

What is the social responsibility of academic economists?

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“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil.” John Maynard Keynes (1936)

1 Introduction

The question about the social responsibility of economists suggests that economics has a special status among the social sciences. Only few people would reflect on the social responsibility of anthropologists, geographers or historians. Most economists themselves are convinced that their science is different from – typically meaning superior to – the other disciplines (Fourcade et al. 2015). The difference is hardly deniable: economics makes heavy use of mathematics, has a Nobel Memorial Prize, and gets a lot of public attention, which many other social scientists observe with envy.

The main justification for the claim that economists have a social responsibility is the relevance of the academic discipline for the real world. According to Callon (1998), economics is “performative” which means that “economics does not describe an existing external ‘economy’, but brings that economy into being: economics performs the economy, creating the phenomena it describes” (MacKenzie & Millo 2003, p.108). An extreme position in line with the performativity thesis is the claim in Colander et al. (2009) that economics profession bears a responsibility for the global financial crisis and that the crisis is a system failure of the economic profession at a grand scale. In the same spirit Heise (2009) speaks of a “toxic science” and Fullbrook (2009) of “toxic textbooks”.

Many academic economists, however, would reject the idea that they have a responsibility for the real world effects of their research, since it is not them but others who apply the theories. In its early days, economics was seen as a moral science which is reflected in its roots in philosophy and its old name of political economy. Many of the great early economists such as Adam Smith, John Stuart Mill or Karl Marx were as much philosophers as economists and were also involved in public policy making. Today, mainstream economists are hardly concerned with ethical or moral questions and have a very technical approach to their object of study. Like natural scientists, economists aim at discovering and understanding mechanisms that generate observable phenomena. Once these mechanisms are understood, they can be used for prediction and policy analysis and advice. With respect to the latter, economists are typically very reluctant with explicit value statements and policy prescriptions. The typical stance is that economists – if they deal with public policy at all - show the consequences of different policies but the evaluation whether a certain policy is desirable is a political issue that must be left to democratic decision-making. Economists – at least academic ones - prefer to see themselves as advisors rather than participants in policy-making. As a consequence, most academic economists do not see any particular social responsibility for what they are doing, and some even claim that economists’ only social responsibility is to maximize their scientific career advancement (Boettke and O’Donnell 2016).

In this paper, I discuss why academic economists should not only feel responsible for their scientific careers but also for the social consequences of their research. Economists are not outside observers of the system they study, but parts of it. What they do has an impact on the economic and political

system, either by action or by omission. If economists provide flawed analysis and advice, they can create large social costs due to the resulting misguided policies. If they abstain from claiming policy relevance for their work and refuse policy advice, others such as consultancy firms or interest groups might step in. These non-economists might either uncritically use economists theories which were not designed for practical applications, or devise their own theories or provide interest-driven recommendations. In either case, the policies based on such work might be inferior to those that are derived from the work of economists. Economists should hence acknowledge that their work is relevant and that there is a justified public demand for scientific analysis of and advice on issues of public policy.

Another common conviction among economists is that appeals to personal morality do not help much. Instead, systems and institutions should be created such that personal intentions and motives do not matter, because the system provides the right incentives for socially desired behavior. This logic can be applied to private companies, but also to the scientific community. I argue that incentives in many cases are not enough to achieve socially desirable outcomes. They can even be counterproductive and must be complemented by social norms. We hence need a social norm that individual academic economists are responsible for doing socially desirable research.

I limit my attention to academic economists who do research and teach at universities. They are the main originators of what is perceived as economic knowledge and they have considerable freedom to choose what to do and how to do it. In contrast to economists working as practitioners in private companies or for public authorities, they are not expected to fight for vested interests. But freedom entails responsibility such that academic economists are the appropriate audience for my reflections.

In Section 2 of the paper, I discuss whether and how economists and economics influence policy and in which sense economics is performative. There is an interesting discrepancy between the self-perception of many economists and of the perception of other social scientists. While non-economists see and often deplore that many policy debates are dominated by economists and that economists have an excessive influence on policy decisions, economists who work as policy advisers believe that they have too little impact. I argue that economists do have significant impact on the economy and on policy, even though some might wish to have even more influence.

Section 3 discusses the claim of Boettke and O'Donnell (2016) that the only social responsibility of economists is to maximize their career advancement. These authors argue along similar lines as Milton Friedman who posited that the only social responsibility of private enterprises is to increase their profits¹. My main argument against this position is that the market for economic ideas does not work properly, which is a necessary condition for the conclusion of Boettke and O'Donnell.

In Section 4, I derive some responsibilities that economists have within their academic community and toward the public. The first responsibility is to become aware of the ontological and epistemic assumptions behind their work and to develop more tolerance towards alternative schools of thought and other disciplines in the social sciences. The second responsibility consists in accepting that economics is performative and that both what economists say and what they do not say might have an impact on society. From this we can derive as a direct consequence the obligation to do relevant research. Finally, economists must communicate better with the public. It is especially important that academic economists explain their theories and their implications and applicability, because academic economists might be less suspect of being lobbyists of some interest groups than economic practitioners. Section 5 concludes.

¹ <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

2 Influence and relevance of economics

My personal experience is that many academic economists believe that their work does not have much impact on society. Some lament this impression, because they think that the economy could work better if their insights had more impact on economic decisions. This view is often held by economists who are active in advising policymakers and who observe that politicians and other decision makers often care much less about efficiency than they do. Other academic economists are quite happy with the perceived practical irrelevance of their work as it allows them to pursue their personal academic interests and to have fun. Some of those economists frankly describe their research as a kind of *Glasperlenspiel* (glass bead game) that does not do any harm to anybody. Others consider their work as basic research which is far remote from any application.

The latter view of economic theory has a strong tradition in the discipline. It traces back to Leon Walras who distinguished pure economics and applied economics and considered the pure theory of economics the heart of the science of economics (see Hartley 1997). For Walras the study of pure economics was a deductive study of ideal economies, not of reality. If the deductions, for which mathematics must be used, are correct, the model is true as geometric deductions are true, even if the real counterparts of circles and ideal triangles are imperfect. Once the pure theory of economics is worked out it can be used in applied economics to detect and improve the shortcomings of real economies.

I reject the belief in the irrelevance of economic research on society. Both economists and their ideas matter. As a fairly direct example of Callon's performativity thesis mentioned in the Introduction, MacKenzie (2006) discusses how the theory of options developed by Black and Scholes (1973) and Merton (1973) and its practical implementations were the basis for option markets and large scale trading in derivatives. Options theory is a particularly clear case where economic theory was put into practice by creating tools for practitioners, such as the Black-Scholes pricing equation. Another example is the national income accounting system with gross domestic product as its main statistic. Without GDP as a measure of aggregate income or output it is hard to imagine the extremely strong role of economic growth in policy discussions and on political agendas. Hirschman and Berman (2014) speak of *policy devices* provided by economists, which are sociotechnical tools that help policymakers see and make decisions about the world. These devices both make aspects of the world visible and measurable, like unemployment, inflation or economic growth, and they facilitate rational decision-making, e.g. by cost-benefit analysis. Hirschman and Berman (2014) point out that, once generally accepted as useful tools, policy devices tend to conceal the underlying theoretical assumptions and normative choices. The decision not to include unpaid work such as housework into GDP might serve as an example.

Maybe even more important with regard to the work of theorists is that theories shape our view of the world. Mainstream neoclassical economics rests on the concept of stable equilibria. Basically all neoclassical analyses search for market equilibria, study their properties, and ask how equilibria change if some exogenous variables are altered. This approach is the standard way in neoclassical economics to derive theoretical predictions. Applied to macroeconomics this leads to the perception that recessions and even major economic crises are caused by exogenous shocks, such as productivity shocks or preference shocks. This view is so dominant in current mainstream macroeconomics that it is almost impossible for researchers to imagine that there could be other reasons for economic crises. The problem with such a perspective on economic fluctuations is twofold. First, it implies that recessions and crises are in principle not predictable because they are caused by stochastic shocks with an expected value of zero. Second, recessions and crises are not a fundamental problem in this view, because the economic system is inherently stable and will anyway return to the equilibrium after the

shock. If this equilibrium-plus-shock concept is further combined with the assumption of rational agents who optimally adjust to market conditions and foresee the consequences of political interventions, there is no or only limited scope for policy interventions. Economic theories that are considered heterodox provide a very different picture of the world. Building on the Minsky's Financial Instability Hypothesis (Minsky 1986), heterodox economists (e.g. Keen 1995) postulate that financial markets and capitalist economies in general are inherently unstable and produce crises endogenously. In this view, market mechanisms generate predictable recurrent patterns of booms and recessions, even without any external shocks. This line of reasoning typically also rejects the notion of universally rational agents, leading to a strong case for government intervention and regulation of financial markets in order to prevent major crises.

Broadly speaking we can say that there are two very different theories of economic and financial crises. The orthodox neoclassical approach considers economic and financial crises as the result of unforeseeable exogenous shocks to a stable equilibrium with always optimizing agents. According to the heterodox theory market economies are inherently unstable and economic agents at best boundedly rational. Interaction, coordination failure, and feedback effects generate endogenous fluctuations which cannot be interpreted as efficient. These opposite theoretical conceptions are far from irrelevant, since they imply very different policy recommendations. The former theory presumes stability and efficiency as the normal case and hence tends to be skeptical about the need and desirability of government intervention in the market. This does not mean that no case for interventions can be made, but the burden of proof is on those who argue in favor of interventions. The latter theory has the opposite implication that by default, strong government regulation is necessary to stabilize markets and the economy as a whole. Notice also that the two theories frame the problem of whether there should be strong regulation of financial markets in different dimensions. While the orthodox approach defines the problem as one of optimal allocation of resources and efficiency, the heterodox approach regards the stabilization of a fragile system as the main priority.

A similar argument can be made for the theoretical treatment of uncertainty. Neoclassical decision theory typically formalizes uncertainty as risk with quantifiable probabilities. Post-Keynesian theory, in contrast, emphasizes that in many relevant economic situations, uncertainty is better conceptualized as radical or fundamental uncertainty (see Roos 2015). This apparently academic distinction has fundamental implications for political debates such as the one about the appropriate response to climate change. Theories based on risk suggest optimal mitigation policies, which weigh the cost of mitigation against the expected benefits. Theories that stress radical uncertainty postulate that we can never hope to produce reliable estimates of expected benefits of climate mitigation and that the costs of too little mitigation could be catastrophic. Hence the appropriate policy should be precautionary rather than optimal.

But not only economic theories matter, economists themselves have impact, too. The perception that the advice of economists is irrelevant, because policymakers typically do not implement it is given is naïve. Hirschman and Berman (2014) argue that economists do have significant influence if policy questions are defined as technical, for example which policy instruments to use and how to design their implementation, rather than political. If a topic is highly controversial and the discussion is about political goals rather than policy instruments, economists tend to have less influence. It might be those situations that explain some economists' impression that their advice is not heeded and sometimes only used to legitimize what policymakers want to do anyway.

In contrast to many other social scientists, economists have achieved high professional authority and institutional positions which give them influence. Hirschman and Berman (2014, p. 13) define professional authority as the perception that economists are the best people to ask about economic

things, who have more legitimate knowledge in that domain than other sources of knowledge. Partly because of this authority economists occupy positions inside policy-relevant organizations from where they can affect decisions by setting agendas, framing and forming new policies or implementing and evaluating existing policies. In some cases they even become policymakers in their own right in powerful organization such as the International Monetary Fund or central banks. Furthermore, many countries have institutionalized councils of economic advisors who have good access to the government. In the U.S. the CEA has an office directly in the White House.

Economists with influential positions outside university are often practitioners rather than scholars, but in some countries like the US or the UK it is common that scholars temporarily or permanently move into important positions, for example in central banks. Both the present and the former chairs of the US Fed, Janet Yellen and Ben Bernanke, were highly respected professors at prestigious universities. But even if academics are not active outside universities, they teach those economists who later become practitioners and thus exert indirect influence.

In sum, academic economists have impact on society, which stems from their economic ideas as well as their actions.

3 Why the Friedman position is wrong

The global financial crisis of 2007 – 2009 generated a common perception among many intellectuals, journalists, policymakers, and also some economists that the economics profession failed miserably and may even bear responsibility for the crisis. Apart from scholarly failure, economists are accused of having promoted interests of corporations and especially the finance industry at the expense of public interest. As a response to this perceived danger of capture and corruption of economists, the American Economic Association (AEA) proposed a code of conduct, which met a lot of resistance from its members, however. Instead of a full code of conduct a set of principles of disclosure for publications in AEA journals was adopted.

Boettke and O'Donnell (2016), as many other economists² are highly skeptical towards a code of ethics. They write:

“We do not necessarily need moral scientists to produce good science, but we do need good rules of scientific engagement to produce good science. What matters is that ideas are constantly subject to contestation by one’s peers, and that the ideas that become part of the public discourse are subject to the contestation of democratic decisionmaking. Just as the market process does not depend on the motivations of individual actors to generate socially beneficial outcomes, but on the institutions within which those actors pursue their self-interest, so too does the institutional framework shape the course of the scientific process and whether scientific knowledge progresses, stands still, or regresses. Thus, the question of the corruption of economics does not hinge upon the ethics of individual economists—whether they are motivated solely by a lust for fame and recognition, or tireless truth-seekers—rather, it depends upon the institutional structure within which economists do economics.” (p. 117)

With reference to Milton Friedman’s famous statement³ that “the social responsibility of business is to increase profits”, Boettke and O'Donnell (2016) continue:

“We would like to suggest an analogous argument and approach to the ethical issues of the economics profession. The only social responsibility of the economist to maximize their career

² See <http://www.economist.com/node/17849319>

³ See <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html>

advancement within the scientific community of economists (where career success can be understood in terms of publications, citations, awards, grants, academic positions, and other typical measures of scientific careers). In this argument, just as in Friedman's, the social desirability of the results of human action derives from the institutional context of human action, not from the moral character or motivations of individual actors. Instead of market competition within a regime of private property and freedom of contract, science operates against a backdrop of the constant contestation of ideas, where new and old ideas alike are continually subjected to debate and critical scrutiny. Indeed, the development and progress of scientific knowledge depends, in a fundamental sense, upon the institutional framework of the scientific community. That is, it must foster a contestable market for ideas within a professional incentive structure that rewards and punishes good and bad behavior accordingly." (p. 118)

Their position is a libertarian one, since they vehemently argue against the concept of the economist as social engineer who attempts to improve society. They view social design by technocrats as an abuse of power, both because technocrats unacceptably might impose their own views on society and – even if they have benevolent intentions – because they might err which could harm many people. Referring to Hayek (1978), Boettke and O'Donnell (2016) emphasize that there are strong limits to scientific reasoning and knowledge about the economic and social processes. As a consequence they argue for epistemic modesty in economics, economists as “humble students of society” and a separation of economics as a science for the claims and practice of economic engineering.

I can easily agree with many of those ideas: The scientific discipline of economics should have good rules that allow for open debate and critical contestation of ideas, economists should be epistemically modest, and they should display humility with regard to policy recommendations. No serious scientist can object to these demands. Yet I cannot accept the conclusion that economists' only social responsibility is to maximize their career. There should be moral norms within the scientific community demanding responsible behavior of each individual economist. My main arguments for the rejection of the Friedman position are three: First, there is a demand by policymakers and the public for predictions about the effects of economic policy, which economists cannot ignore. Second, even science were a well-functioning market with good formal rules, moral norms are needed to constrain undesirable behavior. Finally, the actual market for economic ideas is far from competitive and it might be hard to ever bring it close to the imagined ideal.

The diagnosis that the real world far more complex than the simple models of economists is surely correct and it is also true that there are considerable epistemic limits in economics. But this cannot imply that economists refrain from evaluating economics policies and making policy recommendations. Policy makers inevitably must make decisions that affect the economy so that they have a legitimate demand for advice. At the most fundamental level, markets cannot exist without some regulatory framework set by governments (see Colander and Kupers 2014). Governments need taxes, so someone must determine what is taxed and what the level of taxes should be. Central banks must have a strategy for monetary policy, even if it is a passive, non-interventionist one. Adopting a complexity perspective (see Arthur 2014), I doubt that it is possible to make reliable statement about optimal policies, but I believe that it possible to at least roughly predict the effects of economic policies. And I also argue that the scientific approach which is transparent and lays open the assumptions and the methodology of the analysis is clearly preferable to other kinds of deriving statements about the effects and the desirability of economic policies. Economists' analyses may never be perfect, but if economists do not provide practical analyses and advice, other actors for sure will do it, because there is a market for this. Lobbyists, journalists, politicians, private economic consultants, and non-economist bureaucrats are willing to analyze the economy and to provide recommendations what policymakers ought to do. It is hard to argue why economic policy that is based on this kind of advice should be socially preferable to a policy that is informed by serious and neutral scientific analysis.

My second argument in favor of a social responsibility of economists other than the maximization of their own careers is that even with well-designed formal rules, there is a need for complementing moral norms. Boettke and O'Donnell (2016) argue for a "set of rules of engagement that denies monopoly expert status to any one or group of scientists, and promotes a contestable market in science" (p. 122), but they do not describe how these rules might look like. I doubt that it is possible to implement such rules in practice, but assuming that this were possible, they might not be sufficient for desirable outcomes. Shavell (2002) discusses the relation of law and morality as regulators of conduct and presents cases in which it is socially desirable to complement legal rules with moral norms. Morality is needed if legal sanctions are not strong enough to deter undesirable behavior or if legal norms are imperfect or difficult to apply, for instance because they do not take into account factors of relevance or because of difficulty of proof. Moral norms might also be more general and comprehensive than legal rules, such as the moral norm not to harm other people intentionally. The literature on the crowding out of intrinsic motivation by the provision of economic incentives is also relevant here (see Frey and Jegen 2001). This literature provides compelling empirical evidence and theoretical arguments that the introduction of incentive systems can lead to socially less desirable outcomes if they change the frame in which a social situation is interpreted. The classic example is the finding by Gneezy and Rustichini (2000) that parents in Haifa interpreted a newly introduced fee for picking up their children too late from the nursery as a price for extra time. As a consequence the introduction of a fine increased the behavior that was fined. A very clear case that career maximization within a contestable market in science alone cannot be desirable and must be complemented by moral norms can be made with the following example. Hoping to discredit an opponent's arguments, a career-maximizing economist might attack the personal integrity and question the intellectual capacity of a rival who challenges his scientific ideas. Such unfair behavior is difficult to sanction on the basis of formal rules. The editors of scientific journals would hardly reject an article of high scientific quality with the argument that its author treats rivals unfairly. One might argue that personal misbehavior does not matter, if scientists perform their research according to scientific standards. However, the assessment of economic research always involves a component of personal judgment with respect to the originality, contribution and relevance of the work by editors and referees. The inevitably subjective evaluation of a paper's quality might be biased by unfair personal attacks from adversaries against its author. Boettke and O'Donnell probably would agree that such unfair behavior is not acceptable as they see a need for "an environment of open, constructive discourse among practitioners, where critical dialogue is conducted in a serious manner". But they fail to see that every scientist is responsible for the existence of such an environment and that it cannot be established by a professional incentive structure alone. Instead, every scientist also has the social responsibility of enabling an open and constructive discourse, for example, by not pursuing every personal career advantage by all means.

The main argument why academic economists should not only be concerned with their professional career but have specific social responsibilities is that the market for scientific ideas in economics is far from perfect, and open, constructive discourse does not take place. Many economists are likely to deny this claim and will point to lively debates about important topics in seminars, at conferences, and scientific journals. The long-standing debate between Neoclassical and (New) Keynesian macroeconomists might then serve as an example⁴. However, this debate takes place only within neoclassical mainstream that adheres to the same methodological framework. The economic mainstream is very dominant and dogmatic with respect to its views about the proper form of doing

⁴ <http://voxeu.org/article/return-schools-thought-macroeconomics>

science in economics. It is an orthodoxy in the very sense of the word and ignores and marginalizes heterodox approaches (see e.g. Lavoie 2015, Heise and Thieme 2015).

Orthodox economists hardly cite literature from other social sciences or from heterodox economists. According to Fourcade et al. (2015) 40.3% of all citations in the American Economic Review between 2000 and 2009 refer to top 25 economics journals, but only 1.1% of the references in AER articles were published in top 25 journals in political science or sociology. Dobusch and Kapeller (2012) report similar numbers for citing patterns within orthodox and heterodox journals in economics. More than 97% of all citations in top 13 orthodox journals are within-network citations, i.e. refer to publications within the same top 13 orthodox journals. In contrast, authors who publish in top 13 heterodox journals are more open. Only 52.4% of their citations are intra-network and 47.6% inter-network, e.g. refer to top 13 orthodox journals. This disinterest of mainstream economists in other paradigms is also reflected in the monoculture in teaching, against which various student organizations across many countries protest vehemently (see Lavoie 2015). We hence must state that in economics in general there is no open and constructive debate.

The economic mainstream ignores heterodox economists and scholars from other social sciences because orthodox economists believe in having higher scientific standards than other social scientists (Fourcade et al. 2015). Their own approach that makes heavy use of deductive logic, mathematics and econometrics is seen as “rigorous”, while other approaches are considered unscientific. There are many things that “economists don’t do”. If some economists dare doing it anyway, they risk expulsion from the community.

One example of a methodological taboo in mainstream economics is interviewing people. Alan Blinder pursued a research project on the reasons for price stickiness in which he interviewed company executives about their pricing strategies (Blinder 1990, 1992, Blinder et al. 1998). In Blinder (1990, p. 297) he writes about the perception of his approach:

“Research economists normally rely on two principal methods of economic inquiry: theory and econometrics. Other methods are viewed as vaguely unscientific. ... In the other social sciences, the notion that you can learn something by asking people would hardly be a revolutionary message. Indeed, it would hardly be a message at all, for asking people is a fundamental tool of inquiry in anthropology, sociology, psychology, and even, to some extent in political science. Yet it is something that economists not only rarely do, but often actually sneer at. After all, we don’t want to act like sociologists and political scientists. Physicists and chemists do not ask their subjects why they behave as they do, so we shouldn’t either – or so we think. But is that a scientific attitude? If molecules could talk, would chemists refuse to listen?”

A similar research project was conducted by Truman Bewley (1999) who interviewed business managers why they did not lower wages during recessions. Bergmann (2005) reports that she once asked Bewley whether he was training students at Yale to carry on this kind of research. He denied because “that would ruin their careers” (Bergmann 2005, p. 65).

Fourcade et al. (2015) mention two other taboos: assuming that people have changing preferences and arguing by example. Following Becker and Stigler (1977) “de gustibus non est disputandum” and questions about the evolution or choice of preferences are seen as being non-economic ones (Hargreaves Heap 2000). With respect to arguing by example, they cite an eminent economics professor who said in an interview conducted by Marion Fourcade:

“You are only supposed to follow certain rules. If you don’t follow certain rules, you are not an economist. So that means you should derive the way people behave from strict maximization theory. . . . The opposite [to being axiomatic] would be arguing by example. You’re not allowed to do that. . . .

There is a word for it. People say 'that's anecdotal.' That's the end of you if people have said you're anecdotal . . . [T]he modern thing [people say] is: 'it's not identified.' God, when your causality is not identified, that's the end of you." (Fourcade et al. 2015, p. 92).

A related crime is to commit "ad-hockery"⁵ which means that assumptions have no axiomatic basis. The insistence on axiomatic derivation and the rejection of ad-hoc assumptions based on plausibility or empirical evidence is especially strong in macroeconomics. Wren-Lewis (2011) reports that the dominant camp in macroeconomics consists of "purists" who insist on totally internally consistent models without ad-hoc assumptions that have no axiomatic foundation. "Pragmatists" in contrast are willing to make such ad-hoc assumptions, if they improve the external validity of the model. Due to the strong position of the purists in academia, however, the criticism that a model "lacks clear microfoundations" makes it very likely that the paper does not get published⁶.

The problem of methodological taboos is reinforced by the strong hierarchical organization of the community. Economists have much more consensus about quality standards for research and a much stronger belief in the value of rankings of journals and academic departments than other social scientists (Fourcade et al. 2015). One might argue – as many economists do – that this is the emergent outcome of the heavy competition among economists for success which weeds out bad ideas and research and is a reflection of the true quality. Yet one could also argue that this is a circular logic⁷ that creates self-fulfilling prophecies: The best journals and departments are those in which the best economists are present, and the best economists are those that publish in the best journals and are affiliated with the best departments.

Support for the latter argument that the hierarchy in economics is not just the outcome of a survival-of-the-best competition can be found in the literature on the problems with the peer-review process (see Seidl et al. 2005, Smith 2006, Lee et al. 2013). One problem with peer-reviewing is the existence of prestige and affiliation bias, which leads to more favorable assessments of contributions from prestigious authors, authors at prestigious institutions or authors that have a formal or informal link to the reviewer. Peters and Ceci (1982) provided clear evidence for a prestige bias by resubmitting published articles written by prestigious authors from prestigious institutions under fictitious names from less prestigious departments. The already published articles were rejected in 89% of the cases due to "serious methodological flaws" (p. 187). Wennerås and Wold (1997) and Sandström and Hällsten (2008) report evidence for nepotism in peer-review, because grant applications of researchers with an affiliation tie to the reviewers were judged more favorably than the proposals of other applicants. Fourcade et al. (2015) report publication patterns that are in line with prestige bias:

"the top five economics departments account for 28.7 percent of all authors in the Journal of Political Economy (JPE) and 37.5 percent in the Quarterly Journal of Economics (QJE). The contrast is even starker when one turns to the institutions from which the authors got their PhDs, ... 45.4 percent in the Journal of Political Economy and a sky-high 57.6 percent in the Quarterly Journal of Economics." (p. 98)

There is also evidence for affiliation bias and favoritism⁸:

"Between 1990 and 2000 for instance, the Harvard-based Quarterly Journal of Economics "assigned 13.4% of its space to its own people" and 10.7 percent to neighboring MIT (against 8.8 percent to the next most prominent department, Chicago). Conversely, 9.4 percent of the pages of the Chicago-based Journal of Political Economy went to Chicago-affiliated scholars. This was equivalent to the share of

⁵ <http://rogerfarmerblog.blogspot.de/2014/02/faust-keynes-and-dsge-approach-to.html>

⁶ See also <https://mainlymacro.blogspot.de/2012/08/arguments-for-ending-microfoundations.html>

⁷ <http://voxeu.org/article/no-top-fives-no-worries>

⁸ Most renowned journals practice double-blind reviewing, but in times of the internet and with close personal relationships it is typically very easy for reviewers to identify the authors.

Harvard and MIT combined (4.5 and 5.1 percent, respectively). ... Our data (2003–2012) confirms this domination of Cambridge, Massachusetts, over the Quarterly Journal of Economics and (to a lesser extent) Chicago over the Journal of Political Economy. The supremacy of Cambridge is even more striking when one looks at where the authors obtained their PhDs. In 2003–2012, the proportion of Harvard graduates publishing in the QJE was 20.5 percent, just edging MIT graduates (16.4 percent).” (Fourcade et al. 2015, p. 99).

The case of the Quarterly Journal of Economics is very interesting. In a survey among German economists, this journal ranked third (behind the American Economic Review and Econometrica) in terms of reputation (Bräuningner and Haucaj 2003). It is the top 5 journal with the lowest acceptance rate (3%), highest median number of Google Scholar citations per published paper, and the second-largest number of submissions per year, just after AER (Card and DellaVigna 2013). But at the same time, Seidl et al. (2005) report from a survey study that the QJE ranks very low in terms of author satisfaction with the review process. Among 110 journals, the respondents in the survey placed the QJE at rank 102 with respect to satisfaction⁹ (and the Journal of Political Economy – another top 5 journal – achieved the bottom rank). A major reason for the dissatisfaction was the perceived low carefulness of the reports, if there were any reports. The QJE also had the fastest response time of 4.3 days on average which means that the vast majority of rejections are desk rejections by the editors without any external reviewing. Given the very large numbers of submissions to the QJE (about 1600 in 2011), it appears highly plausible that the editors use prestige and affiliation of the author as a screening device.

Even without favoritism and prestige bias there are reasons to doubt that the reviews are always objective and of high quality. The reviewers must be competent, must invest care and effort, and must not have a personal interest in inhibiting research that competes with their own research. It is quite ironic that orthodox economists, who insist that the perfectly rational and selfish homo economicus is very useful to predict behavior in many situations, have a strong faith in the merits of the peer-review process. Reviewing other scholars' papers is costly in terms of time and effort, which could be invested in the reviewer's own research. Since the rewards for good reports are quite low, rational reviewers have little incentives to write high-quality reports. Thurner and Hanel (2010) use a model to show that a small fraction of incorrect referees, who are either lazy or self-interested and reject papers that are better than their own ones, is enough to compromise the peer-review process significantly. About one third of referees that either make random decisions or act selfishly is enough to reduce the quality selection aspect such that the outcome of peer-reviewing is not better than pure chance. There is also evidence that the peer-review process leads to a suppression of innovation and divergent ideas (see Campanario 1993, Steinhauser et al. 2012, Wang et al. 2016), which is another strong argument against the belief that maximizing one's professional career automatically maximizes social welfare.

Publications in journals with a high reputation are important for being hired and promoted. They are also needed to obtain research funding, which is another dimension of academic success. It is obvious that with a biased publication process, a positive feedback mechanism is at work: Scholars from top departments have better chances of being published in top journals, and researchers with top publications are more likely to be hired in top departments. But uncritically equating top journals and top departments with highest scientific achievements is not warranted. Based on a citation analysis, Hamermesh (2013) argues that economists put too much emphasis on rankings of departments and journals and should pay more attention to individual instead of aggregate performance¹⁰. The positive

⁹ Importantly, AER and Econometrica rank much better with regard to the carefulness of the reports and overall satisfaction while having similar rejection rates. This is evidence that the dissatisfaction of author with the QJE and the JPE is not due to disappointment caused by the rejection of the paper.

¹⁰ See also <http://voxeu.org/article/measuring-success-economics>

feedback loop between publications and affiliation tends to stabilize the strong hierarchy in economics which endows a small number of economists at prestigious departments with a lot of power which is not conducive to the free and open exchange of ideas.

Maximizing one's career cannot be the social responsibility of academic economists, because the market for economic ideas works imperfectly. Under the present system, pure career maximization is even socially harmful. Rational career-maximizing economists should not deviate from the mainstream, should care more about conventions and fads than about truth and should please editors and referees instead of doing socially valuable and relevant work. Career-maximizing behavior stabilizes the current system of scientific monoculture.

The main social responsibility of academic economists, especially of those with tenured positions, is to strive for good science. This may oblige them to challenge existing structures and incentives in the community and question rankings. It may also be necessary to defy conventions of what economists do and to break methodological taboos, which sometimes will be quite the opposite of career maximization.

4 Social Responsibility of academic economists

The general responsibility to strive for good science can be broken down into three specific responsibilities¹¹: caring about methodology, seeking for relevance, and communicating with the public. I will explain and justify these responsibilities in the following subsections.

4.1 Caring about methodology

The typical economist knows little about economic methodology and does not even care (see Frey 2001). The general attitude is that it is alright to do what everybody else does. The pragmatic argument for following the general practice is that this makes one's life easier and is conducive for one's career. A theoretical argument based on typical economic reasoning is that the current methodological practice must be good, because it survived the fierce competition within the scientific community on its quest for truth (see Hahn 1992). Some economists even consider reflecting on economic methodology as a waste of time (see Lawson 1994). There is the common taunt that "those who can do science do, and the others discuss methodology" (see Lawson 1994). As a consequence, economic methodology is not taught and not discussed in standard textbooks.

A general reflection on the methodology of economics is important, however. It cannot be denied that the public reputation of economics, which was never very good, received a heavy blow due to the unforeseen financial crisis¹². Many of the charges against mainstream economics aim at its methodological foundations such as abstract mathematical modeling and the assumptions of rationality and equilibrium. But even before the financial crisis some authors saw economics in a "state of disarray" (Lawson 1994) or "crisis" (Hargreaves Heap 2000) because of deep methodological problems and called for a much stronger role of economic methodology (see also Hoover 1995).

What is needed is that economists think about the foundations, limits and kind of knowledge of their science, on other words, what can be learned by using certain methods and where are their limits? Those questions are epistemological ones. Even more fundamental are ontological questions about the objects that are studied in economics. Some scholars (Lawson 1994, see Fullbrook 2008) argue that social systems are fundamentally different from natural systems, which implies that the study of social

¹¹ I do not consider the general obligation of any scientist not to violate rules of good scientific practice, such as not committing plagiarism or any other kind of fraud, because this is obvious.

¹² <http://www.theguardian.com/commentisfree/2015/oct/11/nobel-prize-economics-not-science-hubris-disaster>

phenomena requires different methods than the analysis of natural phenomena. In this sense, ontological reasoning is the basis of any methodology (Peacock 2004). An important ontological question is whether we can believe in the existence of one truth, i.e. only one correct explanation of social and economic phenomena, which is independent of the observer. A precondition for the existence of one truth is the existence of a single, objective reality. A relativistic view would argue that even a single reality can be explained in many ways, which always depend on the cultural and historic circumstances. A constructivist view would go even further and argue that even the social reality itself does not exist objectively, but is always constructed by the observer. But if the existence of a single reality for which there is a single explanation is denied, the knowledge that science can generate must be interpretative and based on value judgments rather than objective. In that case, economics must be pluralistic and allow for different paradigms and methodologies. Anyone who opposes pluralism in economics hence must explain why there is only one reality for which only one explanation exists.

Economists must be able to answer a number of important questions convincingly, if they want to be further seen as serious scientists. One question is how equilibrium analysis can be justified in a permanently changing world with innovation and novelty. Another refers to the justification of *ceteris paribus* assumptions and how to make the transfer from statements about simplified abstract models with many *ceteris paribus* assumptions to statements about the complex real world. A related point is what we can learn from linear models about a world that has many features of complex systems and in which sense we can talk about causality in economics. If the concept of causality is problematic, the idea of general economic laws is even more so. Finally, is it possible in economics to falsify theories or to confirm hypotheses and to make progress in any sense?

Without the acceptance that methodology is important, economics will not be able to link with other sciences and remain in its splendid isolation. Orthodox economists will appreciate this, because they do not see much value in exchange with other scientists. Yet it is hard to see how pressing problems of humanity can be solved without interdisciplinary collaboration (see Sovacool 2014, Visholm et al. 2012). Development and poverty reduction, climate change and environmental destruction, international conflict and social instability, and innovation and technology are all topics that cut across the boundaries of scientific disciplines. The conviction that societal challenges must be solved by collaboration of researchers from many different fields is also reflected in the EU research and innovation program¹³ Horizon 2020.

Justifying one's behavior by tradition and conventions within one's community and refusing to listen to the arguments of others is a deeply unscientific attitude. It is good scientific practice to listen to arguments, to evaluate them, and to respond with counterarguments. Only religious fundamentalists who have imperturbable faith in knowing the truth reject rational discussions.

4.2 Seeking for relevance

In Section 2, I argued that both the field of economics and economic practitioners have real influence on economic policy. Economic knowledge is needed to deal with societal challenges. This is obvious for issues that are fully in the domain of economics such as the debts crisis in several European countries. But it is also clear that challenges such as the energy transition from fossil fuels to renewable energy or the protection of global fish stocks involve economic considerations.

Unfortunately, academic research in economics often contributes very little to the solution of these problems. Already in 1993 Arnold Harberger called on academic economists to do more research that

¹³ <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/societal-challenges>

is practically relevant. He diagnosed that economic practitioners felt isolated, because “the academic branch of the profession, in the classrooms and in our journals, is reflecting its own sense of priorities and its own hierarchy of values, with little feel for those of the practitioners” (Harberger 1993, p. 10). Harberger (1993) also quotes from a survey of faculty, graduate students, recent PhDs and nonacademic employers commissioned by the American Economic Association’s Commission on Graduate Education in Economics. According to this survey, both faculty and recent PhDs respondents saw an overemphasis of mathematical and statistical tools. About 80% of the surveyed faculty members called for less theory and technique and more attention on the link between theory and real-world applications and policy issues.

This disconnect between academic research and applied economics for sure has not been reduced over time. Mankiw (2006) states:

“The sad truth is that the macroeconomic research of the past three decades has had only minor impact on the practical analysis of monetary or fiscal policy. The explanation is not that economists in the policy arena are ignorant of recent developments. Quite the contrary: the staff of the Federal Reserve includes some of the best young Ph.D.s, and the Council of Economic Advisers under both Democratic and Republican administrations draws talent from the nation’s top research universities. The fact that modern macroeconomic research is not widely used in practical policymaking is prima facie evidence that it is of little use for this purpose. The research may have been successful as a matter of science, but it has not contributed significantly to macroeconomic engineering.” (p. 42/43)

Furthermore:

“New classical and new Keynesian research has had little impact on practical macroeconomists who are charged with the messy task of conducting actual monetary and fiscal policy. It has also had little impact on what teachers tell future voters about macroeconomic policy when they enter the undergraduate classroom. From the standpoint of macroeconomic engineering, the work of the past several decades looks like an unfortunate wrong turn.” (Mankiw 2006, p. 44)

Mankiw’s impression of the irrelevance of academic macroeconomics for policy problems was confirmed just a few years later by a high-rank economic practitioner: the former president of the European Central bank, Jean-Claude Trichet. Talking about the unanticipated global financial crisis Trichet said¹⁴ in his opening address at the ECB Central Banking Conference 2010:

“When the crisis came, the serious limitations of existing economic and financial models immediately became apparent. Arbitrage broke down in many market segments, as markets froze and market participants were gripped by panic. Macro models failed to predict the crisis and seemed incapable of explaining what was happening to the economy in a convincing manner. As a policy-maker during the crisis, I found the available models of limited help. In fact, I would go further: in the face of the crisis, we felt abandoned by conventional tools. ... The key lesson I would draw from our experience is the danger of relying on a single tool, methodology or paradigm. Policy-makers need to have input from various theoretical perspectives and from a range of empirical approaches. Open debate and a diversity of views must be cultivated – admittedly not always an easy task in an institution such as a central bank. ... I would very much welcome inspiration from other disciplines: physics, engineering, psychology, biology. Bringing experts from these fields together with economists and central bankers is potentially very creative and valuable. Scientists have developed sophisticated tools for analysing complex dynamic systems in a rigorous way.”

¹⁴ <https://www.ecb.europa.eu/press/key/date/2010/html/sp101118.en.html>

Asking for reasons why economists failed with respect to the financial crisis, Robert and Virginia Shiller (2011) argue that current economics is not “philosophical” enough and too narrow:

“If specialization is too extreme, it has a tendency to lead to carrying original ideas too far, beyond their useful purpose. Specialization coupled with strong competitive pressures within academia leads to a situation in which academics often feel that they do not have time to ponder broad issues and learn even basic simple facts outside their specialty. Their general knowledge may be embarrassingly limited, and so they may retreat into their own specialty and produce research that contributes in small ways to the development of the field, but fails to pay attention to the larger picture.” (p. 172)

For Shiller and Shiller (2011) exchange with other disciplines such as history, psychology and sociology is absolutely necessary:

“The real imperative for researchers is that efforts need to be redoubled to encourage cross-fertilization and broad-spectrum thinking, driven by the broad moral purpose of improving human welfare.” (p. 175)

If economists even fail to do practically relevant research on their own turf, it is not surprising that they contribute little to societal challenges that cut across disciplines. The potentially biggest challenge with the highest risk of severe harm for mankind is climate change. To measure the importance of this topics within economics as a whole, I searched the Web of Science database for the term “climate change” either in the topic or the title of publications¹⁵ in the top five journals¹⁶ between January 1990 and May 2016. “Climate change” appears 35 times as a topic and 17 times in the title of top 5 publications. Taking out the American Economic Review reduces the list to just 8 (topic) or 2 (title) papers in the other journals. For a comparison, I also searched for “marriage” and “schooling” which resulted in 127 (topics) and 32 (title) hits and 105 (47) hits respectively. I do not want to say that marriage or schooling are irrelevant, but that the leading journals in economics published more paper on these topics than on climate change, which may have much more far-reaching consequences, is disturbing.

An extreme form of disinterest in societal challenges is displayed by Steven Levitt from the University of Chicago. According to his bestselling popular book *Freakonomics*, he believes that “economics is a science with excellent tools for gaining answers but a serious shortage of interesting questions” (Levitt and Dubner 2005, p. xi). His recipe for success, both in his scientific work and in his popular writings is to challenge conventional wisdom and to playfully apply economic reasoning to everyday questions or questions which are off the traditional agenda of economics. One might argue that it is good if there are lateral thinkers that walk on new paths, and that playing around with economic tools does not do harm. But I think that this lack of earnestness is fatal for economics. Steven Levitt is not a nobody: in 2003 he received the John Bates Clark Medal which is awarded to young American economists under forty that have made a significant contribution to economic thought and knowledge. The Clark medal is one of the most prestigious awards in economics and about 40% of the Medal winners were later also Nobel laureates. In 2006, the magazine *Time* elected him one of the most important “100 men and women whose power, talent or moral example is transforming our world”. Furthermore, he served as a co-editor of the *Journal of Political Economy* until 2007. Levitt hence has influence inside and outside the profession and shapes how economics is perceived.

¹⁵ A search in topics might be too broad, because a term may appear in the abstract or among the keywords although the article mainly deals with something else. Conversely, just by looking for terms in the title, we might miss some relevant papers.

¹⁶ AER, QJE, JPE, RES and Econometrica

In his second bestselling book *SuperFreakonomics*, there is a chapter which deals with climate change and the potential of geoengineering. This might be interpreted as a good sign that Levitt finally discovered some interesting and relevant question worth his attention. However, the climate science community was appalled, because the chapter “grossly mischaracterizes climate science”¹⁷ and “misrepresents the scientific literature on global warming”, because “Levitt and Dubner do not understand the climate science literature”¹⁸. The eminent climate scientist Raymond T. Pierrehumbert charges Levitt for making very basic mistakes¹⁹:

“However, if it has come to pass that we can’t expect the William B. Ogden Distinguished Service Professor (and Clark Medalist to boot) at a top-rated department of a respected university to think clearly and honestly with numbers, we are indeed in a sad way. ...

The problem was that you failed to do the most elementary thinking needed to see if what they were saying (or what you thought they were saying) in fact made any sense. If you were stupid, it wouldn’t be so bad to have messed up such elementary reasoning, but I don’t by any means think you are stupid. That makes the failure to do the thinking all the more disappointing.”

Of course, John Abraham writing in the *Guardian* is right²⁰:

“Dr. Levitt is a university professor who has a duty to society to get things right. We do, and should, hold university faculty to a higher standard than Fox, CNBC, the Wall Street Journal and the Heartland Institute.”

But the really troubling aspect of Levitt’s *freakonomics* is not that he made avoidable mistakes. The real problem is that Levitt is not at all interested in climate change. He never did any research on any topic that is remotely related to climate change and stumbled upon this topic more by accident on his quest for unexpected questions and surprising answers. As the blurb of *SuperFreakonomics* says:

“SuperFreakonomics challenges the way we think all over again, exploring the hidden side of everything with such questions as: How is a street prostitute like a department-store Santa? ... What do hurricanes, heart attacks, and highway deaths have in common? ... Can eating kangaroo save the planet? Levitt and Dubner mix smart thinking and great storytelling like no one else, whether investigating a solution to global warming or explaining why the price of oral sex has fallen so drastically.”

Although *Freakonomics* and *SuperFreakonomics* are just popular books and not real scientific work, they are relevant for the science of economics as well, since they demonstrate the success of “smart thinking” and of being clever and witty. Scheiber (2007) describes Levitt’s scientific papers as “just an extreme version of the Harvard approach - an attempt to shrink a question down to the point that you can answer it” (p. 29). He sees *freakonomics* as a symptom that economics has a cleverness problem and plays academic parlor games which crowd out the truly deep questions. Scheiber observes a rise of “cute-o-nomics” and fears that Levitt could shape a generation of young economists writing “lookie-here” papers in which economic tools are creatively applied to fancy topics of minor relevance. The problem of economics is not the person Steven Levitt and his writings, but rather that the profession

¹⁷ http://www.ucsusa.org/global_warming/solutions/fight-misinformation/book-superfreakonomics.html#.V0sPeuS3i4Y

¹⁸ <http://scienceblogs.com/deltoid/2009/10/16/why-everything-in-superfreakon/>

¹⁹ <http://www.realclimate.org/index.php/archives/2009/10/an-open-letter-to-steve-levitt/>

²⁰ <http://www.theguardian.com/environment/climate-consensus-97-per-cent/2013/jul/08/climate-change-superfreakonomics-superfreakingwrong>

pays a premium on cleverness over substance. The success of Levitt is more a consequence than a cause of this attitude.

Cute-o-nomics and freakonomics both harm the reputation of economics in the public and in other sciences and waste resources that could be used better to work on societal challenges. Given that the public and economic practitioners deplore a shortage of helpful contributions from academic economists, society should not tolerate such egocentric behavior. Society should demand from economists that they are serious about their work and aim for societal relevance rather than attention and surprise. Academic economist should be educators and advisors instead of entertainers.

4.3 Communicate with the public

Academic economists have the responsibility to communicate with the public, for instance by giving interviews to journalists, writing books that are accessible to non-economists, participating in public discussions, or by blogging. With their expertise, economic scholars can enrich the public discourse about the state of society and societal challenges. Most of these discourses involve either some element of analysis of economic relationships or recommendations for some economic policy. Because of conflicting interests, which in most cases boils down to distributional issues, lobbyists and interest groups have a strong incentive to participate in debates about economic policy with biased or even wrong arguments. Economists as public intellectuals can help making societal debates more factual²¹.

Hubbard (2004) identifies three levels of communication as a public intellectual. The first level is the role as a translator between science and the public, in which economic ideas are clearly explained to non-economists. Often, this involves the explanation of fairly basic economic concepts and insights such as the merits of comparative advantage, the role of the budget deficit and public debt, the incidence of taxes, or the cost of inflation. For economic experts such basic concepts may appear trivial, but laypeople often confuse very fundamental issues such as stocks and flows and come up with lay theories that differ considerably from scientific theories (see Leiser and Krill forthcoming). Of course, scientific theories cannot claim to be true just because they are scientific, so scientists must try to explain why they believe in their theories. The second level of communication occurs when economists comment on the relevance of economic ideas outside the narrow domain of economics for the broader political or social context. Hubbard (2004) mentions Jeffrey Sachs speaking about development and poverty reduction and Joseph Stiglitz commenting on globalization as examples. At the third level, that only few scholars reach – e.g. Albert Einstein or Amartya Sen – , public intellectuals address very general topics that reach well beyond their scientific background.

As experts, economists can contribute several aspects to public discussions. At a very basic level, they can inform the public about facts, such as the magnitude of tax revenues from different sources or the unemployment share in different groups of the population. Providing facts is obviously important to make heated political discussions more objective. Economists can also point to ignored side effects or difficulties of seemingly straightforward solutions to policy problems. A great strength of economic reasoning is to analyze indirect, second- and third-round effects or general-equilibrium effects of policy interventions. Another contribution is to alert the public to potential risks like a looming financial crisis or the catastrophic effects of climate change. On the other hand, public intellectuals can be valuable by making the public aware of epistemic limits both of economics and of human thinking in general. Many experts from the media, think tanks and even science pretend to have a lot of knowledge about complex social phenome with a high degree of certainty. Explaining the limits of what can be known

²¹ See <http://www.nytimes.com/2014/02/16/opinion/sunday/kristof-professors-we-need-you.html>

in a world of deep uncertainty (Roos 2015) is very important, but not practiced enough (Caballero 2010).

At the higher levels of communication as public intellectuals economists must take up a stance and do more than just explain the results of scientific economic analysis. Many economists prefer seeing themselves as neutral observers of society and shy away from value statements. However, economics analysis is never value-free and it is better to make the values behind economic analyses explicit and to defend them rather than to conceal them with seemingly neutral and technocratic statements. With regard to fighting the potential climate disaster, Nelson (2013) even calls for leadership, which means “being willing to get out in front of the pack. Leading means working to create those shifts that will give ethical “pragmatists” the confidence to do the right thing” (p. 151).

Economists as public intellectuals have the responsibility of not abusing their professional authority. Public intellectuals derive their respect and influence from not being committed to any interest group but to society as a whole. It goes without saying that economists should not abuse this influence by mixing up the role of a public intellectuals with the role of a lobbyist or advisor of a specific industry. When they make public statements as consultants of some interest groups, they should be explicit about their role. But there is also a temptation to abuse one’s scientific reputation out of vanity or due to personal career ambitions by exaggerating one’s knowledge. Public intellectuals should remain humble and clearly express the limits of their knowledge. They are also obligated to do distinguish scientific statements clearly from value statements and personal opinions. There is nothing wrong with opinions and personal convictions as long as they are not disguised as the outcome of scientific analysis and reinforced by one’s professional status.

Unfortunately, the current incentive system does not reward academic economists who participate in public debates. Academic prestige is earned from publishing research papers. Only already distinguished scholars with advisory positions can benefit from media presence. For ordinary scholars, too much visibility in the mass media is often interpreted as a sign of lacking academic competence.

5 Conclusions

Economics is currently in a bad state, both scientifically and also with respect to its relation to the public. In the scientific domain economics fails because of its lack of pluralism and openness, its disinterest in methodology, and the strong influence of conventions and professional taboos. The economic mainstream is rather dogmatic which is hard to square with its self-perception of a serious science.

Economics has also lost a lot of respect in the public, which culminates in the ever more frequent and vehement attacks against the Nobel memorial prize in economics²². While there has been a long skepticism against this prize and the special position it grants to economists among the social scientists, the attacks gained a new quality with Bo Rothstein’s proposal to the Royal Swedish Academy of Science to suspend the prize until its legitimacy is shown²³. Rothstein is an internationally acclaimed political scientist and a member of the Royal Swedish Academy of Science. The loss of reputation in the public is certainly related to the profession’s failure to alert the public that a major financial crisis was possible and even likely, but there are deeper reasons as well. One is the impression that economists are strongly preoccupied with problems that are only of interest to themselves and are disconnected from the needs of society. Another is that economists either actively foster neoliberal policies based on

²² See <https://rwer.wordpress.com/2015/10/12/the-nobel-prize-in-economics-is-a-disgrace-dump-it-2/>, <https://rwer.wordpress.com/2010/10/22/the-nobel-family-dissociates-itself-from-the-economics-prize/>, <http://www.theguardian.com/commentisfree/2015/oct/11/nobel-prize-economics-not-science-hubris-disaster>

²³ See http://rothstein.dinstudio.se/empty_21.html

neoclassical reasoning or do too little to prevent an unjustified reference to neoclassical economic theory by politicians and interest groups that promote neoliberal policies. All over the world, more and more people doubt that neoliberal policies are the right solutions for major societal challenges²⁴.

Ideally the institutional framework in which academic economists operate should be such that it rewards socially desirable behavior. If this were the case, we could rely on the power of incentives and would not have to resort to appeals to the social responsibility of individual researchers. Yet the current system often penalizes researchers for pursuing socially desirable behavior like careful, innovative and socially relevant research and involvement in public debates. The institutional framework does not change by itself and it is not exogenous to the scientific community. We need economists with a strong sense of social responsibility who question dominant conventions and quality standards in the scientific community. It is not necessary that everybody steps outside the community and ruins his or her career by actively rebelling against the mainstream – though it might help if more people did. But every academic economist should always wonder whether an argument is based on logic and evidence or convention and authority, whether one’s own research or the work submitted or presented by somebody else is relevant or just cute, and whether some statement about economic policy is based on science or on private interests. Whenever an argument, a piece of research or a policy statement is based on conventions, opinions, private interests or just irrelevant serious scholars should voice disagreement. Ultimately, the social responsibility of academic economists is to behave as critical and earnest scientists.

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²⁴ See <http://www.theguardian.com/commentisfree/2016/may/31/witnessing-death-neoliberalism-imf-economists>, <https://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot>

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