

Hansen wins the BBVA Foundation Frontiers of Knowledge Award in Economics for devising a statistical language that tests economic theory against the empirical evidence

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- “I am currently interested in the study of how macroeconomic fluctuations and growth are reflected in the price of securities”, informs the new Frontiers laureate
- The breadth of disciplines addressed and their monetary amount – a combined total of 3.2 million euros, with 400,000 euros in each category – place the Frontiers of Knowledge among the world's foremost award schemes

Madrid, February 16, 2011.- The BBVA Foundation Frontiers of Knowledge Award in the Economics, Finance and Management category goes in this third edition to Professor Lars Peter Hansen of the University of Chicago “for making fundamental contributions to our understanding of how economic actors cope with risky and changing environments”, said the jury in its citation.

In the early 1980s, Hansen devised the Generalized Method of Moments, “a powerful statistical framework that empirically addresses how economic agents cope with changing and risky environments”, and now “the standard textbook method in econometrics”, the jury continues.

“The previous winners of this award are truly distinguished scholars, and it is an honor to be in their company” were Hansen's first words on hearing the news.

His innovation was essentially to design a statistical framework based on economic science itself, resulting in a universally applicable methodological tool with such diverse uses as the testing of asset pricing theories, analysis of macroeconomic models, or the study of market power in economic sectors.

Hansen, in the words of the citation, “has used this approach to explore the interconnections between macroeconomic indicators and asset prices in financial markets, showing in particular how to formulate robust policies in periods of high uncertainty. His work forms the basis for much contemporary empirical research in financial economics”.

Hansen’s method provides a linkage between economic theory and empirical evidence. It can be used, for instance, to estimate risk aversion by crossing the statistical analysis of time series on saving and consumption with economic and financial indicators. His work has also been fundamental to our understanding of the pricing of financial assets, by integrating financial market performance with macroeconomics. “I am currently interested in the study of how macroeconomic fluctuations and growth are reflected in the price of securities”, informs the new Frontiers laureate.

The jury also singled out Hansen’s achievement in “bringing greater discipline to economic theory by providing the tools to test it against the empirical evidence”.

Hansen’s name was put forward for the award by the University of Chicago (United States).

Biographical notes

Born 1952 in Illinois (United States), Lars Peter Hansen completed a degree in mathematics at Utah State University in 1974, and four years later obtained his PhD in economics from the University of Minnesota. From 1984 to the present, he has occupied various professorial posts at the University of Chicago.

He currently heads the Milton Friedman Institute for Research in Economics at the University of Chicago.

He has mentored numerous doctoral theses, and his book *Large sample properties of generalized method of moments estimators* (1982) is among the most cited publications in the economics field. Among his other well-known works are *Advances in economics and econometrics: theory and applications* (2003) and *Robustness* (2007).

International jury

The jury in this category was chaired by **Andreu Mas-Colell**, Professor of Economics at Pompeu Fabra University and a BBVA Foundation Frontiers of Knowledge laureate in Economics, Finance and Management. The secretary was **Hervé Moulin**, George A. Peterkin Professor of Economic Theory at Rice University (United States). Remaining members were **Manuel Arellano**, Professor of Econometrics at the Center for Monetary and Financial Studies (CEMFI) (Spain); **Manuel González-Páramo**, member of the Executive Board and the Governing Council of the

European Central Bank (Frankfurt, Germany), and **Peyton Young**, James Meade Professor of Economics at the University of Oxford (United Kingdom).

The award in its 2009 edition was shared by Andreu Mas-Colell and Hugo Sonnenschein for extending the reach and applicability of general equilibrium theory and establishing the modern theory of aggregate demand. The 2008 award went to French economist Jean Tirole, a world authority on the theoretical and practical application of game theory and information theory.

The BBVA Foundation Frontiers of Knowledge Awards honor world-class research and artistic creation across eight prize categories. Their uniqueness lies in their close alignment with the scientific, technological, social and economic challenges of the present century. Each award category carries a cash prize of 400,000 euros.

UPCOMING AWARD ANNOUNCEMENTS

CATEGORY	DATE
Development Cooperation	Friday, February 25, 2011

The BBVA Foundation supports knowledge generation, scientific research and the promotion of culture, relaying the results of its work to society at large. This effort materializes in research projects; human capital investment; and specialization courses, grants and awards. Among the BBVA Foundation's preferred areas of activity are basic sciences, biomedicine, ecology and conservation biology, the social sciences and literary and musical creation.

A video recording of the new laureate's first impressions on receiving news of the award is available from the Atlas FTP with the following coordinates:

Server: **213.0.38.61**
Username: **agenciaatlas1**
Password: **amapola**

The name of the video is:
Premio Fronteras Economía

Fundación BBVA

For more information, contact the BBVA Foundation Communication Department (+34 91 374 5210/comunicacion@fbbva.es) or visit the Foundation website www.fbbva.es