Introduction to Economics as a Public Science. Part II: Institutional Settings

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This issue of *Œconomia* contains the second set of essays that emerged from the conference "Economics and Public Reason" hosted in May 2018 at the Centre Walras-Pareto for the History of Economic and Political Thought at the University of Lausanne.

Keywords: methodology, public reason, expertise, institutions

Introduction à l'économie comme science publique.
Partie II : le contexte institutionnel

Ce numéro d'*Œconomia* contient la seconde série d'essais issue de la conférence « Economics and Public Reason » qui a été organisée en mai 2018 par le Centre Walras Pareto d'études interdisciplinaires de la pensée économique et politique à l'Université de Lausanne.

Mots-clés : méthodologie, raison publique, expertise, institutions

JEL: A11, B20, B40, Z18

In the introduction to the first special issue, we referred to Hirschman and Berman's much cited article of 2014, "Do Economists Make Policies?" which highlights the importance of what Science and Technology Studies refers to as the socio-technical infrastructures of economic knowledge production and transmission (Hirschman and Berman, 2014). We could also have referred to Eyal and Levy's contribution in Mata and Medema's HOPE conference volume on economists as public intellectuals (2013), "Economic Indicators as Public Interventions," in which the authors use the Foucauldian distinction between general and specific intellectuals to argue that economists do not gain their public traction so much as *individuals*, but rather through the institutions in which they work or with which they are otherwise associated and through the tools they develop. Eyal and Levy then cleverly apply this argument to the rise to prominence of the GDP as an indica-

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tor of growth. In doing so, they show the close-knit relations between economic agents and the modes in which and arenas where they intervened. In this issue we see similar relations between and within, for example, the Social Science Research Council, or OECD, and the tools and techniques developed and promoted to intervene in the public sphere. While John Rawls and Jürgen Habermas, in different ways, concentrate their analysis of "public reason" on how a political society sets its priorities and agrees on its procedures of decision making, both Hirschman–Berman and Eyal–Levy remind us that the interventions of economists as a rule do not take place in the public arena, but gain their effectiveness from the way their tools shape the arenas of economic and political decision making, with National Income Accounting or Merton–Black–Scholes option pricing as stellar examples. This of course opens the door to the larger literature on how economists "perform" the economy. It is in this spirit that the initial conference behind these two special issues concentrated not on *economists*, but on *economics* and public reason.

While the first issue, published as volume 9(2) of *Œconomia*, focused on the ethos of economists vis-à-vis their publics and on their means of expression (such as models and memos), this issue zooms in on the institutional settings in which and through which economists become socially and politically relevant. As we noted in the first issue, and emphasize here again, the distinction may seem neat, but in the contributions to both issues we see many crossovers between these themes. The institutional settings in which economists operate or in which economic tools and thinking are proposed or applied range from learned societies which created middle grounds between experiments in households and emerging states, to ad hoc committees of economists that mediated between academic economic knowledge and hands-on economic policies, to international organizations that came to serve as vehicles for specific visions of economic policy. These visions may be concerned with how to translate theories into action, or with the promotion of specific tools that serve the same purpose. The essays gathered in this issue also feature a concern with the travel of such theories and tools from centers of economic and political power to the periphery or the reverse, including the resistance with which they are met and/or the need to adjust them to local circumstances.

The first two essays find us at opposite ends of the British Empire. Aida Ramos uses her contribution to examine how the Dublin Society through the eighteenth century functioned as a collective that promoted agricultural and other experimentation to improve the Irish condition, in the absence of a central government with other than exploitative interests. Lacking political clout, the Dublin Society promoted economic innovations and experimentation via prize-schemes and, eventually, low-cost publications that spread new, experimental knowledge to a wider audience. As with much of the knowledge produced at the time, this was not "pure economic" knowledge in the sense of high theory, but it consisted of a mixture of (especially) agricultural and economic experimentation that facilitated the improvement of local constituencies. While focusing on economic knowledge, Ramos's contribution fits in the recent rise of interest in low-key scientific initiatives that transgressed from the homely sphere of the family-economy into wider orbits of public conversation.

With Sharmin Khodaji's contribution we move from the colonial relation between England and Ireland to that between India and Great Britain in the early twentieth century. By then, there was a corpus of classical political economic knowledge in Britain that was considered authoritative, especially when presented to its colonies. It was against this authority that a growing group of Indian-trained economists took a stance. Taking up Mahadev Givind Ranade's appeal of 1892 to develop an 'Indian Political Economy', these Indian economists aimed at a political economy that would no longer take its examples from Britain and Europe, but from Indian local conditions, to thus further the growing Indian nationalist creed. Khodaji examines how the British colonial administration responded by tightening its grip on Indian university teaching through the dissemination of textbooks that reaffirmed the truths of British political economy, yet modified their message by allowing the Millian caveat that the universal laws of political economy do not always manifest themselves identically because of disturbing causes coming in their way. Khodaji shows how Indian political economists in response increasingly drew on the ideas of Friedrich List and the German Historical School, attracted by their focus on protectionism and the need for attention to the distinct conditions of different nations as against the classical free-trade universalism. Some of these texts were intended as academic textbooks, while others were targeted at wider audiences but came to be used as textbooks as well. Thus, in the early decades of the twentieth century, economic textbooks became the battleground to challenge the colonial vision of the Indian economy and to carve out an Indian road to economic development.

With the second pair of papers we move to a more recent period in history, one in which institutional settings were becoming increasingly formalized. Yet, more or less informal gatherings of economists created a space in which new methods of analysis and forecasting were ventured or policy advice was whispered that would cater to different audiences. Daniel Schiffman and Eli Goldstein tell the story of the organization of economic advice in Israel in the short window of time between 1952 and 1954 during which a group of American Jewish economists was contracted to help the Israeli government with the means and goals of economic policy. The young and embattled new state was clearly still under construction and highly dependent on external financing for its survival. Using the public choice distinction between 'learning' and 'signaling', Schiffman and Goldstein examine how the Israeli government organized a committee of economic advisors, somewhat along the lines of the Council of Economic Advisors to the US President. The cast of economic characters hired by the Israeli government consisted of high profile American Jewish economists, amongst whom was Abba Lerner. The government thus aimed to signal to an American audience a willingness to learn, yet it did so mainly to the largely liberal and democratic American Jewish community—not unimportant for its financial support, but far less so to the Eisenhower administration. The increased focus of the US government on the Israeli-Arab conflict also entailed a diminishing interest from the Americans in this economic advisory board. Schiffman and Goldstein explain in fascinating detail how the economic advisory board lost its efficacy and was discontinued when it became enmeshed in internal Israeli disputes over the meaning of economic planning, the weighing of long and short-term economic goals, and the importance of nation building over economic efficiency. It is a healthy reminder that the road to the performativity of economics is paved with failures.

Reversing the relation between center and periphery, Juan Acosta and Erich Pinzón-Fuchs tell the story of the Committee on Economic Stability of the Social Research Council, which promoted the use of large-scale macro-economic models with even more detail than their original Klein and Klein-Goldberger examples, specifying these details to the level of parameters that could be plugged in for policy purposes. Given the fledgling status of empirical macro-economic modeling within high-profile economic research centers like Cowles in the United States, it is an unlikely story. Yet luminaries such as James Duesenberry, Franco Modigliani and, less surprising, Lawrence Klein were sitting in the Committee on Economic Stability, working towards a conference that would take lessons in the possible benefits of macro-econometric modeling for economic policy from smaller countries such as Japan, France, Norway, and the Netherlands. If we remember that Dutch economist Jan Tinbergen received, with Ragnar Frisch, the first Nobel memorial prize in 1969, this may be less surprising, but with a waning of enthusiasm for notions of "planning" in the sixties (a notion of importance in Schiffman and Goldstein's story as well), an exploration of the possibilities of macro-econometric modeling for policy purposes is remarkable. Though Acosta and Pinzón-Fuchs show how the status of participants at the conference on quantitative policy analysis organized at the Brookings Institute, with financial support of the Ford Foundation, was less than initially expected, these participants had exactly the right profile to promote quantitative macro-econometric modeling within important policy institutes such as the Fed. Acosta and Pinzón-Fuchs thus provide an important building block leading to the famous Fed-MIT-Penn macro-econometric model. A more or less institutionalized group of economists interested in macro-econometric modeling and policy planning became an enabling device for the acceptance of quantitative policy analysis within highly institutionalized settings such as the Fed.

The last paper deals with economists within international economic institutes. Pedro Teixeira examines the extent to which ideas within the OECD about education changed over time. While Matthias Schmelzer recently claimed the early adoption of human capital theory within the OECD's growth paradigm, Teixeira nuances Schmelzer's account by distinguishing between such an adoption at the macro and micro levels. According to Teixeira, it amounts somewhat to a 'truism' that education contributes to economic growth, an argument regularly supported with reference to the factor labor in the Cobb-Douglas function and Solow's growth theory. But causal claims about links between education, labor productivity growth, and the growth of GDP say little about how these links are brought about at the micro level. Teixeira then contrasts sympathies within the OECD for governmental support for education as a form of long-term planning for growth with what he takes as an essential element of human capital theory in the Mincer-Becker-Schultz program—that is, that individuals themselves invest in their own education according to market pay-offs. These two views entail very different conceptions of the functioning of labor markets. In the first case, labor markets are imperfect and in need of governmental steering; in the second case, they are institutions that can be left to themselves. Teixeira's essay thus signposts the important point made in Eyal and Levy (2013), that economic expertise becomes political exactly when it is searching for neutral and technical modes of expression.

The contributions found in this volume, covering three centuries of economic thinking about economic improvement and policy making, bring to the fore developments in the types of institutional settings in which such thinking finds its voice. Ranging across friendly societies such as the Dublin Society, evolving university curricula, more or less informal committees of economic experts, and staff economists working in the service of established international institutions, the essays implicitly demonstrate the stabilization of economic knowledge and instrument making as a regular and continuing input in institutions which themselves came to serve as enabling devices for the functioning of the modern capitalist world and the governance enterprises that have at times attempted to (re)shape it.

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We would be remiss if we did not point out that this symposium issue would have contained a sixth contribution were it not for the untimely passing away of Evert Schoorl, after an illness that seemed to have waned. In March 2018 Evert was in a good mood and expecting to come to Lausanne in May, but in mid-April it became clear his illness had returned and he would be unable to attend the workshop. Evert Schoorl was a well-known scholar of the work of Jean-Baptise Say, and within and outside of the Netherlands highly appreciated for his wit and support, especially for young, new students in our field. He was also an early participant in and promoter of research on the economist's roles in the public realm and the broader transmission of economic ideas—projects in which the entrepreneurial work of one of us, Marco Guidi, and the late Bob Coats loomed so large. As a tribute to Evert's person and scholarship, we are glad to have Bert Tieben's obituary in this issue and dedicate this two-volume symposium to his memory.

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