put under pressure. According to Solow, this condition demonstrates the "impact of globalisation on inequality". Added to this, he said, there is "technological change that has increased the relative demand for skilled labour". Countries in the western world have been able to increase the "range" of qualified positions on offer through programmes for education and training, but in Third World countries there is still a surplus supply of low-skilled workers. Solow referred to indications that in the western world there could now be a surplus of qualified workers.

His recommendation to the up-and-coming economists in the auditorium was that they should take up this theme as an area of research. In doing so, they should try to clarify why an increasing number of jobs for low- or semi-qualified people are being taken by qualified workers when the available models argue that there is a surplus of low-qualified workers and a lack of highly-skilled people. The third trend which Solow sees as being a further reason for the increase in inequality is the move away from the "production of goods" towards the "production of services in advanced economies" – here the service sector being understood to cover a broad range of qualifications from highly-specialised employees in the financial sector to low-qualified employees in restaurants and hotels. This diversity is making the organisation of collective wage bargaining by trade unions more difficult and part of the increasing inequality, Solow said, can be put down to this weakness of some workers in the services sector.

Finn E. Kydland (Economic Sciences, 2004) pointed out that inequality needed to be considered from two distinct points of view: inequality in the distribution of income within individual countries on the one hand, and differences in inequality between different countries on the other. Like Fogel, he emphasized the key importance of the data used and the careful manner in which it should be handled. Differences in the remuneration of low-qualified and qualified work in particular play a role in the development of inequalities within a country. In the "global perspective" of comparisons between countries, a key

component was the role of institutions and the decisions they make. His comparison of Argentina with other Latin American countries showed that "very bad economic policy" can contribute "to reducing the benefits from globalisation dramatically". However, in the past few years Brazil had shown that it is possible to increase incomes for low-income earners more than those of people with high incomes.

In his opening statement, George Akerlof (Economic Sciences, 2001) addressed the concept of skill-based technical change, to which he ascribes a "wide income distribution in terms of wages". It is a concept with which he "rather reluctantly" agrees, because he is "usually suspicious of results that are based on production functions". "We don't really know if these production functions exist", said Akerlof (although Solow's growth residual represents an exception for him, which he acknowledges as having remarkable validity). Colleagues' scientific research had, however, shown him that "there seems to be quite a bit of evidence" for taking the concept of skill-based technical change seriously.

In a second step, Akerlof discussed the extent to which globalisation and open markets are responsible for the "drifting-apart" of incomes. First, however, he pointed out that the consequences of globalisation must not be seen unilaterally from the perspective of western society, but instead "we should also think about globalisation for underdeveloped countries". The creation of a new job in China or India is an indication "that the world distribution of income has been more even". Globalisa-

tion in the sense of “opening up markets” makes this development possible. According to Akerlof, technical change plays “a very important role” in this, and the Internet in particular “is moving these countries” closer to the member states of the OECD. He called on the next generation of economists to exercise caution regarding the influence of institutions within this context too, because they can be crucial to the success or failure of globalisation in a country. “Globalisation is good in some contexts and it is not good in others, and we need to be careful”, said Akerlof. What is required are models with which economists can show “when it is going to work and when it is going to fail”.

The young economists in the audience then had the opportunity to pose their own questions and to contribute to the discussion. Following on from the lecture given by Muhammad Yunus, one young economist asked what role could be played by entrepreneurship in bringing an end to the inequality of incomes. Other questions dealt with the role of child labour and the challenge of how to incorporate into democratic processes those who were losing out in the processes of globalisation.

In conclusion, Wolf summed up two hours of intense discussion in what were for him three key points. First, the debate had shown that “very big picture models – for example, production-function models – are wonderful ways of thinking about things”. However, they can also just as easily be “misleading” and so particular caution should be exercised in using them. The second conclusion could be summarised in just one sentence: “Data are really difficult”. And thirdly, the discussion had shown that economists should also turn their attention to “history, institutions and even power”. Finally and following such a stimulating discussion, Wolf was confidently expecting a series of “thrilling PhD papers which will solve many of the problems we have just been discussing”.

The Lindau Meetings in Economic Sciences are a great tradition, and it was for me a privilege and a pleasure to participate in them in 2008. I had valuable discussions with students who had come to Lindau from all around the world. In particular, on Friday afternoon, I had a scheduled group discussion period where the questions and comments from the students were really excellent, and we got to talk in detail about how to do successful research in economic theory. I also appreciated the opportunity to talk with other Nobel-laureate faculty at the meetings. In particular, I had a short but very valuable opportunity to talk with Muhammad Yunus before he left. I wish that he could have stayed for more of the conference.

Roger Myerson, Economics 2007



ABSTRACTS

FROM THE 3RD MEETING IN ECONOMIC SCIENCES

IDENTITY AND ECONOMICS

This talk will survey the speaker's manuscript, *Economics and Identity*, with Rachel Kranton. It will cover identity and the economics of organization, identity and the economics of schooling, identity and the economics of minority poverty, identity and gender in the home and in the work place, and identity and macroeconomics, as time permits.

George Akerlof



RULE RATIONALITY VS. ACT RATIONALITY

The assumption of rationality -- that people act to maximize their utility, given their information -- is fundamental in economics. We suggest that the maximization need not be conscious, for each act separately. Rather, people develop rules that yield optimal outcomes usually, but not necessarily always. If one thinks of neoclassical economics as a thesis, and behavioral economics as its antithesis, then this may provide a synthesis.

Robert J. Aumann



FORECASTING CHANGES IN THE COST OF HEALTH CARE: 2000-2040

This paper deals with the factors that need to be taken into account in forecasting changes in health expenditures in the United States between 2000 and 2040. These factors are (1) increases in life expectancy and changes in the age structure of the population; (2) trends in health expenditures by age; (3) the average age of onset of chronic diseases; (4) the impact of technological improvements on the cost of health interventions; (5) the income elasticity of the demand for health services; (6) changes in the average age of retirement; and (7) changes in the methods of financing health care.

Robert W. Fogel



EVALUATION OF GLOBAL MODELS

An economy is a very complex object involving decisions being made by millions of consumers and thousands of other entities including businesses and governments.

In an attempt to capture the main features of an actual economy econometricians will build models including many equations with variables being related to lag terms linearly and nonlinearly. These models can, hopefully, be useful for generating useful forecasts and policy implications. Virtually every country in the world has at least one such model. However, with the importance of trends continuously growing, the economies of countries are becoming more interlinked and so it is important to consider a global model which will be ambitious and large in form. In the lecture I discuss in general terms several such models.

However, it is important to then consider the question: how does one evaluate such large models? This turns out to be a difficult and complex problem.

Sir Clive W. Granger



FROM DYNAMIC INCONSISTENCY TO MODELS WITH PEOPLE

The talk begins by outlining briefly the process that led to the discovery that optimal government policy generally is inconsistent over time. Essential to this property is that households and businesses behave in a forward-looking way within a dynamic environment. Investment decisions of various sorts are prime examples of such behavior. From there, the next step was to put models with people to use to evaluate the roles of candidate sources of business cycles. The talk then goes on to highlight some of the implications for research today. Among the issues is the importance, as a basis for any research paper, of a well-articulated question, which helps to dictate what the appropriate model economy is for the purpose of addressing that question. As the focus is on quantitative aggregate economics, model calibration plays an important role. Calibration can be challenging, but also at times surprisingly transparent once the decision problems of the model's people are explicitly stated. In reporting one's findings, one is generally aided by the important tool of the computational experiment, that is, the act of placing the model's people in the desired environment and recording their behavior over time. In many cases, there are still puzzles or anomalies in the data relative to the theoretical framework. Often, these easily give rise to interesting questions for future research. Some of the ideas in the talk will be illustrated based on a recent working paper.

Finn E. Kydland



THE HUMAN SIDE OF MECHANISM DESIGN: A TRIBUTE TO LEO HURWICZ AND JEAN-JACQUES LAFFONT

This lecture considers the human side of mechanism design, the behavior of economic agents in gathering and processing information. Economic juries charged with evaluating economic policy alternatives are the focus of this presentation. The selection and management of juries is a principle-agent problem involving the design of incentive mechanisms for participation and truthful revelation of values. This paper considers a simple general equilibrium economy in which juries of consumers are used to estimate the value of public projects. The impact of participation fees on jury selection and representativeness, and on statistical mitigation of response errors, is analyzed. Two incentive-compatible mechanisms for elicitation of public project preferences from juries, the Groves-Clarke mechanism in a version formulated by Green and Laffont, and a mechanism adapted by Palfrey and Rosenthal from the Becker-DeGroot-Marschak auction mechanism, are considered in the context of contingent valuation surveys. The presentation concludes with an outline of some behavioral evidence on the performance of jury incentive mechanisms.

Daniel L. McFadden

**LEADERSHIP, TRUST, AND POWER:
DYNAMIC MORAL HAZARD IN HIGH OFFICE**

We consider a model of governors serving a sovereign prince, who wants to deter them from corruption and rebellion. Governors must be penalized when they cause observable crises, but a governor's expected benefits must never go below the rebellion payoff, which itself is better than what any candidate could pay for the office. Governors can trust the prince's promises only up to a given credit bound. In the optimal incentive plan, compensation is deferred until the governor's credit reaches this bound. Each crisis reduces credit by a fixed penalty. When a governor's credit is less than one penalty from the rebellion payoff, the governor must be called

to court for a trial in which the probability of dismissal is less than 1. Other governors must monitor the trial because the prince would prefer to dismiss and resell the office. A high credit bound benefits the prince ex ante, but in the long run it generates entrenched governors with large claims on the state. Low credit bounds can cause the prince to apply soft budget constraints, forgiving losses and tolerating corruption for low-credit governors.

References: <http://home.uchicago.edu/~rmyerson/research/power.pdf>

Roger B. Myerson

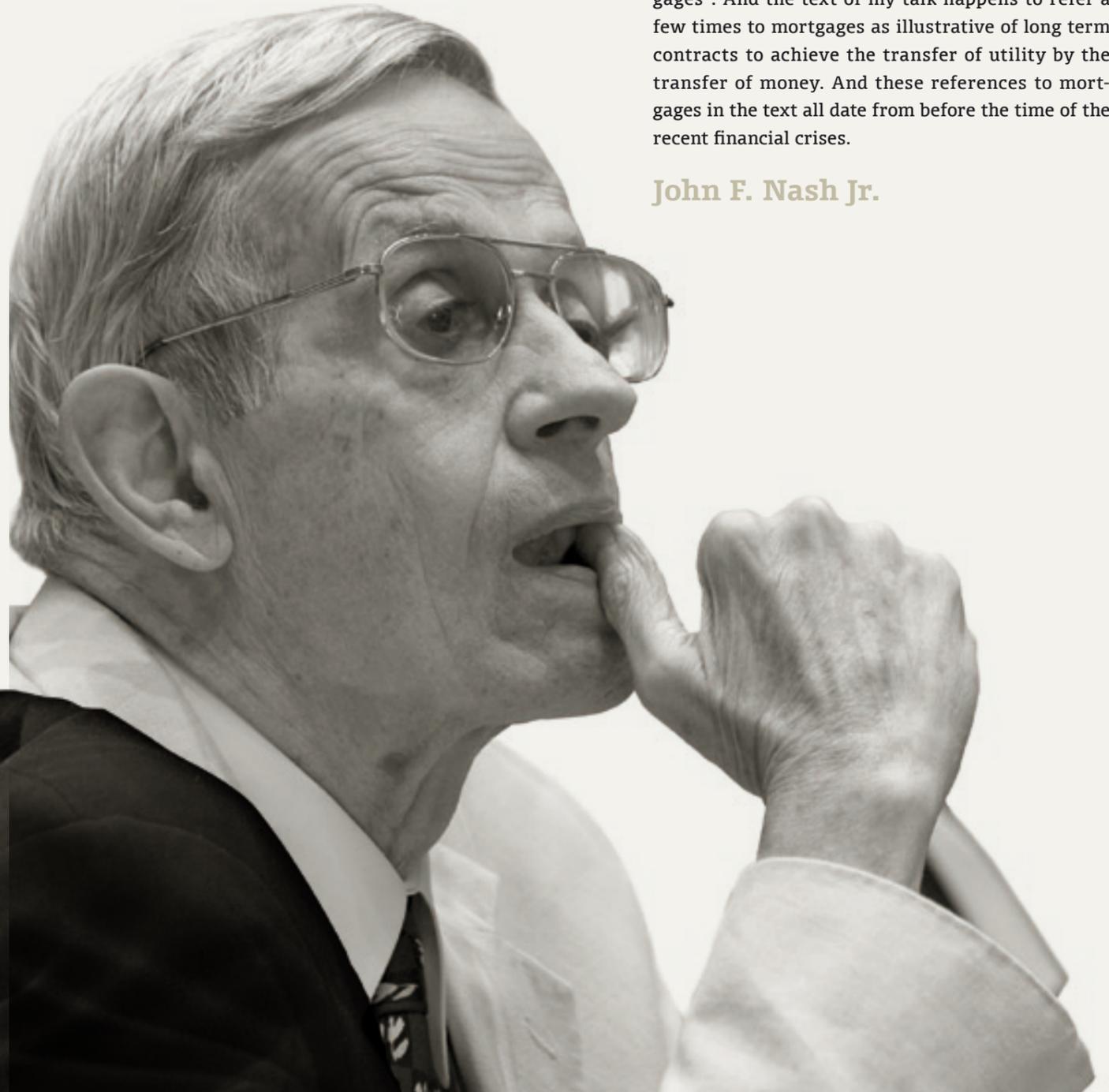


**IDEAL MONEY AND ASYMPTOTICALLY
IDEAL MONEY**

My topic "Ideal Money and asymptotically Ideal Money" corresponds to an enlargement of my paper on "Ideal Money" which was published in the Southern Economic Journal.

My choice of speaking on this topic was induced by the circumstances of the recent global financial crises linked with the "crisis of the sub-prime mortgages". And the text of my talk happens to refer a few times to mortgages as illustrative of long term contracts to achieve the transfer of utility by the transfer of money. And these references to mortgages in the text all date from before the time of the recent financial crises.

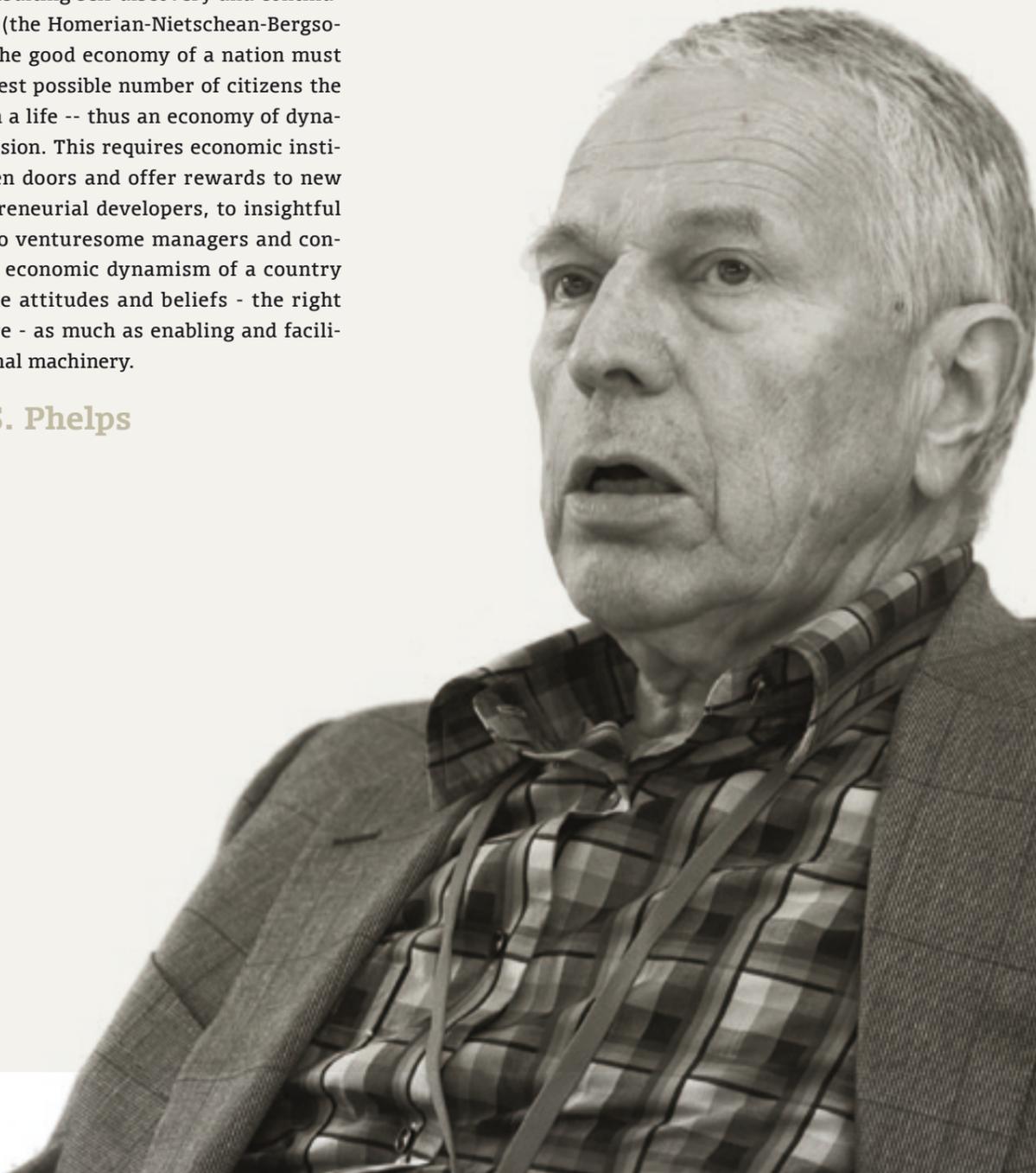
John F. Nash Jr.



THE GOOD LIFE NEEDS AN ECONOMY OF DYNAMISM - ORIGINALITY, NOVELTY, AND CHALLENGE - AND THESE DEPEND ON ATTITUDES AS MUCH AS INSTITUTIONS

The neoclassical theory running from Arrow, Samuelson, Becker, and the neo-neoclassicals Muth and Lucas to Ramsey, Pigou, Walras and Wicksell abstracts not just from the inessential: it abstracts from the essentials of a good life: In the "classic" traditions of western humanism, the good life consists of problem-solving, discovering one's talents and expanding one's capabilities (the Aristotelian perspective, aka "self-realization"); and it consists of accepting challenge, embarking on uncertain ventures, and the resulting self-discovery and continuous "becoming" (the Homeric-Nietschean-Bergsonian outlook). The good economy of a nation must offer to the largest possible number of citizens the prospect of such a life -- thus an economy of dynamism with inclusion. This requires economic institutions that open doors and offer rewards to new ideas, to entrepreneurial developers, to insightful financiers and to venturesome managers and consumers. Yet the economic dynamism of a country requires suitable attitudes and beliefs - the right economic culture - as much as enabling and facilitating institutional machinery.

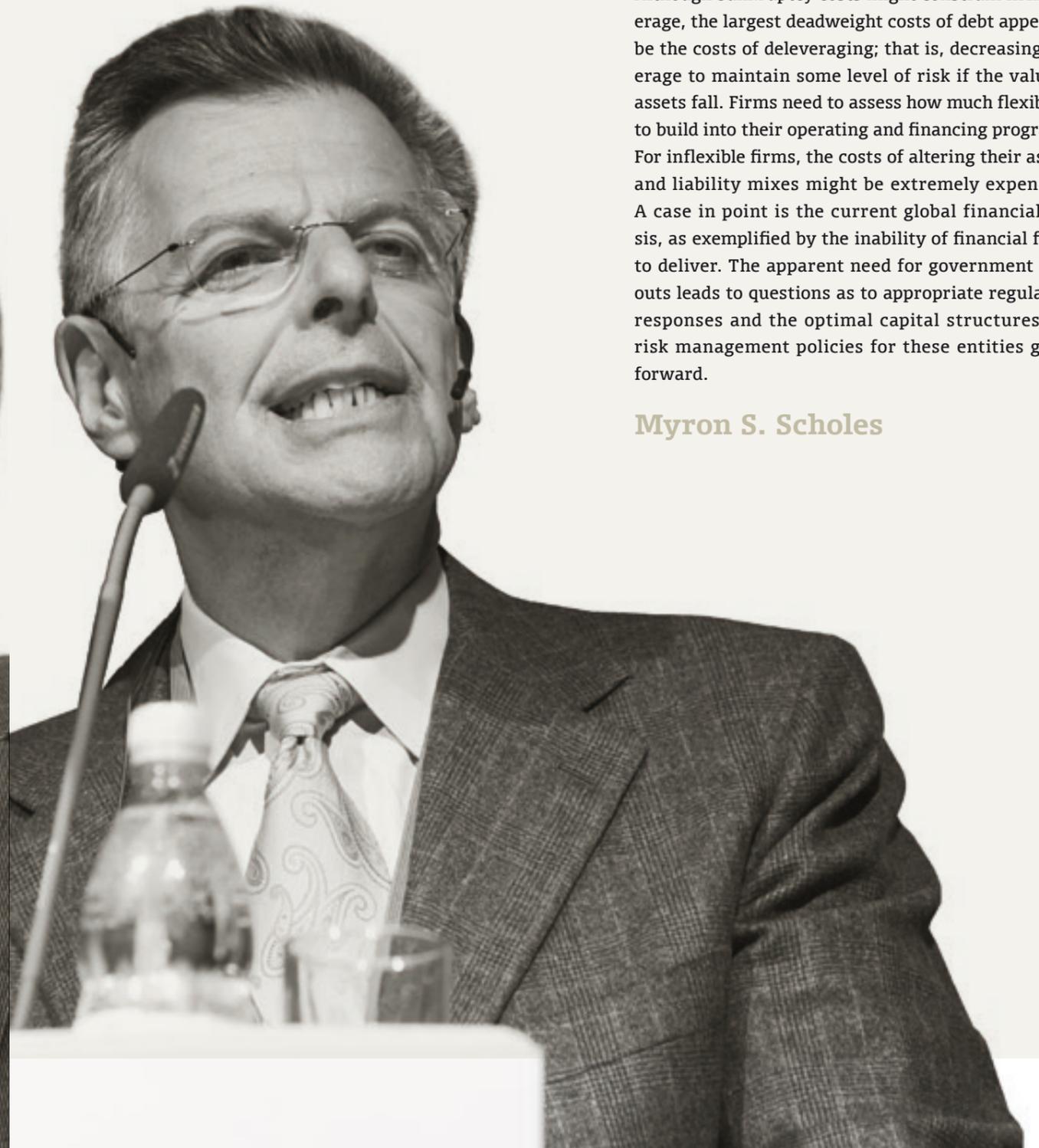
Edmund S. Phelps



THE ROLE OF LIQUIDITY AND RISK TRANSFER SERVICES IN THE ECONOMY

The famous research of Modigliani-Miller on corporate finance (both Nobel Prize winners in Economics) proved that the value of a corporation was independent of the way it financed its operations. Although debt appears less expensive than equity, additional debt (more leverage) requires the expected rate of return on equity increase sufficiently such that the cost of capital for the firm is left unchanged. Although bankruptcy costs might constrain firm leverage, the largest deadweight costs of debt appear to be the costs of deleveraging; that is, decreasing leverage to maintain some level of risk if the value of assets fall. Firms need to assess how much flexibility to build into their operating and financing programs. For inflexible firms, the costs of altering their assets and liability mixes might be extremely expensive. A case in point is the current global financial crisis, as exemplified by the inability of financial firms to deliver. The apparent need for government bailouts leads to questions as to appropriate regulatory responses and the optimal capital structures and risk management policies for these entities going forward.

Myron S. Scholes



EXPERIMENTAL RESULTS ON THE PROCESS OF GOAL FORMATION AND ASPIRATION ADAPTATION

We experimentally investigate how subjects deal with a multi-period planning and decision problem. The context is a profit maximization task in a computer-simulated monopoly market over fifty time periods. The subjects are provided with a computerized planning tool allowing them to check feasibility of any aspiration level for any set of short-term feedback variables. We present results regarding, first, the selection of short-term feedback variables (goal variables) and, second, the process of aspiration adaptation. As to the first, we find that subjects with at least median success change their goal variables less frequently than those below median success. Relatedly, goal persistence, a measure of a subject's tendency to stick to the current goal system,

is strongly positively correlated with success. As to the second, we find that aspiration levels tend to be changed in strong agreement with basic principles of Aspiration Adaptation Theory (Sauermann and Selten 1962, Selten 1998, 2001).

In addition, we find that in many cases the process of aspiration adaptation leads into a nearly stationary situation in which the aspiration level is approximately reproduced by a subject over several periods. Some subjects who reach a nearly stationary situation explore for a more profitable nearly stationary situation. Those subjects who reach a nearly stationary situation tend to be more successful and more goal persistent than those who do not.

Reinhard Selten (et al.)



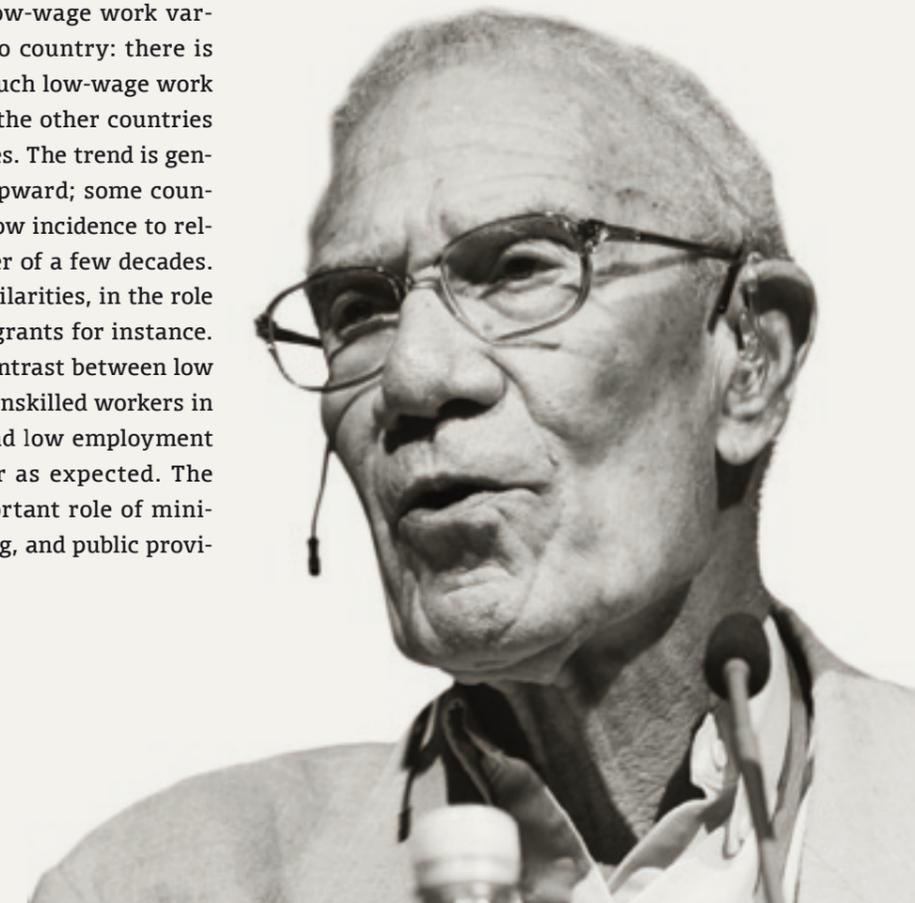
LOW-WAGE WORK IN EUROPE AND AMERICA

In my lecture at the first Lindau meeting four years ago, I described the plans for a large research project sponsored by the Russell Sage Foundation, comparing the conditions of low-wage work in the U.S. and in five European countries (Denmark, France, Germany, Netherlands, United Kingdom). In order to achieve comparability, we intended not only an overview of the low-wage labor market in each country, but also a detailed study of wages and other aspects of job quality in five specific low-wage jobs that are found everywhere. The ultimate goal was to trace any substantial inter-country differences to the historical, legal, institutional and competitive factors that underlie them.

That project is now essentially complete. Five volumes have been published (one on low-wage work in each of the European countries) and the final explicitly comparative volume is expected next spring. In this lecture I plan to review a few of the main conclusions that seem to emerge.

For example, the incidence of low-wage work varies dramatically from country to country: there is proportionally three times as much low-wage work in the U.S. as in Denmark, with the other countries scattered between those extremes. The trend is generally, though not universally, upward; some countries have gone from relatively low incidence to relatively high incidence in a matter of a few decades. There are also cross-country similarities, in the role of women, the young, and immigrants for instance. We find that the conventional contrast between low wages and high employment of unskilled workers in the U.S. versus higher wages and low employment in Europe is not nearly as clear as expected. The research also explores the important role of minimum wages, collective bargaining, and public provision of health care and pensions.

Robert M. Solow



SOCIAL BUSINESS IS THE SOLUTION

Instead of one-dimensional people we can think of a world with two-dimensional people. To see how the theory of firm will work in such a world we can simplify it by assuming that there are two kinds of people, each kind maximizing a separate objective function. One type is the existing type, i.e. profit maximizing type. The second type is a new type, those who are not interested in profit-maximization. They are totally committed to making a difference to the world. They are social-objective driven. They want to give a better chance in life to other people. They want to achieve their objective through creating/supporting a special kind of business enterprises. While like any other business these businesses must not incur losses, but earning dividends from these enterprises is not the motivation which drives the investors. They create a new class of businesses which we may describe as “non-loss-non-dividend” (or “non-loss-token-dividend”) business.

Many of the problems in the world remain unresolved because we continue to interpret capitalism too narrowly. In this narrow interpretation we create a one-dimensional human being to play the role of entrepreneur. We insulate him from other dimensions of life, such as, religious, emotional, political dimensions. He is dedicated to one mission in his business life - to maximize profit. He is supported by masses of one-dimensional human beings who back him up with their investment money to achieve the same mission. The game of free market works out beautifully with one-dimensional investors and entrepreneurs. We have remained so mesmerised by the success of the free market that we never dared to express any doubt about it. We worked extra hard to transform ourselves, as closely as possible, into the one-dimensional human beings as conceptualised in theory to allow smooth functioning of free market mechanism.

Economic theory postulates that you are contributing to the society and the world in the best possible manner if you just concentrate on squeezing out the maximum for yourself. When you get your maximum, everybody else will get their maximum. As we devoutly follow this policy sometimes doubts appear in our mind whether we are doing the right thing. Things don't look too good around us. We quickly brush off our doubts by saying all these bad things happen because of “market failures”; well-functioning market cannot produce unpleasant results.

I think things are going wrong not because of “market failure”. It is much deeper than that. Let us be brave and admit that it is because of “conceptualisation failure”. More specifically, it is the failure to capture the essence of a human being in our theory. Everyday human beings are not one-dimensional entities, they are excitingly multi-dimensional and indeed very colourful. Their emotions, beliefs, priorities, behaviour patterns can be more aptly described by drawing analogy with the basic colours and millions of colours and shades they produce.

Muhammad Yunus



SOCIAL PROGRAMME and CLOSING DAY



Joseph E. Stiglitz and participants during a dinner on Thursday evening.



Young economists enjoyed the informal setting of the meeting.



Robert Solow willingly engaged in discussions.

The Get-Together Evening traditionally takes place on the evening before the meeting's official commencement. This year, Laureates, young economists, and numerous honorary guests assembled directly on the banks of Lake Constance in order to spend an evening in dialogue. The Laureates got to know the participants at the group dinner – either by sitting next to them at the table, or during the countless personal conversations over the course of the evening. The Lindau Meetings are a platform for the establishment of international networks between scientists. The encounters and discussions during this evening contributed to the establishment of long-lasting contacts between participants from 58 different countries.

On Thursday at the end of an eventful day which had afforded many insights (see programme on pg. 82), the Council and the Foundation invited the participants to several separate dinners in Lindau's local restaurants. This is where Laureates and young economists had the opportunity to exchange their ideas in a more intimate atmosphere. All of them appreciated the informal mood of the evening, which facilitated intensive discussions in smaller groups. On Friday, SAP AG and Handelsblatt (both institutions had also nominated young economists for the meeting) hosted their own dinners for their Fellows. The CEO of SAP AG, Henning Kagermann, personally greeted the SAP Fellows and spent the evening in stimulating conversation with the young economists.

The special relationship that the Lindau Dialogues have with the Lake Constance region becomes especially evident during the highly enjoyable boat trip, which takes all the participants to the Isle of Mainau. This Meeting in Economic Sciences was no different.

During the farewell ceremony for the 3rd Meeting in Economic Sciences, the Isle of Mainau was honoured as part of the "Land of Ideas" competition, a project under the patronage of Federal President Horst Köhler. Thomas Keller of Deutsche Bank, the project partner, bestowed the award upon Countess Bettina Bernadotte. In their statement, the competition jury



Guests entering the boat to Isle of Mainau.



Thomas Keller from Deutsche Bank bestowed the award „Land of Ideas“ upon Countess Bettina Bernadotte.



Wind and rain.



Young economist Paul Niehaus wished all participants success for their scientific enquiry.



Martin Wolf and young economists on the boat trip to the Isle of Mainau.



Roger B. Myerson thanked Council and Foundation on behalf of all of the Laureates.

stated: "Germany is the Land of Ideas – the international Meeting of Laureates in Economic Sciences plays a significant role therein. This is where questions are answered and answers are questioned. In this way, the meetings actively contribute to demonstrating Germany's status as an open-minded country that can cross over the borders of the generations."

In conclusion, Roger B. Myerson winner of the 2007 prize, thanked the Council and the Foundation on behalf of all of the Laureates. Prompted by the signs of a rapidly approaching rainstorm, the official farewell ceremony in the castle courtyard drew quickly to a close. Harvard graduate Paul Niehaus, who spoke on behalf of all the young economists from all over the world, could only say a few words of thanks before the guests began to seek shelter from the wind and rain. To make up for this, his statement is here set out in full:

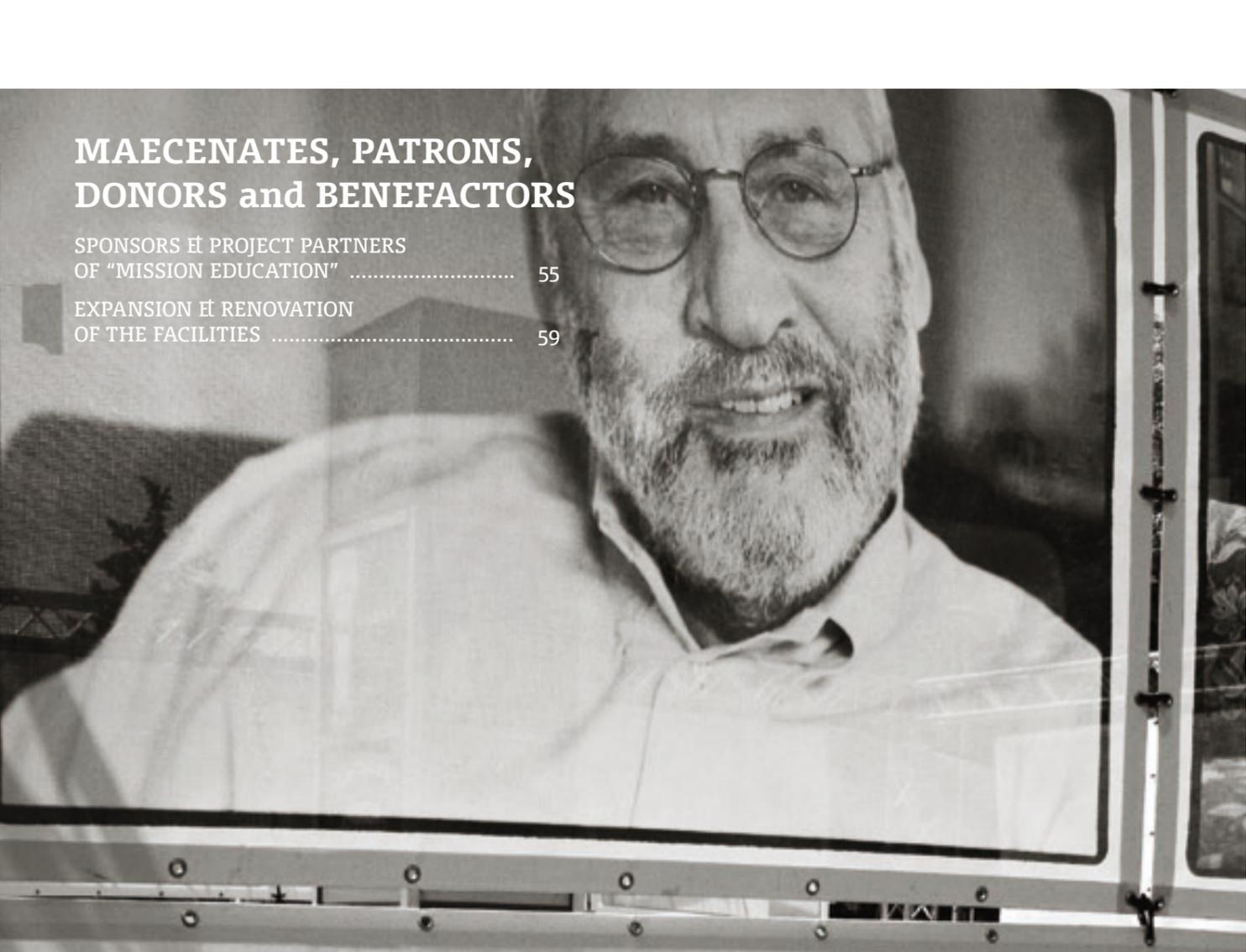
"I know I speak for us all in extending heartfelt thanks to everyone who contributed to creating this unique experience. To the organizing committee, panel members, panel moderators, for all your labour on our behalf, which has borne tremendous fruit over the past few days – thank you. To Countess Bernadotte and the Bernadotte family, for your long-standing commitment to science and for your generosity and hospitality to us in particular – thank you. Most of all to the Laureates, for sharing with us their time, their knowledge, and most importantly, their passion to know more. Let me close by wishing us all success on our shared journey of scientific enquiry."



MAECENATES, PATRONS, DONORS and BENEFACTORS

SPONSORS & PROJECT PARTNERS
OF "MISSION EDUCATION" 55

EXPANSION & RENOVATION
OF THE FACILITIES 59



THE LINDAU NOBEL LAUREATE MEETINGS WOULD LIKE TO THANK ALL
Deutsche Telekom Stiftung / Ecoscientia Stiftung / IBK Internationale Bodenseekonferenz / I
Deutsche Telekom AG / EnBW AG / ETO MAGNETIC KG / Fulbright Commission / Insel Mainau GmbH / Lennart-Bern
Revision / Sennheiser electronic GmbH & Co. KG / Sparkasse Lindau Memmingen Mindelheim / Staatliche Lotteriever
Handelsblatt / Wissenschaftsgemeinschaft Gottfried Wilhelm Leibniz e. V. / Zumtobel Lighting GmbH /

THE FOLLOWING INSTITUTIONS HAVE - IN ADDITION TO THE SUPPORT OF BENEFACTORS - MADE POSSIBLE TH
University / National Science Foundation (NSF) / Royal Netherlands Academy of Arts and Sciences (KNAW) / SAP / Se
of Copenhagen / University of Lund / University of Paris (Sorbonne) / University of Warwick / Uppsala University 2

The generous support of individuals and institutions in science, economics, and politics makes it possible for the Council and the Foundation to organise and further develop the Economics Meetings in their current form and with an increased number of participants. Many of these businesses, associations, foundations, private donors, ministries, and international organisations have made repeated contributions to our "Mission Education". Together with the Council and Foundation's new partners, they help not only to secure the future of the Lindau Meetings but also to ensure their continuing progress so that they will continue to be an up-to-date and dynamic forum which is unique in the world.

SPONSORS AND PROJECT PARTNERS OF "MISSION EDUCATION"

The Foundation was able to greet new contributors prior to the 3rd Meeting in Economic Sciences. RWE AG is now one of the Foundation's "Maecenates". Volkswagen AG and the Principality of Liechtenstein were welcomed into the circle of "Principal Patrons". Robert Bosch GmbH became one of the Foundation's "Patrons". Holcim Ltd. and LGT Group Foundation now count amongst the "Principal Donors". Boehringer Ingelheim GmbH, Hilti Foundation, Hovalwerk AG, Ivoclar Vivadent AG and Liechtensteinische Landesbank AG are new "Donors" to the Foundation. The ring-fenced assets of the Foundation, from which interest dividends help fund the Meetings, reached a sum of € 15 million in August 2008. In their work together, the donors ensure the future and further development of the Meetings of Nobel Laureates for years to come.

The Meetings of Nobel Laureates depend on the support of private and public funding. The involvement of the Principality of Liechtenstein and that country's businesses is an example of such a well-functioning Public-Private-Partnership. In addition to public funds, a total of six Liechtenstein businesses are involved: three industrial businesses – Hilti, Hoval, and Ivoclar – as well as three institutions of the financial sector (Liechtensteinische Landesbank, the LGT Group, and the VP Bank).

In addition to external donations, the Foundation also raises project-related funding. The support of the Bavarian State Ministry of Sciences, Research and the Arts (Bayerische Staatsministerium für Wissenschaft, Forschung und Kunst), the German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung), the Deutsche Bank Foundation, the German Research Foundation (Deutsche Forschungsgemeinschaft), the Deutsche Telekom Charitable Foundation, the Ecoscientia Foundation, the International Lake Constance Conference (IBK), Klaus Tschira Foundation gGmbH and Robert Bosch Stiftung GmbH made the internationalization of the meetings possible. The Meetings in Economic Sciences are a platform for the exchange of knowledge and ideas between the best economic scientists of today and those of tomorrow and the future. This is made possible by a selection process that designates the participants of the Meeting based solely on their scientific achievements. Thanks to the support of the institutions listed above, young scientists from rapidly developing knowledge-based economies in Asia and Eastern Europe had the opportunity to participate in the Meeting in Economic Sciences.

The further development of the Internet site www.lindau-nobel.de into a platform for science education makes it clear that the Meetings of Nobel Laureates are not only intended to inspire and foster knowledge amongst those attending the meeting, but also to make a superior level of scientific knowledge accessible to people all over the world. Cooperation

with the European Broadcasting Union (EBU) serves this very purpose. This development was made possible through the support of the International Lake Constance Conference (IBK) and the Free State of Bavaria. Thanks to their sponsorship, lectures by the Nobel Laureates could be broadcast live on the Internet and could then be archived in an online knowledge mediatheque where they will remain available along with more detailed information on the Laureates' curricula vitae and abstracts of the lectures. The scientific archive is the only one of its kind in the world and more lectures from past decades will be added over the coming months. The clips are currently being digitalized and processed with the support of the Gerda Henkel Foundation.

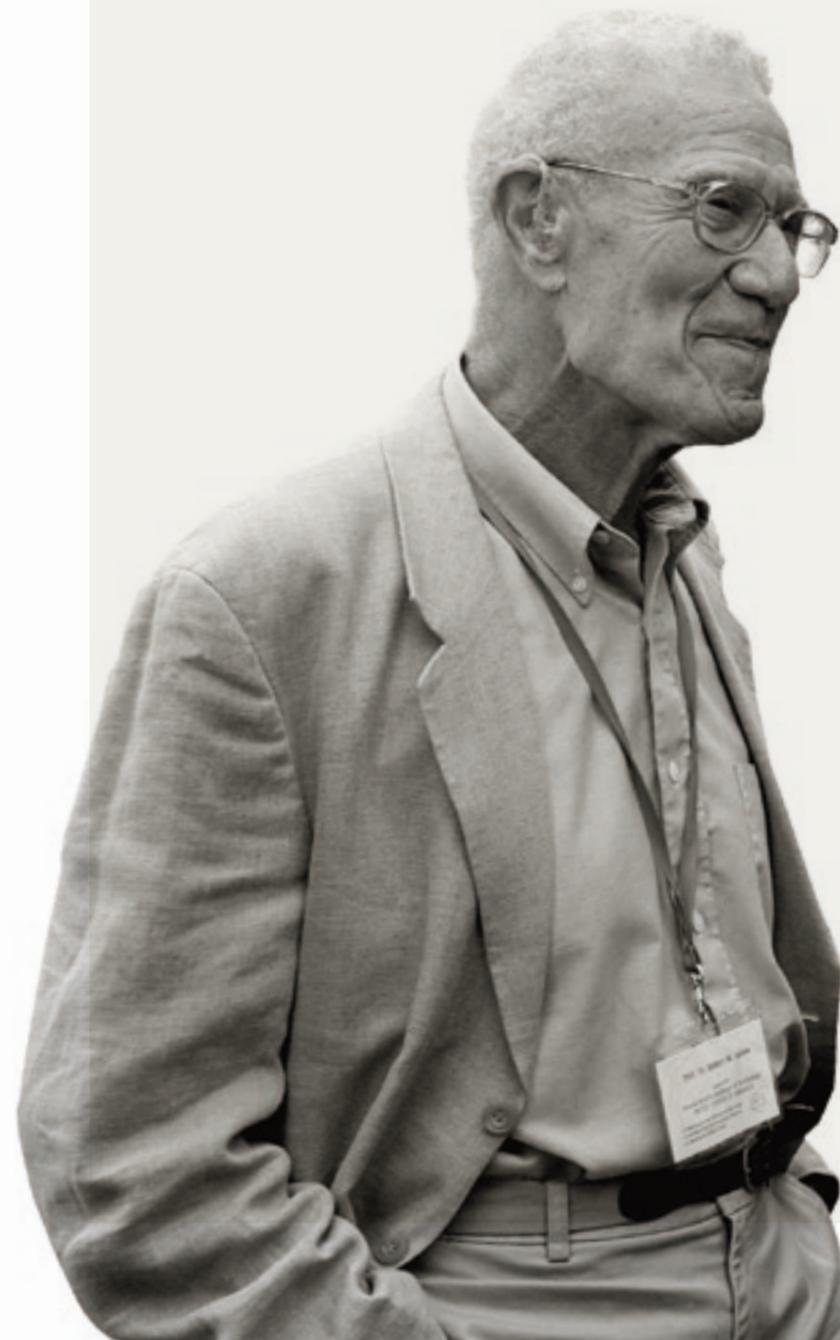
Other contributors to the success of the 3rd Meeting in Economic Sciences included Bayer AG, the Bayerische Landesbank, Boehringer Ingelheim GmbH, ETO Magnetic KG, the Administration and Lottery Fund of the Canton of St. Gallen, Mars Inc., MS Management Service AG, the Dr. Meyer-Struckmann Foundation, the Stadtparkasse Memmingen-Lindau-Mindelheim, the Bavarian State Lottery Administration (Staatliche Lotterieverwaltung, Bayern) together with the Bayerische Spielbank Lindau, and the van Meeteren Foundation.

The sponsors' commitment to the Lindau Dialogue is not limited to money or material contributions, however. The CEO of SAP AG, Henning Kagermann, once again formed his own personal impressions of the progress of the Lindau Meetings and met with members of the Foundation's Board of Directors, Wolfgang Schürer (Chairman), Thomas Ellerbeck and Nikolaus Turner. He was accompanied by Herbert Heitmann, Senior Vice President/Head SAP Global Communications. At their strategic conversation, which took place in the newly designed facilities of the Foundation (see pg. 60), they discussed the meetings' progress and future challenges. One of the points emphasised in their discussion was the

Generally speaking, I thought the meeting was a fine success. As always, the contacts with young economics were the high point. I was especially impressed with the intellectual quality, the eagerness to talk, and the outgoing personalities of the young scholars that I met. I am sure that this speaks well for the population of young economists around the world, but it must also reflect the excellent selection process.

I suppose that one measure of success is the number of Laureates who choose to attend the Meetings. However, the larger number of the more difficult it is to arrange the scholarly program. Already in 2008 several lectures had to be given in parallel. (I could not hear what John Nash had to say because I was lecturing at the same time.) I wonder if a better arrangement could not be found. One that occurred to me was to replace individual lectures by a smaller number of panel discussions. Each panel would consist of a few Laureates with common interests (game theory and mechanism design, macroeconomics, development economics, etc.) and each panellist could give a short talk about a current research interest or about an issue then under discussion in that part of profession. They could be very short, with much of the time reserved for discussion among the Laureates about any question that had arisen. This sketch of a procedure could be refined, but you will see what I have in mind. Not only would it avoid parallel sessions, but I think such discussion would be more productive for the younger group than a series of independent lectures on unrelated topics. The later discussion with younger economists might also be more productive.

Robert Solow, Economics 1987



Council and Foundation's goal of identifying former participants in the Lindau Meetings and of helping with the re-establishment of contacts amongst them. Another joint goal was identified in reaching-out to Indian partners.

Pamela Mars Wright was actively involved as well. Together with Mars Inc. Chief Science Officer Harold H. Schmitz and communications expert Roland Klein, Ms. Mars met with the members of the Foundation's Board of Directors listed above in order to discuss projects of mutual interest for the further development of the Lindau Meetings – for example targeting science enthusiasts on the Internet with a Meeting blog, such as the one for the Meeting in Physics from June 29th – July 4th, a pilot project already carried out thanks to the support of Mars Inc.

Donations in kind also play an important role in the professional organisation of the Lindau Meetings. The Council and the Foundation are pleased to have gained a long list of well-known companies as donors. The support of these partners makes possible the essential services and the further improvements which participants in an international conference of this stature have every right to expect.

Once again this year, AUDI AG supplied a limousine service for the Laureates. As the official carrier of the Nobel Laureate Meetings, Deutsche Lufthansa AG brought Laureates from all over the world to Lake Constance. Deutsche Telekom AG provided an Internet café, as well as providing a WLAN network in the Inselhalle.

Sennheiser electronic GmbH & Co. KG provided – just as in previous years – a high-quality sound system for all of the rooms in the Inselhalle. An associate from the company stayed on-location over the course of the entire week as a competent advisor to the organisational team. Business Wire supported the meeting's press relations by distributing press releases. Gebrüder Weiss GmbH supported the Lindau Dialogue with a series of logistics services.

The University of St. Gallen offered the pro-bono use of their facilities for the meeting's closing panel discussion, making it possible for the last event within the scientific programme to be conducted in an appropriate setting.

The President of the Council commissioned Wolfgang Schürer, Chairman of the Board of Directors for the Foundation Lindau Nobelprizewinners Meetings at Lake Constance and a member of the Council, with the initiation, ongoing support, and further development of funding and cooperation agreements. Senior Research Associate Urs V. Arnold and Nikolaus Turner, a Member of the Foundation Board and Treasurer of the Council, are actively supporting him in the process. Together, they have invested over 400 working days for activities benefiting the long-term financial security of the Lindau Dialogue. Like the members of the Foundation's Board of Directors and the Council, their work is provided on a pro-bono basis. The success of the 3rd Meeting in Economic Sciences is due in no small part to their dedication.

The Council and the Board of Directors would like to thank the associates in the Executive Secretariat in Lindau for their immense commitment this year, which was marked by a particularly strenuous workload due to the renovation of their offices. The team, under the leadership of Andreas Gundelwein, made a significant contribution to the success of this year's meeting.

EXPANSION & RENOVATION OF THE FACILITIES



Over the years, the Meetings of Nobel Laureates at Lindau have evolved into an internationally recognized platform for generations of scientists. The focal point of their development was not only the reinforcement of the programme's excellence and the participation of up-and-coming scientists – the professionalism and quality of the overall organisation of the meetings were subject to continuous evaluation and improvement as well. Thanks to the generous support of individuals and companies, we could complete an important stage in the expansion and renovation of the existing office facilities, which were much too small for their purpose, in time for the the 2008 Lindau Meetings (Physics and Economics).

The existing rooms were modernised and new offices were added on the top floor. Renovations took place during the on-going preparations for both of the 2008 Meetings. In addition to the renovation of the pre-existing rooms, the facilities were expanded by converting adjacent space into an office for the Foundation Lindau Nobelprizewinners Meetings at Lake Constance. The new extension provides space for the archives and the library that is currently under development. All of the rooms are now ready for use and serve as a highly presentable calling card for the Meetings of Nobel Laureates. Visitors are greeted by Peter Badge's portraits of the Nobel prize winners.

The renovation and expansion of the facilities and the Foundation's office would not have been possible without the support of individuals and companies. The Council, Foundation, and employees at the facility would like to extend their special thanks, as they benefit most from the modernized, improved working conditions.



The expansion, renovation, and redesign of the office facilities of the Council for the Lindau Nobel Laureate Meetings in Lindau have been made possible thanks to the generosity of:

EnBW Energie Baden-Württemberg AG / Holcim Ltd / Boehringer Ingelheim GmbH / Lista Office Vertriebs AG / Zumtobel Lighting GmbH / Artur Fischer / ETO Magnetic KG / Foundation Lindau Nobelprizewinners Meetings at Lake Constance / and an anonymous donor

The expansion, renovation, and redesign of the office facilities for the Foundation Lindau Nobelprizewinners Meetings at Lake Constance and the space for its archives have been made possible thanks to the generosity of:

Klaus Tschira and the Klaus Tschira Foundation gGmbH



The Foundation's office includes a meeting room and provides space for the archive of the meeting and the portrait collection.

COMMUNICATIONS and MEDIA WORK

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Lectures and panels were broadcast live on www.lindau-nobel.de.



The European Broadcasting Union produced live broadcasts to Europe's television stations.



Press talks with Laureates took place once a day.



The lecture of Muhammad Yunus was broadcast live in a cinema at Lindau.

More journalists reported on the 3rd Meeting in Economic Sciences than ever before. The coverage was also the most international it has ever been. The revised website offered improved access to the live broadcasts of the Laureates' lectures. Radio coverage of the meeting reached nearly 2 million listeners in Germany, Austria, and Switzerland.

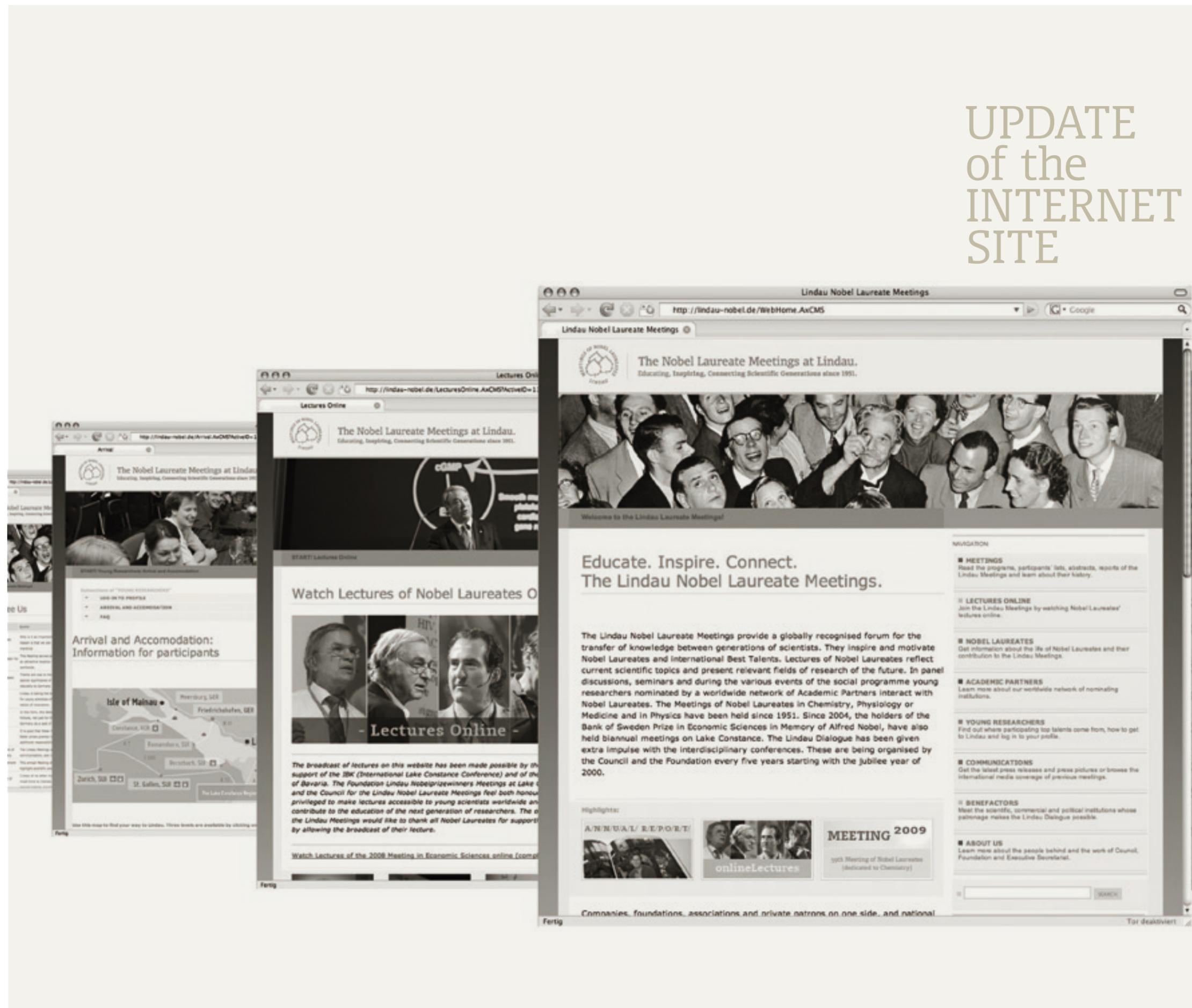
Sixty journalists from 17 countries covered the 3rd Meeting of the Winners of the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel. All of Germany's major newspapers – sometimes represented by several editors – were on location in Lindau: the Frankfurter Allgemeine Zeitung (FAZ) and the FAS (their Sunday edition), Handelsblatt, the Süddeutsche Zeitung, and Die Welt. The Wall Street Journal and Bloomberg News also reported out of Lindau. Leading media representatives from countries such as Austria, Egypt, Belgium, Mexico, Russia, Slovenia, and Switzerland and made intensive use of the meeting in Lindau as a platform for coverage on the financial crisis. The media response increased considerably in comparison to the 2nd Meeting in Economic Sciences (2006).

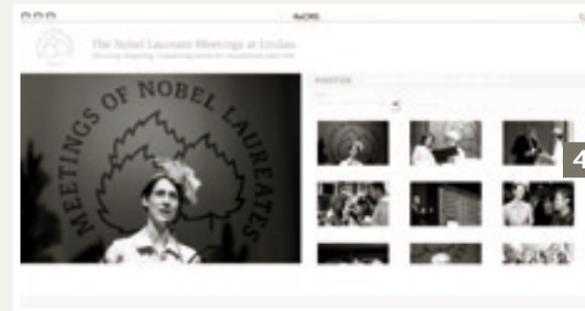
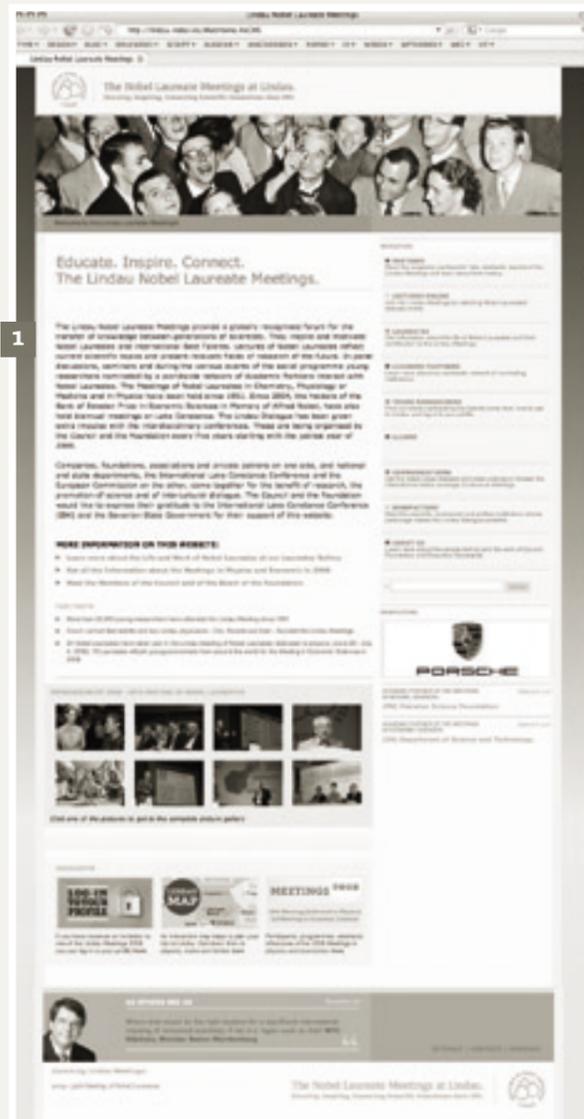
Just as the Meeting of Nobel Laureates in Physics focused on scientific communication, the Meeting in Economic Sciences placed its media emphasis prior to the Meeting on what were expected to be the main topics. In collaboration with the Berlin agency komposition, two press releases on the financial market crisis and on minimum wage policy were prepared and distributed before the meeting. Thanks to Business Wire, which was the partner in "News Services" during the Meetings of Nobel Laureates, the press releases could be sent all over the world.

The European Broadcasting Union offered live broadcasts of the panel discussions and the meeting's lectures to Europe's television stations, as well as offering a live stream of the programme at www.lindau-nobel.de for science and economics enthusiasts. The panel discussions and lectures will remain accessible on the website and will become a part of the newly-created online knowledge mediatheque.

Radio stations in Germany, Austria, and Switzerland could also provide coverage of the Meeting thanks to targeted offers made by the agency BundB Medien. The stations had access to statements by the Laureates and the young economists on the financial crisis and labour markets. The radio coverage was able to reach almost 2 million listeners in Germany, Austria, and Switzerland.

UPDATE of the INTERNET SITE





New Features of WWW.LINDAU-NOBEL.DE

1 Informative texts introduce visitors to the website to various aspects of the Nobel Laureate Meetings: from the role played by Academic Partners and an overview of the sponsors and project partners of the Lindau Dialogue to the Council and the Foundation.

2 In the newly created “Lectures Online” section, science enthusiasts around the world have the opportunity to watch lectures given by Nobel Laureates whenever they like, wherever they like. Thanks to the combi-

nation of a user-friendly layout and database, visitors to the website can gain direct access to all available lectures given by a specific Nobel Laureate or from one particular meeting.

3 The “Knowledge Mediatheque” contains the archive of lectures given by Nobel Laureates, picture galleries from previous meetings, as well as a 10-minute film about the Meeting. The lectures can be organised according to meetings, disciplines and Laureates. A full-text search in the corresponding abstracts provides

further opportunities for research. At present, there are 60 lectures in the database, and this number will increase further in 2009.

4 Picture galleries provide direct access to a wide range of impressions from previous Nobel Laureate Meetings. These are on display in a “mediatheque” together with various Laureates’ lectures and a 10-minute introductory film about the aims and history of the meetings.

5 A broad range of information about Nobel Laureates is provided in the “Laureates’ Gallery”. The Laureates’ profiles include details outlining their scientific careers and provide direct access to the respective Laureate’s lectures which are available online. In redesigning our new website, user-friendliness was one of the primary objectives. Direct links to particularly popular content make it easy to quickly and easily find the information the visitor is looking for.

The new website of the Lindau Meeting of Nobel Laureates is now faster, more modern, and offers more information. The www.lindau-nobel.de website was launched in its new appearance two weeks before the Meeting. Thanks to the support of the International Lake Constance Conference (IBK) and the Free State of Bavaria, the entire site could be redesigned – making it particularly appealing for universities and schools. Lectures by the Nobel Laureates and comprehensive information can be accessed at any time of the day, from anywhere around the globe. The new site provides much easier access to the one-of-a-kind archive and is specially tailored to fit today’s Internet needs and preferences. As a first step, 45 lectures by Nobel Laureates were placed online, with summaries of the lectures and curricula vitae of the Laureates completing the extensive range of online possibilities. Lectures from both of the 2008 Meetings – Physics and Economics – were added immediately following their live stream on the Internet.

Throughout the coming months, audio clips from lectures at the Meetings of Nobel Laureates will be made available online for years going back to 1951. This unique offer lets visitors to the website experience and understand scientific history. Lectures by Laureates such as Werner Heisenberg (“Cosmology in Present-Day Atomic Physics”, 1968) and André Frédéric Cournand (“Science, Scientists and Society”, 1981) will then be available as audio files. These unique sound clips from previous Meetings will be scientifically researched and prepared by Anders Bárány (Deputy Director of the Nobel Museum in Stockholm until August 2008 and currently the museum’s Senior Advisor). No comparable archive of material on scientific history, extending over a period of nearly 60 years, is available anywhere else in the world. The material located in the Nobel Laureate Meetings’ archives is currently being viewed and digitalized.

Thomas Ellerbeck, Member and Spokesman of the Council as well as a Member of the Foundation’s Board of Directors, is responsible for the communications activities surrounding the Meetings of Nobel Laureates. Christian Rapp, the communications associate of the Executive Secretariat, is responsible for implementing the communications strategy that has been determined in agreement with the Council and the Foundation.



FINANCIAL TIMES The Daily Telegraph Handelsblatt ДЕНЬГИ

صرفى.. والتدليس فى تسويق القروض
رسالة
ألمانيا
بقلم:

כמה עשורים, כשעוד היה חוקי האלוטני - סיפור הסטודנטים זה נגמא אומן בחרצאה של מתמטיכאניטיסטה העברית. הרובי הפינ השועקים את הטף האחרון שגילה המהפסיקה והפליג בתאורים זכים להפליא על אודות הבטוחות

מירון שולס הקנדי, הווסה ביזס, מתמחמה נכלולה פנסיתית היה אחד מחנוי מודל בלק שולס לממחור אובציות.

דניאל מקפאדן האמריקאי וזה ב2000 על עבודתו בתחום קבלת ההחלטות, שבמסגרתה פיתח מודלים לחיזת בחירות של מרטים בזירה הכלכלית.

ג'וזף שטיגליץ האמריקאי, לשעבר הכלכל הראשי של הבנק העולמי הוחזקו הכלכלי הממטט ביחור בעולם כיום, וזה בנובל ב2000 על מודלים לשימור קבלת ההחלטות בסביבה של אינפורמציה איסימטרית

קלייב גרנגר הקנדי וזה ב2003 על עבודתו בתחום הכלכלה הכינסית, שבמסגרתה פו דמטי התרשפת כלכלית חמים על מי זמן.

ג'ורג' אקרלוף האמריקאי וזה ב2001 על המודלים שיצר לשימור קבלת ההחלטות בסביבה של אינפורמציה איסימטרית שמונחיה להיעול צד אחד בידו הצד השני.

רוברט סולנד הקנדי וזה בפע' על מחקרו בתחום המודיות התזכירית הביסקולות תחת משטרי שער חליפין שנים

Myron Scholes
Nobelpricwinnaar

PRESS REACTIONS

Wall Street Journal/ USA Nobel Winners debate need for regulation - Some of the world's brightest economic minds agree the current financial crisis exposed major flaws in the system, but disagree about the role regulators should play in preventing a repeat. At an annual gathering Thursday of economic Nobel Laureates on a tiny, medieval island in southern Germany, three winners of the Nobel Prize in economics and one Peace Prize winner lamented the excessive risk-taking, lax management and impenetrable complexity at the heart of the financial system's current turmoil.

respondent rubbed shoulders for four days with the elite of the world business community, met hundreds of young fans and even laughed at the internal jokes. The topic of the jokes - believe it or not - was economics.

Börsen-Zeitung/ Germany Today, Thursday, Deutsche Bank CEO Josef Ackermann will receive a prestigious award in recognition of his service to theory and scholarship. He will become a member of the Honorary Senate of the Foundation Lindau Nobelprizewinners Meetings at Lake Constance. With this award, the foundation, with its Founders Assembly numbering 187 Nobel Laureates, recognizes Ackermann's commitment on behalf of theory and scholarship, both within Germany and abroad. Countess Bettina Bernadotte, the designated President of the Council for the Lindau Nobel Laureate Meetings, will make the presentation.

Express/ Portugal Muhammad Yunus, who is also an economist, joins the fourteen distinguished persons in the area of economics by being awarded the Nobel Prize for Peace. (...) Out of the 299 participants who took part this year in the meeting with the Nobel Prize Winners in Economic Sciences, 34% were women, which "is very positive data", commented the foundation's chairman, Wolfgang Schürer. A great number of scientific academies are involved and "work together with the ministries of education of each country, which is fundamental for the success of this meeting" added Schürer.

Delo/ Slovenia What led to the global crisis and how to overcome it? - The American government in the past six months is not actually in the best shape, but signs of a recession are still not to be seen, responded Robert Solow to a question asked by Delo. Robert Solow is a respected American professor and teacher at the Massachusetts Institute of Technology and a Nobel Prize winner for his achievements in the field of economy in 1987. Solow is one of the fifteen Nobel Prize winners who gather every two years in the German town of Lindau on Bodensee.

Neue Zürcher Zeitung/ Switzerland Harsh Criticism of the Financial Industry -At the third Meeting of Nobel Laureates in Economics in Lindau, held recently with 15 Nobel laureates and some 300 students in attendance, the financial sector was presented with a report that was anything but good. During a podium discussion, the laureates had harsh criticism for the financial industry. Particularly sharp-tongued in his criticism was Joseph Stiglitz (Columbia University), who has already gained broad recognition in recent years as a critic of globalization.

Calcalist/ Israel Economic Rock Stars - 15 Nobel Prize Winners in Economics met for a wild weekend on a small island in Germany. A Calcalist cor-

The Daily Telegraph/ United Kingdom Lending to the poor has rich rewards -"We send our people out on bicycles to check if they are poor enough. If a woman lives in a one-room house, she qualifies. If she has a leaky roof, she qualifies. We even give loans to beggars: this is risky," allowed Dr Yunus. We met on the shores of Lake Constance, where he sat in Bengali dress gazing across shimmering waters at the Alpine peaks of Switzerland. The Muslim village boy from Chittagong, now 68, is at home anywhere these days.



Young economists and Robert W. Fogel during the dinner on Thursday evening.

OUTLOOK

The next forum in Economic Sciences will take place in the summer of 2011. After intensive talks with the Nobel Laureates, the Council and Foundation have decided to offer the Meetings in Economic Sciences every three years in future, in order to fit better with the rhythm of the meetings in natural sciences. An additional day will provide more time for the scientific programme and will allow additional personal encounters between the Laureates and the young economists. Furthermore, the decision has been made to integrate the Laureates in Economic Sciences more in the programme concept of the interdisciplinary meetings. Particularly the representatives in the fields of economics and physics have already established lively scientific dialogue.

Two anniversaries will make 2009 a very special year. First, the Federal Republic of Germany will be celebrating the 60th anniversary of its foundation. The scientific history of the country and the ideas developed in Germany will be a focal point of public interest. Second, the Nobel Laureate Meetings and the Bernadotte family will be celebrating the 100th birthday of the "Spiritus Rector" of the Lindau Dialogue, Count Lennart Bernadotte. One prominent facet of his influence was his pioneering role in questions of sustainability.

In the light of current discussions concerning sustainability in economics and society, Count Lennart

Bernadotte's role as a pioneer opens up interesting perspectives – especially in regard to sustainability in education and research. On April 20, 1961, the so-called "Grüne Charta" (Green Charter) was signed. Fifteen years before the first German State laws on environmental protection, 25 years before the creation of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, and eleven years before the first report by the Club of Rome, the Charta was already calling for sustainability in the use of resources. Count Lennart Bernadotte was the initiator of this document, which was signed by numerous far-sighted, influential figures. The concept of sustainability – to which he had committed himself quite early on – will be discussed in a multitude of different ways within the framework of the 59th Meeting of Nobel Laureates, dedicated to chemistry.

In the past, the Nobel Laureates have not only made the continuous development of the Lindau Meetings possible, but have also actively accompanied this development. A tangible demonstration of this support is the membership of 190 Nobel Laureates in the Founders' Assembly. They all deserve the sincere gratitude of the Council and the Foundation. The Lindau Dialogues not only exist because of their commitment, it is also through their support that they can inspire promising, talented young scientists from all over the world.

Robert Solow (from left), Reinhard Selten, Martin Wolf, Peter Englund and Daniel McFadden on the boat to the Isle of Mainau.





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**REPRESENTATION OF
YOUNG ECONOMISTS BY COUNTRY**

299 highly talented economics from 58 countries have attended the 3rd Meeting of the Winners of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel at Lake Constance. Having been nominated by numerous universities, foundations, national banks or international research institutes, they have all successfully passed a multi-stage and international selection procedure. With participants from 58 countries and regions, the 3rd Meeting in Economic Sciences in Memory of Alfred Nobel 2008 had an international character as never before.

Albania	2	Hungary	2	Portugal	1
Argentina	9	India	16	Romania	4
Australia	3	Indonesia	2	Russia	7
Austria	7	Israel	5	Saudi Arabia	1
Bangladesh	2	Italy	13	Serbia	1
Belgium	3	Jamaica	1	Singapore	2
Brazil	2	Japan	4	South Africa	3
Bulgaria	2	Latvia	1	South Korea	3
Canada	1	Lithuania	3	Spain	3
Chile	5	Luxembourg	1	Sudan	1
China	25	Malaysia	3	Sweden	4
Columbia	1	Mexico	4	Switzerland	5
Czech Republic	2	Morocco	1	Taiwan	2
Denmark	3	Netherlands	4	Thailand	2
Ecuador	1	New Zealand	1	Turkey	3
Finland	1	Norway	3	Ukraine	1
France	4	Pakistan	1	USA	23
Germany	88	Peru	2	Uruguay	1
Great Britain	2	Philippines	1		
Greece	2	Poland	2		

These numbers correspond to a proportion of 166 European Best Talents, Asia was represented by 62 young economics of tomorrow, 24 young researchers from North America were attending, and Latin America sent 26, Arabian States 7, Russia 7, Australia 8 and Africa 5 Best Talents.

Almost 100 Institutions have nominated young economics. They all belong to the worldwide network of Academic Partners set up by the Council for the Lindau Nobel Laureate Meetings and the Foundation Lindau Nobelprizewinners Meetings at Lake Constance.

Council and Foundation signed Memoranda of Understanding with the following institutions since the Meeting of Nobel Laureates since 2007.

Austria	Federal Ministry of Science and Research
Brazil	Conselho Nacional de Desenvolvimento Científico e Tecnológico
Egypt	Ministry of Higher Education and Scientific Research
India	Department of Science and Technology
Japan	Japan Society for the Promotion of Science
Liechtenstein	Principality of Liechtenstein
Lithuania	Lithuanian Academy of Sciences
Mexico	Mexican Academy of Sciences
The Netherlands	Royal Netherlands Academy of Arts and Sciences
Switzerland	Swiss National Science Foundation
Thailand	National Science and Technology Development Agency

NOMINATING INSTITUTIONS BY COUNTRY

Argentina	Central Bank of Argentina
Australia	Australian Academy of Science
Austria	Notenbank Österreich
Bangladesh	Bangladesh Academy of Science
Belgium	National Bank of Belgium
Brazil	Central Bank of Brazil
Canada	Bank of Canada
Chile	Central Bank of Chile
China	Chinesisch-Deutsches Zentrum für Wissenschaftsförderung / Hong Kong Monetary Authority
Denmark	National Bank of Denmark / University of Aarhus / University of Copenhagen / University of Lund
Great Britain	Bank of England / University College London / University of Cambridge / University of Warwick
India	Reserve Bank of India / Department of Science and Technology
Indonesia	Bank of Indonesia
Israel	Bank of Israel
Italy	Bank of Italy / Università di Bologna
Japan	Bank of Japan
Liechtenstein	Hochschule Liechtenstein
Lithuania	The Lithuanian Academy of Sciences
Malaysia	Central Bank of Malaysia
Mexico	Bank of Mexico
Netherlands	De Nederlandsche Bank / Universiteit Maastricht / Royal Netherlands Academy of Arts and Sciences (KNAW)
Norway	Central Bank of Norway



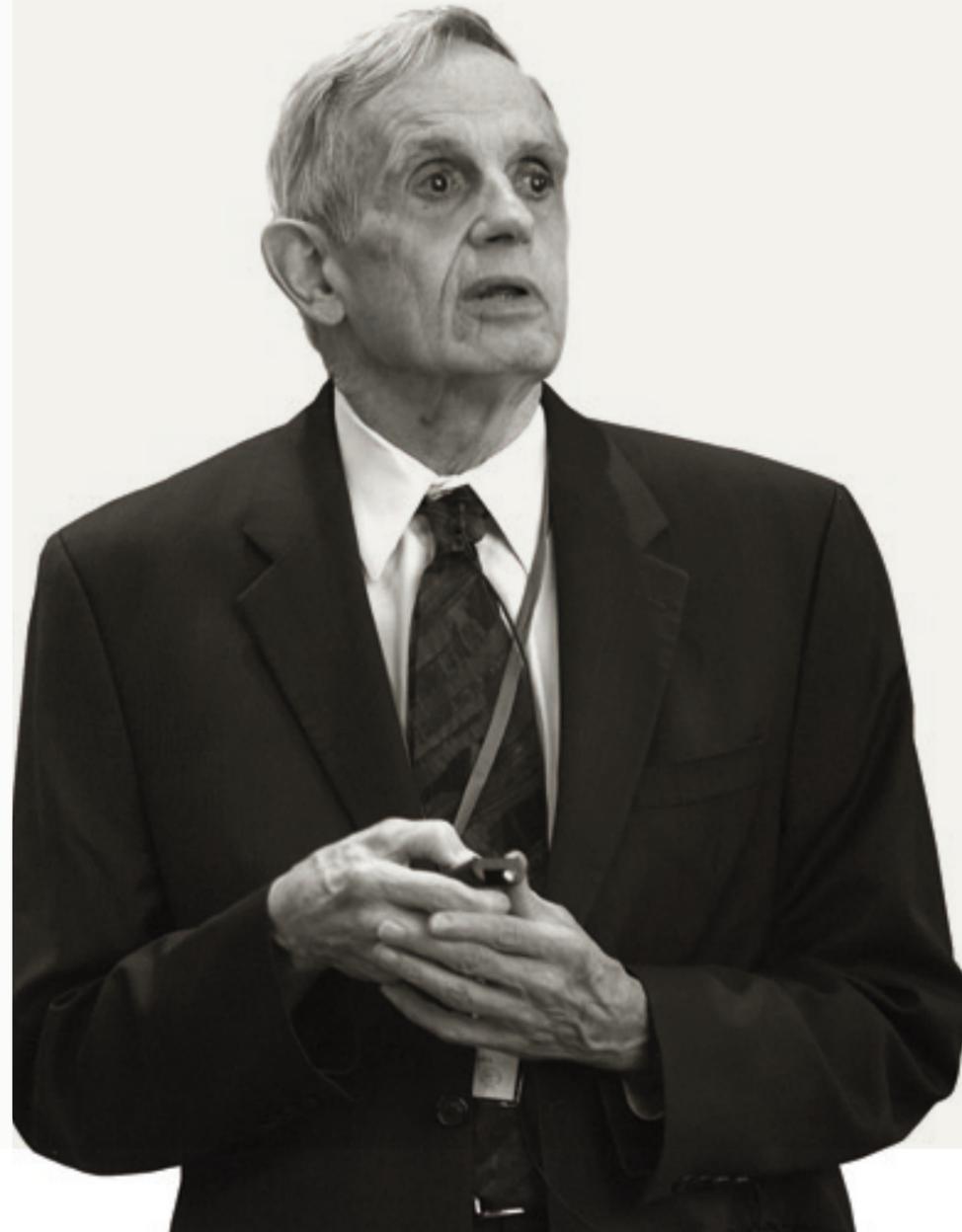
Philippines	Bangko Sentral ng Philipinas
Russia	Central Bank of the Russian Federation
Saudi Arabia	Saudi Arabian Monetary Agency
Singapore	Monetary Authority of Singapore
South Africa	South Afrika Reserve Bank / University of Pretoria
Spain	Bank of Spain
Sweden	Uppsala Universitet / Sveriges Riksbank / Stockholm University
Switzerland	Schweizerische Studienstiftung / Notenbank Schweiz / Hochschule St. Gallen / Schweizerischer Nationalfond (SNF)
Thailand	National Science and Technology Development Agency / Bank of Thailand
Turkey	Central Bank of the Republic of Turkey
USA	National Science Foundation / Board of Governors of the Federal Reserve System

NOMINATING INTERNATIONAL INSTITUTIONS

- European Central Bank
- European Commission
- European Economic Association
- European University Institute
- Dictionary of Economics
- International Monetary Fund (IMF)
- The World Bank

NOMINATING INSTITUTIONS IN GERMANY

- Elite Network of Bavaria
- Gerda Henkel Foundation
- Verlagsgruppe Handelsblatt
- Heidelberg University
- Humboldt-Universität zu Berlin
- The Kiel Institute for the World Economy (IfW)
- Konrad-Adenauer Stiftung
- Ludwig-Maximilians-University München
- Max Planck Institute of Economics
- Robert Bosch Stiftung
- TU Munich, KfW-Endowed Chair in Entrepreneurial Finance
- University of Bonn
- University of Cologne
- University of Mannheim
- Verlagsgruppe Handelsblatt
- Ebelin and Gerd Bucerius Zeit-Stiftung



Regarding the general issues of program design details in my opinion, relating to my “impressions, experiences and recommendations”, I can at first say that the Economics 2008 program was again very good in terms of providing opportunities of interest to the younger participants. Also, for the older guests, there was very much of interest and the general circumstances were again very comfortable and pleasing.

I do feel that the format is good for the younger visitors to have senior persons, like “the laureates” that are not arbitrarily chosen and which the younger guests can understand to be good examples and teachers to learn from. But, overall, there was a sort of “logistical” conflict (which I do not enjoy describing) which could be a focus for considerations. This is simply that there were notably a great number of conflicts between the possibility of hearing one lecture or of hearing another or of being otherwise engaged (like engaged with interviewers, etc.). I found myself forced to miss most of the lectures, actually. With a large number of quite senior participants in a meeting there can be questions about when in the times of the days that lectures and events should be scheduled. Of course these issues of possible concern also are interactive with the global issues of what is practical with regard to the organization of a meeting in a location. I cannot really give much of any sort of actually practical suggestion in relation to the future continuation of a series of events that has been, really, spectacularly good in its history up to now!

John F. Nash, Jr.

THURSDAY, AUGUST 21ST

10:30 **PANEL DISCUSSION** (see page 28)**Systemic Risks in Financial Markets**

Myron S. Scholes (Economic Sciences 1997)
 Joseph Stiglitz (Economic Sciences 2001)
 Muhammad Yunus (Peace Prize 2006)
 Daniel L. McFadden (Economic Sciences 2000)

CHAIRPERSONS:

David Wessel
 Economics Editor of Wall Street Journal
 Martin F. Hellwig
 Max Planck Institute for Research on Collective Goods

12:20 **LECTURE** (see page 48)

Muhammad Yunus (Peace Prize 2006)
Social Business is the Solution

13:00 **BREAK**14:00 **LECTURE** (see page 45)

Myron S. Scholes (Economic Sciences 1997)
The Role of Liquidity and Risk Transfer Services in the Economy"

LECTURE (see page 44)

Edmund S. Phelps (Economic Sciences 2006)
The Good Life Needs an Economy of Dynamism – Originality, Novelty and Challenge – and these depend on Attitudes as much as Institutions

14:50 **LECTURE** (see page 37)

Robert J. Aumann (Economic Sciences 2005)
Rule Rationality vs. Act Rationality

LECTURE (see page 36)

George A. Akerlof (Economic Sciences 2001)
Identity and Economics

15:30 **BREAK**16:00 – 18:00 **STUDENT DISCUSSION**

in Individual Groups between Prize Winners and Young Economists

FRIDAY, AUGUST 22ND

9:00 **LECTURE**

Robert A. Mundell (Economic Sciences 1999)
The Exchange Rate Mess and the Challenge of International Monetary Reform

LECTURE (see page 38)

Robert W. Fogel (Economic Sciences 1993)

Forecasting Changes in the Cost of Health Care: 2000–2040

9:50 **LECTURE** (see page 41)

Daniel L. McFadden (Economic Sciences 2000)

The Human Side of Mechanism Design**LECTURE** (see page 40)

Finn E. Kydland (Economic Sciences 2004)

From Dynamic Inconsistency to Models with People

10:40 **LECTURE** (see page 39)

Sir Clive W.J. Granger
 (Economic Sciences 2003)

Evaluation of Global Models**LECTURE** (see page 46)

Reinhard Selten (Economic Sciences 1994)

Experimental Results on the Process of Goal Formation and Aspiration Adaptation

11:20 **BREAK**11:50 **LECTURE** (see page 43)

John F. Nash Jr. (Economic Sciences 1994)

Ideal Money and asymptotically Ideal Money**LECTURE** (see page 47)

Robert M. Solow (Economic Sciences 1987)

Low-wage Work in Europe and America12:40 **LECTURE** (see page 42)

Roger B. Myerson (Economic Sciences 2007)

Leadership, Trust, and Power: Dynamic Moral Hazard in High Office

LECTURE

Joseph E. Stiglitz (Economic Sciences 2001)

The Global Financial Crisis: Lessons for Policy and Implications for Economic Theory

13:20 **BREAK**14:45 – 17:15 **STUDENT DISCUSSION**

in Individual Groups between Prize Winners and Young Researchers

SATURDAY, AUGUST 23RD

10:15 **CLOSING PANEL DISCUSSION AT THE UNIVERSITY OF ST. GALLEN** (see page 31)

Globalization, Technical Progress and Labour Markets – Causes and Consequences of the Bifurcation of Wages and Income

Robert M. Solow (Economic Sciences 1987)
 George A. Akerlof (Economic Sciences 2001)
 Finn E. Kydland (Economic Sciences 2004)
 Robert W. Fogel (Economic Sciences 1993)

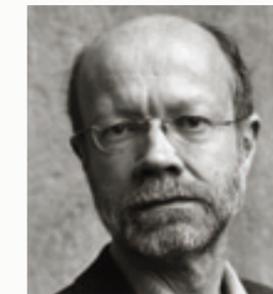
CHAIRPERSON:

Martin Wolf

Chief Economics Commentator of Financial Times

PROGRAMME CHAIRS OF THE 3RD MEETING OF THE WINNERS OF THE SVERIGE RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL

Peter Englund



Peter Englund is a Professor in the Department of Finance at the Stockholm School of Economics. He has been a member of the Royal Swedish Academy of Engineering Sciences, the Wenner-Gren Foundation, and the National Debt Office since the late 1990s. Englund

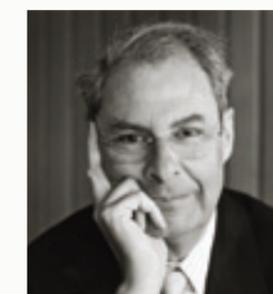
is Secretary of the Prize Committee for the Prize in Economic Sciences in the Memory of Alfred Nobel. He has been a member of the Council for the Nobelprizewinners Meetings in Lindau since 2003.

Martin F. Hellwig



Martin F. Hellwig has been a Scientific Member and Director of the Max Planck Institute for Research on Collective Goods in Bonn since 2004. His previous work included scientific positions at Stanford University, Princeton, Harvard, and at the University of Mannheim. Hellwig has been involved in a number of professional associations and advisory committees for several years. He has been a Corresponding Member of the Council since 2004.

Wolfgang Schürer



Wolfgang Schürer is Chairman of the Board of Directors and CEO of MS Management Service AG. He is also a professor for International Business Diplomacy at Georgetown University (Washington D.C.) and a member of the Curatorium and special representative of The Hague Academy of International Law. He is a permanent Visiting Professor for Public Affairs at the University of St. Gallen (Switzerland). Schürer serves as Chairman of the Board of the Foundation and a member of the Council since 2000.

SELECTION CRITERIA

ALL SELECTED PARTICIPANTS SHALL

- be under 30 years of age, belong to the top of his/her class, and have strong recommendations from his academic advisor.
- demonstrate fluency in the English language.
- have a promising research agenda and have produced outstanding research papers on relevant subjects.
- show a pronounced interest in the international dialogue within the academic community, i.e. by participating in exchange programmes.
- 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.
- 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 prize winners.

IT IS MOST WELCOMED TO HAVE A GOOD BALANCE BETWEEN THE FOLLOWING THREE GROUPS:

- (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) Master and Doctoral Students shall
have excellent academic records,
have produced outstanding research,
have a good tutoring and 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 international conferences,
have acquired solid experience in tutoring and teaching,
have experience in research management.



Robert Mundell gave a talk on "The Exchange Rate Mess and the Challenge of International Monetary Reform".

I. APPLICATION AND SELECTION PROCESS

The Lindau Meetings work together with outstanding research institutions worldwide in order to invite a selection of the best up-and-coming scholars to attend the conference on Lake Constance. Within the framework of the meeting in the economic sciences, central banks in 28 countries have also nominated their best young economists for participation in the meeting. For this reason, 82% of the respondents first learned of the meeting through their foundation, university or central bank. The procedure ensures that a cross-section of the best young talent in economics worldwide will take part in the meeting. As the responses to the question, 'What was your experience with the selection process?' reveal, however,

the selection criteria need to be communicated more strongly than has been the case to date by the Lindau Institutions. They are not just an important indicator of the scholarly quality of participants; rather, they also enhance the transparency of the selection proceedings. While the values for the recognition level (plus 10%) are higher than they were in 2006, nevertheless it remains the mission for Council and Foundation to acquaint participants with the selection criteria in advance of the meeting.

The meeting with the Nobel Laureates was spectacular on a number of dimensions. The island of Lindau has an irreplaceable ambiance which muffles the chaos in the rest of the world. Lectures given by the Laureates were of exceptional quality and were extremely educational. In addition, stimulating discussion with other participants allowed for valuable exchange of information and increased understanding of the future direction of economic research. The meetings can be improved if participants are capable of attending all lecture sessions.

**Leo-Rey Graig Gordon, Jamaica /(U.S.)
National Science Foundation-Fellowrs**

• How did you hear about the 2008 Meeting in Economic Sciences at Lake Constance? [TOTAL: 244]

Academic Institution/University	58 %	142
Central Bank	18 %	44
Funding Institutions	3 %	7
Corporate Institutions	3 %	8
Media Coverage/ Internet	10 %	3
Other	8 %	19

• What was your approach for applying to the Lindau Meeting? [TOTAL: 244]

I was asked by a nominating institution if I wanted to apply for the meeting	80 %	196
I heard about the meeting and approached then a nominating institution	17 %	41
Other	3 %	7

• What was your experience with the selection process? [TOTAL: 244]

I was aware of the selection procedures and selection criteria	52 %	127
I had professional feedback from my nominating institution	16 %	39
I just received a confirmation from the Review Panel via Internet	32 %	78
Other	0 %	0



II. ACADEMIC CREDENTIALS OF THE MEETING

The results of the survey paint a distinctly positive picture of the scholarly programme for the 2008 Meeting in Economic Sciences. The lectures and panel discussions received very positive evaluations, in regard both to the topics offered (83% described the topics as 'Appropriate') and to the accessibility of the topics addressed (13% found the lectures 'Too Specific', 71% 'Appropriate', 14% 'Too Broad'). Among this meeting's most favourably received components were lectures and discussions in the afternoon – prior to the Get-Together Evening held on Wednesday, for instance.

The participants in the meeting brought high expectations with them to Lake Constance. Which makes it all the more encouraging that the Council and Foundation were able to fulfil these expectations: The vast majority of the participants indicated that their expectations had been either met (62%) or even exceeded (29%) – this value is on a similar order of magnitude to that of the 58th Nobel Laureate Meeting (94%).

• How do you assess the conceptual orientation of the meeting?

Internationality			[TOTAL: 244]
Too international	5 %	12	
Appropriate	85 %	208	
Not sufficiently international	10 %	24	
No answer	0 %	0	
Topics Covered			[TOTAL: 244]
Too many	4 %	10	
Appropriate	83 %	203	
Not enough	8 %	19	
No answer	5 %	12	
Lecture Topics			[TOTAL: 244]
Too specific	13 %	32	
Appropriate	71 %	173	
Too broad	14 %	34	
No answer	2 %	5	
Panel Topics			[TOTAL: 244]
Too specific	7 %	17	
Appropriate	81 %	198	
Too broad	9 %	22	
No answer	3 %	7	
Panel Discussion on Thursday			[TOTAL: 244]
Too controversial	4 %	10	
Appropriate	78 %	190	
Not sufficiently controversial	16 %	39	
No answer	2 %	5	
Involvement of Young Participants			[TOTAL: 244]
Too much	2 %	5	
Appropriate	77 %	188	
Too little	20 %	49	
No answer	1 %	2	
Interaction with other Participants			[TOTAL: 244]
Too much	4 %	10	
Appropriate	87 %	212	
Too little	8 %	20	
No answer	1 %	2	
My Expectations were...			[TOTAL: 244]
Exceeded	29 %	71	
Met	62 %	151	
Not met	7 %	17	
No answer	2 %	5	

SURVEY RESULTS—ACADEMIC CREDENTIALS OF THE MEETING

• Please assess the following parts of the programme

Opening Ceremony: [TOTAL: 244]

Excellent	24 %	59	
Good	56 %	137	
Fair	18 %	44	
Poor	1 %	2	
No answer	1 %	2	

Panel Discussion “Systemic Risks in Financial Markets” (Thursday): [TOTAL: 244]

Excellent	34 %	83	
Good	47 %	115	
Fair	14 %	34	
Poor	3 %	7	
No answer	2 %	5	

Lecture Muhammad Yunus: [TOTAL: 244]

Excellent	46 %	112	
Good	21 %	51	
Fair	1 %	2	
Poor	1 %	3	
No answer	31 %	76	

Closing Panel Discussion “Globalization, Technical Progress and Labour Markets - Causes and Consequences of the Bifurcation of Wages and Income” (Saturday): [TOTAL: 244]

Excellent	20 %	49	
Good	44 %	107	
Fair	6 %	15	
Poor	4 %	10	
No answer	26 %	63	

Plenary Lectures: [TOTAL: 244]

Excellent	19 %	46	
Good	65 %	159	
Fair	12 %	29	
Poor	1 %	3	
No answer	3 %	7	

Student Discussions with Laureates (Afternoons): [TOTAL: 244]

Excellent	39 %	95	
Good	46 %	112	
Fair	14 %	34	
Poor	0 %	0	
No answer	1 %	3	

Overall Balance of the Programme: [TOTAL: 244]

Excellent	27 %	65	
Good	67 %	164	
Fair	5 %	12	
Poor	0 %	0	
No answer	1 %	3	

• Which events of the meeting did you enjoy particularly? (several choices possible) [TOTAL: 583]

Welcome Party on Wednesday	105
Opening Ceremony	23
Panel Discussion on Thursday	110
Lectures	117
Student Discussions	152
Panel Discussion on Saturday	41
Other	35

I feel really privileged to have been nominated to attend the Lindau Meeting. There were an impressive set of lectures, discussions and panels where young researches worldwide could interact with the Laureates and enjoy a pluralistic view of economic issues. I was really fascinated by these great minds and by their passion and love for research. Surely, it was a great opportunity to improve my knowledge, to exchange my ideas and to receive suggestions in a highly stimulating environment. I could enjoy new perspectives and new points of view. I met new friends and we have also a lot of fun! I have a lot of precious memories of those days. Among them, the trip to the University of St. Gallen and to the Isle of Mainau is really unforgettable. I left Lindau feeling enriched and motivated to do my best in research.

Marianna Riggi, Italy/ Bank for International Settlements-Fellow

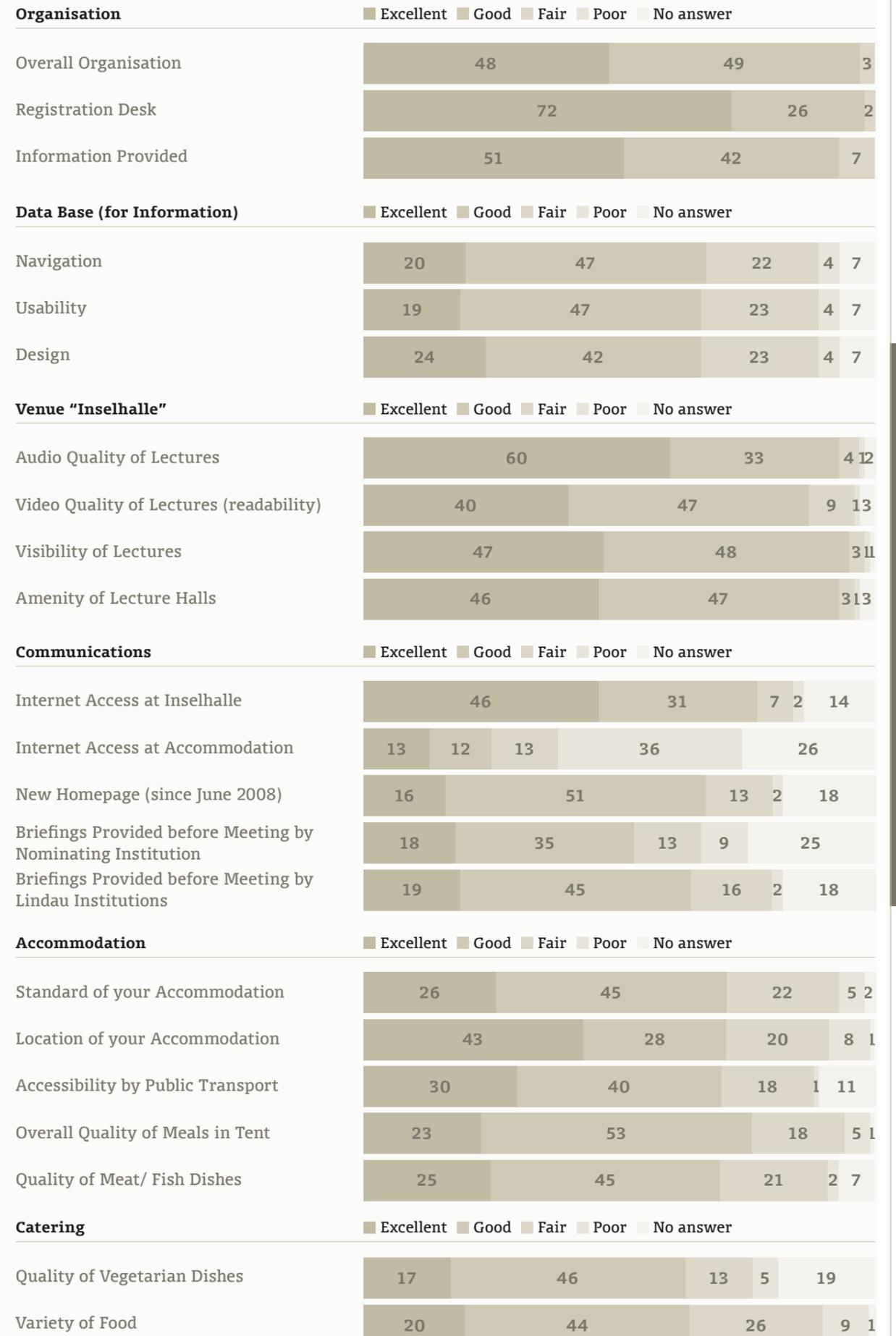


III. ORGANISATION OF THE MEETING

97% of participants rated the overall organisation of the Meeting in Economics as 'Excellent' or 'Good'. The video broadcasts of the lectures in particular – the sound and picture quality – received very high marks. As during the Meeting of Nobel Laureates in physics that went before it, the lowest marks were given to Internet access in the hotels of Lindau. Decidedly positive feedback was received for the redesigned Nobel Laureate Meetings website (20% 'Excellent', 62 % 'Good'). As an information and communication platform for future (and former) participants, it will continue to gain in importance in future. The results of the participant surveys will be taken into account in the improvement of the website. A newsletter designed specifically for participants and published prior to the meeting achieved further improvements in information flow. For this, too, the assessment in the survey was very positive.

Educate. Inspire. Connect. – The aim was to put this motto for the Lindau Meetings to practice for the Economics Meeting as well. The assessment of the questions associated with this aim reveals that key objectives of the meeting were achieved. More specifically, in the view of the participants, the Council and Foundation succeeded in promoting dialogue between the young economists from the various countries, as well as between them and the Laureates. Moreover, more than 90% confirm that participation in the Lindau Meeting is a source of motivation. Achieving these solid marks was not least the result of the enormous commitment of the Laureates, who devoted themselves to the Lindau Dialogue in a wide variety of ways.

• Please rate the following aspects



• The Lindau Meetings serve the mission to educate generations of scientists by a dialogue.
Please evaluate if we have succeeded to foster a dialogue...:

... between Laureates and Young Economists: [TOTAL: 244]

Yes	45 %	110	
Rather yes	50 %	122	
Rather no	4 %	10	
No	0 %	0	
No answer	1 %	2	

... between Young Researchers from different Countries: [TOTAL: 244]

Yes	71 %	173	
Rather yes	26 %	63	
Rather No	1 %	3	
No	0 %	0	
No answer	2 %	5	

... between Researchers of different Fields of Economy: [TOTAL: 244]

Yes	52 %	127	
Rather yes	34 %	83	
Rather no	10 %	24	
No	3 %	7	
No answer	1 %	3	

... that will influence my Scientific Career: [TOTAL: 244]

Yes	25 %	61	
Rather yes	47 %	115	
Rather no	19 %	46	
No	5 %	12	
No answer	4 %	10	

... that motivates: [TOTAL: 244]

Yes	61 %	149	
Rather yes	33 %	80	
Rather no	5 %	12	
No	0 %	0	
No answer	1 %	3	

IV. BEYOND LINDAU

• Would you be interested in receiving more information about the Lindau Meeting's Donors and Benefactors and in an interaction with them?: [TOTAL: 244]

I am highly interested in it.	40 %	97	
It would be an option for me.	49 %	120	
I am not interested in it.	11 %	27	

V. PORTRAIT BOOK „NOBELS“ BY PETER BADGE PRESENTED TO YOU BY THE FOUNDATION LINDAU NOBELPRIZEWINNERS MEETINGS AT LAKE CONSTANCE DURING THE MEETING

• Please rate the following statements:

Portraits and CV's provided in the book help to get to know the Laureates: [TOTAL: 244]

Yes	43 %	106	
Rather yes	22 %	54	
Rather no	2 %	5	
No	2 %	5	
No answer	31 %	76	

The portraits show the "human" side of science: [TOTAL: 244]

Yes	34 %	83	
Rather yes	26 %	63	
Rather No	6 %	15	
No	1 %	2	
No answer	33 %	81	

• Did you hear about this project of the foundation before? [TOTAL: 244]

Yes	24 %	59	
No	76 %	185	

VI. THE ALUMNI NETWORK

As the results of this portion of the survey make clear, it is the participants' wish to continue the dialogue begun in Lindau. Two thirds of those surveyed indicated that they would definitely like to set up a profile of their own on a platform. Their main concern in this connection is to remain in contact with one another, and to receive information about future Lindau Meetings. This demonstrates that a platform for former participants could contribute decisively towards establishing lasting networks of young economists from all over the world.

• Will you create your own profile at the Alumni Network of the Lindau Meetings: [TOTAL: 244]

I definitely will create my own profile.	67 %	163
I will decide later.	30 %	73
I will not create a profile because I'm already member of other web-based networks.	2 %	5
I will not create a profile because... (other reasons)	1 %	3

• Please tell us what you expect from an Alumni Network of the Lindau Nobel Laureate Meeting (choose up to three items): [TOTAL: 611]

Keep in touch with other participants from this year's meeting.	250
Start a dialogue with participants from past meetings.	104
Get news about future Lindau Meetings (e.g. online lectures).	147
Open forum for discussions between former participants.	92
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Participants appreciated the informal atmosphere of the meeting.

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* from June 29th, 2008

** from August 21st, 2008

187 NOBEL LAUREATES ARE MEMBER OF THE FOUNDERS' ASSEMBLY OF THE FOUNDATION LINDAU NOBELPRIZEWINNERS MEETINGS AT LAKE CONSTANCE.

A

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Sidney Altman
Philip W. Anderson
Werner Arber
Robert J. Aumann
Richard Axel
Julius Axelrod

B

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C

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D

Hans G. Dehmelt
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Renato Dulbecco
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E

Manfred Eigen
Gerald Edelman
Robert Engle
Richard R. Ernst
Gerhard Ertl
Leo Esaki

F

John B. Fenn
Edmond Fischer
Ernst Otto Fischer
Robert W. Fogel
Jerome Friedman
Milton Friedman
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G

D. Caletton Gajdusek
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Clive Granger
David J. Groß
Peter Grünberg

H

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John L. Hall
Lee Hartwell
Herbert A. Hauptman
Alan C. Heeger
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Avram Hershko
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Ryoji Noyori
Christiane Nüsslein-Volhard

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Douglas Osheroff

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Chen Ning Yang
Muhammad Yunus*

Z

Ahmed Zewail
Rolf Zinkernagel

* Became member during the 3rd Meeting in Economic Sciences.



Joseph E. Stiglitz and young economist after his students discussion in the afternoon.

Preliminary Account for the 3rd Meeting of the Winners of the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel (As of October 31st, 2008)

REVENUES

Donations and funds from the public sector (Bayerisches Staatsministerium für Wissenschaft, Forschung und Kunst, Bundesministerium für Bildung und Forschung (BMBF), Internationale Bodenseekonferenz (IBK), Lotteriefond des Kanton St. Gallen, Staatliche Lotterieverwaltung Bayern/ Bayerische Spielbank Lindau, Stadt Lindau (B)), from **institutions aiding the advancement of science** (Deutsche Forschungsgemeinschaft (DFG), Stifterverband für die Deutsche Wissenschaft e.V.), from **industry** (Bayerische Landesbank, Boehringer Ingelheim GmbH, Deutsche Bank AG, Deutsche Telekom AG, EnBW AG, ETO MAGNETIC KG, Insel Mainau GmbH, Mars Inc., MS Management Service AG, Pro Lindau Marketing GmbH & Co. KG, Stadtwerke Lindau (B) GmbH & Co. KG, Sparkasse Lindau Memmingen Mindelheim), and **charitable or non-profit organisations** (Deutsche Bank Stiftung, Deutsche Telekom Stiftung, Ecoscientia Stiftung, Gerda-Henkel-Stiftung, Robert Bosch Stiftung GmbH, Dr. Meyer-Struckmann-Stiftung, Nobel Foundation, Stiftung van Meeteren, Wissenschaftsgemeinschaft Gottfried Wilhelm Leibnitz e.V., Zeit-Stiftung Ebelin und Gerd Bucerius) and the Foundation Lindau Nobelprizewinners Meetings at Lake Constance with its **Maecenates** (Audi AG, Deutsche Bank AG, Ecoscientia Stiftung, EnBW Energie Baden-Württemberg AG, Dr. Ing. h.c. F. Porsche AG, RWE AG, SAP AG, Verband der Bayerischen Metall- u. Elektroindustrie), **Principal Patrons** (Bertarelli Foundation, Lonza AG, Mars, Incorporated, NOVARTIS International AG, Principality of Liechtenstein, Siemens AG, Südwestmetall Baden Württemberg, Verein der Bayerischen Chemischen Industrie, Volkswagen AG), **Patrons** (Deutsche Telekom Stiftung, Robert Bosch GmbH, Verein Deutscher Ingenieure VDI), **Principal Donors** (Holcim Ltd, Jungbunzlauer AG, LGT Group Foundation, Monika and Wolfgang Schürer, Synthes-Stratec Inc., Tchibo Holding AG (maxingvest ag), Hansjörg Wyss Medical Foundation).

Amount 500.354,97 EUR

Participant fees for young economists taken over by benefactors or nominating institutions and subsidies and reimbursements of lodging and travel expenses of young economists: Among them Banca d'Italia, Banco de Mexico, Bank for International Settlements (BIS), Bank Indonesia, Bank Negara Malaysia, Bank of Canada, Bank of England, Bank of Finland, Bank of Israel, Bank of Spain, Bank of Thailand, Central Bank of Argentina, Central Bank of Brazil, Central Bank of Chile, Central Bank of Norway, Central Bank of the Philippines, Central Bank of the Republic of Turkey, Central Bank of the Russian Federation, de Nederlandsche Bank, Department of Science & Technology (India), Deutsche Bundesbank, Econometric Society, Elite Network of Bavaria, European Central Bank, European Economic Association, European University Institute, Hong Kong Monetary Authority, International Monetary Fund (IMF), Konrad-Adenauer-Stiftung, Maastricht University, Monetary Authority of Singapore, National Bank of Belgium, National Bank of Denmark, National Science Foundation (USA), Oesterreichische Nationalbank, Reserve Bank of India, Royal Netherlands Academy of Arts and Sciences, SAP AG, Saudi Arabian Monetary Agency, Schweizerische Studienstiftung, Sino-German Center for Research Promotion, South African Reserve Bank, Südwestmetall, Sveriges Riksbank, Swiss National Bank, Swiss National Science Foundation, The Federal Reserve Bank, The Lithuanian Academy of Sciences, The People's Bank of China, The World Bank, Université catholique de Louvain, University of Aarhus, University of Bologna, University of Cambridge, University of Copenhagen, University of Lund, University of Paris (Sorbonne), University of Warwick, Uppsala University.

Amount 101.500,00 EUR

TOTAL SUM OF REVENUES Amount **601.854,97 EUR**

Any deficits which may arise upon presentation of all costs as of December 31, 2008, will be balanced by an existing letter of indemnity provided by the Foundation Lindau Nobelprizewinners Meetings at Lake Constance.

EXPENDITURES (General costs divided: 30% Economics, 70% Physics)

Printing costs and printed materials	34.697,37 EUR
Translation and interpreting costs	3.644,78 EUR
Rent conference venue, tent and office, as well as technical facilities	45.125,36 EUR
External services	33.307,91 EUR

Selection process for participants, public affairs, outreach initiatives	20.785,14 EUR
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General travel expenses	4.724,08 EUR
Travel expenses Prizewinners	45.551,89 EUR
Travel expenses participants*	7.193,12 EUR
Travel expenses scientific chairmen and Council	2.542,90 EUR
General boarding costs	2.134,28 EUR
Boarding Prizewinners	7.657,87 EUR
Boarding participants	62.702,54 EUR
Boarding Council	358,70 EUR
General lodging costs	9.676,00 EUR
Lodging Prizewinners	18.921,50 EUR
Lodging participants	84.060,04 EUR
Lodging Council	6.215,00 EUR
Expenses for Prizewinners	7.361,09 EUR

Postage	4.550,75 EUR
Newspapers, books	400,00 EUR
Telephone	1.670,00 EUR
Global broadcasting and website	96.432,17 EUR
Office equipment	1.959,88 EUR
Operating costs (electricity, water etc.)	4.869,98 EUR
Legal advise	1.000,00 EUR
Insurances and taxes	1.047,97 EUR
Overheads for financial transactions	212,55 EUR

Staffing, wages and salaries incl. payroll taxes	111.352,10 EUR
Auditing	1.700,00 EUR

TOTAL SUM OF EXPENDITURES (until 10/2008)	Amount	621.854,97 EUR
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Expected costs 11/2008 - 12/2008	18.000,00 EUR
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TOTAL	Amount	639.854,97 EUR
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Additional donations in kind and pro-bono services: Artificial Image, AUDI AG, Axinom GmbH, Big Image GmbH, Business Wire, Deutsche Lufthansa AG, Deutsche Telekom AG, EnBW AG, Gebrüder Weiss GmbH, Lennart-Bernadotte-Stiftung, Lindauer Zeitung, LISTA Office AG, MAN AG, Mischel Computer, mondi, MS Management Service AG, PwC Deutsche Revision, Sennheiser electronic GmbH & Co. KG, Stadtwerke Lindau (B) GmbH & Co. KG, Universität St. Gallen, Vacheron Constantin, Zumtobel Lighting GmbH.

*Without expenses paid for directly by nominating institutions.

EDUCATING AND INSPIRING SCIENTIFIC GENERATIONS: OUTREACH ACTIVITIES OF THE LINDAU MEETINGS.



1 2 Impressions from the “Stifterland Bayern” exhibition: The Lindau Meetings of Nobel Laureates are demonstrating just how well public-private partnerships can function. **3** The exhibition at Israel features Peter Badge’s portraits of Nobel Laureates. **4** The new coffee table book “Nobels” presents 300 large scale black and white images of all living Nobel Laureates accompanied by a short biography of each prize recipient.

Stifterland Bayern

From March 2008 until June 2009, the Association of German Foundations is staging the STIFTERLAND BAYERN (“Bavaria – The donor state”) initiative. With an exhibition, catalogue, symposia and events in all administrative districts of the Free State of Bavaria, it is demonstrating the diversity of foundations active in the region and the indispensable non-profit-making commitment of its sponsors, and aims to reinforce the concept of philanthropy. With almost 2,800 foundations under public law, Bavaria is one of the states in Germany with the largest number of foundations. The Foundation Lindau Nobelprizewinners Meetings at Lake Constance is actively involved in the initiative, and is presenting the Nobel Laureates Meeting both as part of the exhibition as well as in the catalogue.

Exhibition in Israel

A collection of 77 portraits of Nobel Laureates by Peter Badge was on display at Madatech–Israel National Museum of Science, Technology and Space in Spring 2008. Beyond its artistic and documentary merit, the exhibition allows visitors to “meet” Nobel Laureates and discuss scientific novelties and their effects on human life. The exhibition – a joint venture of Technion, Madatech and the Lindau Foundation – was initiated by Aaron Ciechanover, Nobel Laureate in Chemistry 2004, who chose the portraits together with Technion President, Yitzhak Apeloig, and Moti Segev.

“Nobels” – Portraits by Peter Badge

The Nobel prizes were first awarded in 1901, after Alfred Nobel decided to devote his enormous fortune to the betterment of mankind. In his will, he established annual awards in the fields of physical science, chemistry, medical science or physiology, literature and peace (an associated prize was later created in economics). Since then, nearly 600 amazingly accomplished individuals have received a Nobel prize. But most of the recipients have spent their lives in research labs and behind desks, pushing for breakthrough discoveries or creating masterful works of art. In “NOBELS – Nobel Laureates” photographed by Peter Badge, a talented German photographer presents the results of an ambitious project he began in 2000. He has photographed every single living Nobel Laureate.

He presents his work in an impressive coffee table book filled with more than 300 large scale and haunting black-and-white images accompanied by a short biography of each prize recipient. Badge tracked them to all corners of the earth in order to capture a unique image of each and every one. He then teamed up with writer Chris Richmond to create a stunning word/image tableau. “NOBELS” was published in summer 2008. The portraits of Nobel Laureates used in this report (see p. 4/5) are part of a project set up by the Foundation Lindau Nobelprizewinners Meetings at Lake Constance and supported by the Klaus Tschira Stiftung gGmbH. The encouragement by Nobel Laureates of scientific excellence in subsequent generations of scientists marks the spirit of the Lindau Nobel Laureate Meetings where many of the portraits were taken.



UPCOMING LINDAU MEETINGS

59TH MEETING OF NOBEL LAUREATES

(dedicated to Chemistry) from 28 June–3 July, 2009

60TH MEETING OF NOBEL LAUREATES

(3rd interdisciplinary meeting with Nobel Laureates from the fields of Physics, Medicine or Physiology, Chemistry) from 27 June–2 July, 2010

61ST MEETING OF NOBEL LAUREATES

(dedicated to Medicine or Physiology) from 26 June–1 July, 2011

4TH MEETING IN ECONOMIC SCIENCES

from 23–27 August, 2011

Kuratorium für
die Tagungen
der Nobelpreisträger
in Lindau
Council for the Lindau
Nobel Laureate Meetings



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