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Is Teaching Expert Economists a Good Idea?

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Tom is an applied economist, and so am I, and we are both old — by now very old — teachers of the trade. We both believe that the best way to educate students in economics is to have them think through concrete problems, such as the optimal pricing of an externality or the correct economics of US slavery. That is, we both doubt that mere High Theory is the way forward, in the science or in the teaching of it. We do not think that existence theorems — "There exists an optimal pollution tax"; "Slaves could buy out their freedom if they valued it more than their masters did" — gets the society very far, whether in its decisions about the future such as a pollution tax or its reflections about the past such as the character of slavery. The method I have followed, ever since being trained in transportation economics by professors of civil engineering at MIT, is to ask How Big. Tom and I are economic engineers, he on environmental matters, I on historical matters. Economic education should be *applied*, we say. My Good Old Chicago-School micro textbook, *The Applied Theory of Price* (1985; available now on my website: free, free, free) has some five hundred worked problems. Tom agrees. Good for us.

But wait. Is it right to educate economists, as both Tom and I have done now for half a century, to be confident advisors to today's prince, or even confident evaluators of the past prince? Applied economists are accustomed to ask what *costs* are relative to benefits of an action. It is one of their merits that they insist that any decision begin with an accounting framework. It's the grown-up procedure. Should there be a 200-m.ph. train constructed between Boston, Portland, and Waterville? Benefits: wonderful. Uh oh: costs.

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So we should apply the same grown-up criterion to what we are doing in teaching. What are the costs, perhaps hidden, in a course of study that emphasizes the tole of the expert economist?

For the past century or so, economists have grown more and more sure that they are Experts, and should be handed the keys to the economy. Economists are in this matter quite unlike other social scientists. No anthropologist would, at any rate after the fall of European empires, think that her job is to manipulate Her People. Yet my friend Bob Frank at Cornell, also trained as an engineer, defends "nudging" by saying. "You're a libertarian, Deirdre. Don't you see that nudging is merely paternalistic libertarianism?" Oh, Bob.

A splendid new biography by the sociologist and intellectual historian Erwin Dekker, *Jan Tinbergen (1903–1994) and the Rise of Economic Expertise*, documents the central role of Tinbergen in giving intellectual rigor to advising the prince.

Before World War II Tinbergen invented, for example, the economy-wide macro model to guide policy. Lawrence Klein's follow-on for the US economy was an explicit imitation of Tinbergen, suggested by Klein's supervisor, the (very) young Paul Samuelson. Later Tinbergen turned to development policy, as did another Nobelist, W. Arthur Lewis, and (in the same Nobel year) my beloved former colleague Theodore Schultz. But again most of the economists gave top-down advice to the prince. Some of Tinbergen's princes were nasty numbers indeed, such as the tyrant of Indonesia.

There are three problems we need to face if we are to not raise up students who regard social engineering as problem-less once you have the data and the supply curve.

One is the Knowledge Problem. Marianna Mazzucato's alarming book in 2013 advocating the "entrepreneurial state" quotes her master writing in *The General Theory* on the matter. An economist, especially J. M. Keynes, "is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage." What evidence is there of *that*?

The second is the Ethics Problem. Public-choice economics has put in doubt the supposition that the advisor has no interests of her own. It was in fact personally true of Jan Tinbergen, something of a saint. But what observer of, say, modern Rome or for that matter Chicago in their public administration could believe such a thing? Yet it was taught in the "new" welfare economics of the 1930s and in Musgravian public finance at Harvard. The ancient Romans asked, *Quis custodiet ipsos custodes?* Who guards the very guards? Good question.

A third problem is still deeper, the John Donne Problem. It is that "no man is an island, entire of himself." Therefore *who* receives the benefits or pays of cost of a policy is deeply ill-defined. We are accustomed to thinking of the externality of, say, smoke pollution as straightforward. But smoke spreads. And a tax on smoke in Gary, Indiana drives steel production to India. The Romans had one for that, too: *Cui bono?* Whose benefit, and cost?

So. Teacher, teach thyself. Good advice for Tom and me.