JSHET Session: Should we trust economists as expert social planners?

Speakers:

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This session focuses on normative aspects of the social role of economists as designers and advocates of policies. **Reiss** and **Ross** discuss the trustworthiness of economists as scientific experts. **Reiss** criticizes two recently proposed institutional arrangements aimed at attaching greater effective weight to economic experts' opinions on science-related policy issues. Against these proposals, he advocates a return to more democratic control over scientific experts, based on the premise that economic and social scientific knowledge are mostly controversial. In almost exact contrast, **Ross**, while starting from a familiar economic framework in which trustworthiness is assessed in terms of narrow conflicts of interest of policy advisors, proposes a surprising hypothesis that economists are best trusted when they are not being watched by members of the general public. He argues that this is due to the different *kinds* of policy on which microeconomists and macroeconomics respectively advise and consult, and to the risk attitudes of those economists who are exposed to the scrutiny of the general public. **Lecouteux** focuses on normative standards of welfare economics, and argues that the traditional role of the economist as social planner cannot be maintained if one takes seriously the implications of behavioral economics. In particular, when we accept that people construct their preferences endogenously, the fact that their choice behavior deviates from normative models of choice pulls the rug out from justifications for nudging people to conform to ideals premised on economic rationality. Lecouteux argues that what is needed is a thorough revision of the standard philosophical and methodological concept of agents that features in most current normative economics.

Expertise, Consensus, and the Nature of Social Scientific Facts
Or: Against Epistocracy

by Julian Reiss, Durham University

Abstract

Is there such a thing as an 'economics expert' or a 'social science expert'? While much of the earlier literature on the role of experts in society has focused on limiting the power of experts by subjecting it to democratic control (most prominently, perhaps, in Paul Feyerabend's *Science in a Free Society*: Feyerabend 1978, see also Feyerabend [1975]1999, [1976]1999), a number of more recent contributions argue in favour of something that comes close to the exact opposite: the subjugation of democracy to scientific control, and control by economists and other social scientists in particular. In this paper I focus on the two books *Why Democracies Need Science* by Harry Collins and Robert Evans (Collins and Evans 2017) and *Against Democracy* by Jason Brennan (Brennan 2016), both of which advocate the creation of new, science-strengthening institutions: the former, a committee of 'Owls' — scientific experts who assess and certify the quality of a scientific consensus of some policy-relevant matter; the latter, the replacement of the 'one person – one vote' principle by a principle according to which a person's voting rights are, in part, made dependent on the person's expertise in scientific (especially, social-scientific and economic) matters.

I reject both proposals. I argue that these kinds of institutions would lead to extremely harmful consequences and urge philosophers to return to the values defended in the earlier literature on experts in society (which was highly critical of experts). One of the major premisses in my argument is a denial of the existence of uncontroversial knowledge in economics and other social sciences. While not denying the possibility of social science knowledge as such, I argue that the truth of a social science generalisation depends on many factors such as time and place of application (what is true here needn't be true there; and what was true then needn't be true now), the envisaged horizon (what is true of the short run needn't be true of the medium or long run), the envisaged contrast (what is true relative to one contrast needn't be true relative to another), and the chosen indicator (what is true for one outcome measure needn't be true for another). While what I call a 'fully specified research question' does allow of a true answer, there is ample room for disagreement about the answers to a less than fully specified research question

because values and considerations of relevance play a role in determining the 'right' or 'best' specification, and there are no objective standards for either value judgements or relevance.

Both proposals also rely on the existence of a scientific consensus in the relevant areas of research. I argue that because of the lack of uncontroversial social science knowledge, a scientific consensus in economics and other social sciences is most likely to be the result of conformism rather than rational inquiry. Specifically, I argue that the common acceptance of a bad theory, the common acceptance of a bad methodology, the common acceptance of bad social values, and selective admission of individuals into the discipline all may lead to consensual outcomes, but that the public would be ill advised to accept policy recommendations on the basis of these.

For these reasons, I urge policy makers not to take up the suggestions by philosophers and other students of science to strengthen the role of experts in society. To the contrary, if anything, their views should be taken with a grain of salt and feed into policy debates only as one among many sources of information.

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Why economists are most trustworthy when the general public isn't watching

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Abstract

It is a commonplace observation that the developed democracies are currently beset by a crisis of confidence in expertise. Among the many contributing factors in the underlying causal web is the widely perceived failure of economists to either predict the financial crisis of the last decade, or inspire construction of an institutional and policy environment that wasn't so fragile. The famous remark by a senior British cabinet minister that "people have had enough of experts" specifically referred to economists.

Questions about why many people have lost confidence in economists are tightly entangled with questions about whether economists are in fact trustworthy. We can distinguish between trustworthiness with respect to (a) prediction, (b) explanation, and (c) policy advice. No one will be surprised that trustworthiness is undermined in the case of economists who are paid for any of (a)-(c) by parties with material interests in what the economists say. But this has always been true, and there are imperfect but well marked institutional devices for bracketing off economists' public pronouncements when they are serving as interested policy advocates. Is the problem simply that these devices have, for some reason, recently broken down? I argue that there is no reason to believe that the issue of incentivized bias has lately become harder to manage; in fact, it has probably become better controlled than at any time in the past. I concentrate, therefore, on economists who are trying to tell the truth as they see it, or are trying to give honest advice based on this perceived truth.

In setting aside issues associated with *direct* bias influencing economists who are 'guns for hire', I do not thereby remove from consideration structural forms of bias that emerge from the ways in which economic policy advisors are embedded in public and corporate governance, and from the ways in which economists communicate with the public. Economics is a 'policy science', meaning that the activity of economists is mainly motivated by hopes of discovering 'betterness' relationships among possible policies and possible incentivizing mechanisms, where 'betterness' is understood in terms of welfare, and welfare is a measure of efficiency. No economic model can assess every possible welfare consequence of a policy, and institutional filters influence the *kinds* of consequences that are considered. More fundamentally, economists are expected to evaluate risks, which confront stakeholders whose choices express heterogeneous risk preferences. Consequently, economists cannot, in principle, completely avoid paternalism. This lends a form of legitimacy to concerns about their trustworthiness that is not adequately addressed by research into the general reliability of scientific experts.

A second cluster of concerns, also specific to economics, arises from the (evolving) styles of abstraction from complexity that economists are trained to use. Economic methodologists have written thousands of papers on these issues, but they have arguably only recently become subjects of widespread public awareness. I distinguish two grades of 'hubris' allegation against economists that recur with increasing frequency in economic journalism since the crisis. According to the strong grade of this allegation, economic models typically abstract away from crucial causal factors that drive outcomes, so are little more than mathematical toys. The more charitable grade of the concern is that economists' models describe causal relationships and trends that enable them to retroactively explain policy consequences; but this undermines their perceived trustworthiness when they succumb to strong institutional pressures to deliver time-indexed quantitative predictions.

I ask whether these two channels of doubt about economists' trustworthiness arises equally, or in the same way, for both microeconomics and macroeconomics. I review evidence that it does not. Philosophical and methodological work to date on economists' trustworthiness has been limited by lack of systematic attention to the fact that the two channels respectively affect microeconomists' and macroeconomists' claims to expert authority in crucially different ways. Furthermore, it has attended insufficiently to differences between two institutionally distinct networks of macroeconomists. This implies criticism of efforts to identify best responses when these are intended to be taken up by economists and economic institutions in general.

The main business of the paper is to muster evidence for the following generalizations. (i) The most reliable economic policy advice tends to come from microeconomists, and also tends to be relatively invisible to public awareness and scrutiny. The structural bias channel is the most significant threat to the perceived and actual trustworthiness of this subset of economic research. (ii) Those economists whose policy advice is *in fact* least trustworthy are mainly theoretical macroeconomists who in fact have less policy influence than *either* they or the general public tend to believe. The failure of policy outcomes to serve as genuinely valid tests of highly abstract macroeconomic theory largely explains why much of that theory encourages distorted, empirically unmoored beliefs. Thus, contrary to appearances and to journalists' diagnoses, the primary channel undermining these economists' trustworthiness is the second one rather than the first. Confusion about this is argued to be a major impediment to repairing post-crisis public respect for economics. (iii) More empirically attentive and pragmatic macroeconomists, who actually *do* exert causally significant policy influence tend to be highly aware of the importance of protecting their trustworthiness. An unintended consequence of the interaction between this institutionalized self-consciousness and generalizations (i) and (ii) is excessive risk aversion in policy advice, which ironically contributes further to erosion of trust, mainly through the complementary mechanisms of sincerely frustrated and cynically demagogic politicians.

The paper points to brief case studies illustrating all three generalizations. The point at this stage is to draw attention of methodologists, philosophers, and economists to the identified complexity of the trustworthiness problem afflicting economics. Suggested institutional best responses are deferred to future work.

The Fable of the Beekeepers

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Traditional welfare economics assumes that individuals have stable and context-independent preferences, and uses preference satisfaction as a normative criterion. Behavioural economics called this assumption into question, and thus raises fundamental problems for normative economics: if people's preferences are likely to change over time, or to depend on apparently irrelevant aspects of the choice situation, can we still form normative judgments about people's choices based on their revealed preferences? The problem of how to reconcile normative and behavioural economics (labelled by McQuillin and Sugden (2012) as 'the reconciliation problem') is that economists need to develop an alternative normative criterion to the standard preference satisfaction paradigm. The main approach developed thus far, *behavioural welfare economics*, consists in treating departures from conventional rational choice theory as mistakes, and uses the satisfaction of the 'true' preferences of the individuals – the preferences they would have revealed, were they able to reason correctly – as a normative criterion (see Infante *et al* 2016 for a review of behavioural welfare economics).

A key characteristic of both neoclassical and behavioural welfare economics is the reference to the figure of the *social planner* (Sugden 2013). Economists indeed usually see themselves as the advisors of a disembodied 'government' or 'planner', who is supposed to have 'the responsibility, the will and the power to restructure society in whatever way maximise social welfare' (Sugden 1986, 3). Drawing on Mandeville's *Fable of the Bees*, I suggest that normative economists endorse the role of benevolent beekeepers whose mission consists in designing an optimal 'hive', in which the individuals could maximise their production of utility. I argue that such an approach is normatively defensible – and is rooted in Hobbes' contractarianism – only if we are committed to a specific view of the individuals, as 'passive' agents whose sole objective is the satisfaction of predetermined preferences. The definition of individual preferences in neoclassical economics as *revealed* preferences (derived from individual choices) satisfies by construction this condition, although it does not require making any substantive anthropological claim about the nature of the agents. Keeping this non-welfarist interpretation of preferences, Sugden argues for a contractarian normative economics, in which what matters is the opportunity for the individuals to do what they want to do, at the time they want to do it (Sugden 2004) – incoherent choices thus do not raise any normative issues, that could justify the intervention of a benevolent planner. The distinction between preferences and welfare (between the 'revealed' and the 'true' preferences) in behavioural welfare economics however requires a much more substantive claim about the nature of the agent. Individuals must be seen as defective automata, seeking 'help' from the social planner to effectively maximise their welfare. This model is however psychologically and philosophically problematic (Lecouteux 2015, Infante *et al* 2016).

Treating behavioural 'anomalies' as mistakes, that should be corrected by a benevolent social planner, confers to economists the role of social designers, whose goal consists in designing optimal incentives so as to steer people's behaviours in the 'right' direction. An alternative approach to this *technocratic* solution would be to emphasise the *democratic* legitimacy of the individuals to choose for themselves the kind of lives they want to live. It falls to the agents – and not to behavioural economists – to decide whether the incoherence of their preferences matter or not (Lecouteux 2016, 194-195). An alternative reading of behavioural economics would be that endogenous preferences do not require some latent true preferences, and that the agents have an (even limited) ability to *shape* their own preferences. Our role as economists would therefore not be to steer people's behaviour in what we think is the best direction (from our perspective), but rather actively participate in people's education, to give them the means to form in an autonomous way their own preferences. This contrast between a democratic and a technocratic role of behavioural economists echoes the two perspectives on scientific management that emerges in the early 20th century (which, according to Grant (2002), was a key factor in the introduction of the modern conception of incentives in economic thought). Unlike within the folk historical reconstruction of Taylorism and Human Relations (see Bruce and Nyland 2011), the Taylor Society actively participated in the defence of an 'industrial democracy', against Elton Mayo's defence of the power of the natural and skilled 'elite' of businessmen. Rather than treating agents as an irrational mass of people, who should be directed by an enlightened and powerful elite – and therefore interpret behavioural economics as a way to better understand people's motivation as a means to control their behaviour – we should acknowledge the normative status of agents, and give them the opportunity to choose how to shape their lives. I illustrate this point by discussing Ostrom's (1990) institutional design principles enabling the sustainable management of common-pool resources. Indeed, a central insight of those principles is that the government should delegate to the community of users the mission to organise the management rules of the resource. Direct interventions, on the other hand, tend to generate some resistance from the users, and are more likely to fail.

Integrating psychology into economics should impact the *methodology* of normative economics: the traditional approach of the social planner (with its normative criterion and the political institutions it justifies) is indeed acceptable only if we keep the same anthropological conception of the individual, as a passive *locus* of experience, deprived from any agential power. Behavioural welfare economics is normatively acceptable only if humans are 'faulty Econs'. Behavioural evidence however seem to suggest not that people systematically make mistakes (and fails to satisfy some inner, true, preferences) but rather that the environment is likely to influence their preferences. Rather than exploiting the limited autonomy of the agents, in a Machiavellian way, the goal of normative economists should be to develop their autonomy. Focusing on the processes of preference *formation* rather than preference *satisfaction* implies in particular adopting a contractualist (rather than contractarian) view of normative economics, in line with Rousseau's conception of the social contract.

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