

CHARACTER ISSUES

Preference Falsification in the Economics Profession

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Mathematical and statistical rigor is a prized aspect of academic economic research. The economics profession officially claims that such rigor advances our understanding of the economy and public policy issues, that there is, in effect, a public good created by research published in economics journals. Yet, a majority of AEA members who responded to a survey I conducted admit, at least privately, that academic research mainly benefits academic researchers who use it to advance their own careers and that journal articles have very little impact on our understanding of the real world and the practice of public policy. Understanding why this contradiction between official position and private belief exists and persists is important if we hope to fulfill the original promise of economics to serve society.

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THE CHARACTER AND MISSION OF ECONOMICS: TWO ORIENTATIONS

Economists must fashion their work along many dimensions, including the kind of subjects to address, the audiences to address, the methods to use, the style to adopt, and so on. Following in the footsteps of Deirdre McCloskey, Thomas Mayer, David Colander, Arjo Klamer, and many others, Dan Klein (2001) has argued that the rich texture of dimensions can be usefully simplified as a tension between two orientations: namely, the scholastic orientation and the public discourse orientation. The scholastic affirms academic norms about the various questions, for their own sake, with the belief that academic institutions, like an invisible hand, channel intellectual effort toward long-run enlightenment and better decision making. The public discourse orientation emphasizes communicating with lay people by addressing issues in the policy discourse, being more relevant and outspoken, and hence not adhering to paradigmatic modes of discourse, such as model building and statistical significance.

Currently, the scholastic orientation reigns among the editors and reviewers of most academic journals—and, apparently, among their economist-contributors. But economists who want to publish in such journals must toe the line, even if they are not enthusiastic about the scholastic orientation. The economist who publicly voices discontent risks his or her professional reputation among so-called mainstream economists who support the scholastic orientation, some of whom may have influence over that person's career.

This claim is widely recognized, although difficult to confirm. The scholastic influence appears to begin in graduate school where future economists are taught about the profession's priorities, including its distinction between important and unimportant topics, and which methods are acceptable for studying those topics. In their book *The Making of an Economist*, Klamer and Colander (1990) conducted numerous interviews with graduate students in economics. They summarized the interviews with the following quotes:

The interviews suggested a definite tension, frustration, and cynicism that, in our view, went beyond the normal graduate school blues. There was a strong sense that

economics was a game and that hard work in devising relevant models that demonstrated a deep understanding of institutions would have a lower payoff than devising models that were analytically neat; the façade, not the depth of knowledge, was important. This cynicism is not limited to the graduate school experience, but is applied also to the state of the art as they perceive it. (Klamer and Colander 1990, 18)

Furthermore, disillusionment and cynicism are not conditions limited to graduate students. Many members of the profession appear to lack faith in what they do. They will confess, usually at unguarded moments, that their highly sophisticated research produces ultimately meaningless results—but they will demand their students follow their lead anyway. (Klamer and Colander 1990, 184)

The intergenerational influence on economists continues long after the completion of graduate school via different means. The work in the “top” journals is typically held in high esteem among the economics profession, even if it has little or no relevance to the public discourse of society’s problems. Through their academic journals, professional associations control the modes of professional discourse, largely restricting work to mathematical model-building and statistical significance. As a result, the dominant modes of discourse—and all the associated limitations and blind spots—are preserved.

PREFERENCE FALSIFICATION

The University of Southern California economist Timur Kuran developed a theory of *preference falsification* to explain why some government policies and social practices go on for such a long time and then can suddenly, and dramatically, change. In his book *Private Truths, Public Lies: The Social Consequences of Preference Falsification* (Harvard University Press, 1995), Kuran suggests that when individuals have private preferences about a public matter they often falsify their preferences about the matter out of a desire to maintain acceptance and respect. Preference falsification leads to

inefficiencies and propagates ignorance. Kuran's work has attracted great attention throughout the social sciences, and the book has been translated into German, Swedish, Turkish, and Chinese.

My hypothesis is that many members of the economics profession exhibit preference falsification. By falsifying his preferences, an economist can publicly support the scholastic orientation, thereby not jeopardizing his reputation, while actually holding beliefs to the contrary. We do not know the extent of such behavior. Preference falsification is hard to show, since only the individual—and sometimes not even the individual—can know whether his publicly expressed views correspond with his true, privately held beliefs. One possible method to detect preference falsification is the use of a survey that elicits private preferences without compromising an individual's public reputation.

Recently I conducted an anonymous survey of professional economists that explored their attitudes about the economics profession. The paper is forthcoming in the *American Journal of Economics and Sociology* (Davis, 2004). Although the survey did not employ the “scholastic versus public discourse” formulation, it addressed that tension. Here I summarize some of the results and suggest that they reveal a significant degree of disenchantment with the scholastic orientation of the profession. After summarizing the results, I will follow Kuran's theory and discuss possible consequences of preference falsification in the economics profession.

SURVEY RESULTS INDICATE DISENCHANTMENT WITH SCHOLASTICISM

The survey, conducted among a randomly selected sample of 1,000 AEA members, attempted to ascertain economists' perceptions of the progress of economic research, its usefulness for society, some of the factors that determine research publication, and the influence of gender and race on economic research. The summary here, based on the 373 responses received, is made with a broad brush, in fairness to the journal that is publishing the full paper. The reader can consult the paper for more precise reporting.

Contrary to the official image of economics journals serving as forums to advance understanding by presenting quality, meaningful research, a majority of responding economists agree that research that lacks

a mathematical component is less likely to be published in an economics journal and that school affiliation and author recognition are factors used by editors and reviewers to determine what gets published. Further, most economists believe a “good-old-boy” network in the profession influences which articles are published in nationally recognized economics journals, and that most articles in nationally recognized journal are published, at least partly, for reasons other their contribution to economic science.

More to the point of “scholastic” vs. “public discourse” orientation, the majority say that economic research in nationally recognized journals is not useful for individuals in business or industry or for teachers of college-level principles courses. It is mostly useful for academic economists engaged in research and for economics graduate students. And most economists agree that the profession and its members are ineffective at communicating with the lay public. Finally, a majority of responding economists either agreed with, or were neutral about, the statement that economic research in nationally recognized journals is not useful to government policy makers and does not provide spillover benefits for society.

All these findings support the view that, despite the publicly held view of economics, less than half of economists really positively believe in the official view of the profession as one that advances science, human understanding, and makes society better. Many economists, maybe around 50 percent, are at least somewhat disgruntled with the scholastic orientation of the profession.

The survey asked how many articles per year the respondent publishes in national journals, and indeed, the higher-output respondents generally had stronger support for the scholastic orientation. This may suggest that the disaffection of the respondents stemmed from low productivity. But even if the population is to some extent segmented in such a fashion, it remains that a huge portion of the profession does not believe in what the “leaders” say is professionally important. Outside the ivory tower, nonacademic economists generally believe that economic science has not improved its explanatory capacity over the last several years and therefore research is published for reasons other than a legitimate scientific contribution and does not entail spillover benefits to society.

Many respondents provided written comments that complained about the scholastic emphasis of the profession.

- “There is a crisis in economics. The bifurcation of the economics profession into researchers, teachers, and policy-makers has gotten

worse and the number of individuals who are respected for contributions in all three areas gotten fewer and farther between. As a consequence, the layperson and persons in business and industry have less and less respect for the economics profession. People want to understand the economy, but we are not helping them.”

- “The economics profession has failed miserably in its efforts to explain observable events. We have too often fallen in love with our models and used too little observed empirical evidence. The issue is not what our models tell us, but what statistical evidence reveals.”
- “Economists’ main audience seems to be other economists. That would be fine if taxpayers were not paying their salaries.”
- “The economics profession is a bad joke. More and more economists are saying less and less to fewer and fewer people. And they conceal their vacuity in abstruse language and mathematical formulae.”
- “An economic expert is someone who knows more and more about less and less until he knows absolutely everything about absolutely nothing.”
- “It is a shame that so many very talented people, as it is the case with PhDs in economics, spend so much valuable time writing, quite often, useless papers.”
- “The top journals have over-emphasized math, gaining an elegance of sorts but at the cost of . . . relevance.”
- “When are economists going to have the guts to criticize their own work?”

THE CONSEQUENCES OF PREFERENCE FALSIFICATION

Kuran uses his theory of preference falsification to explain a number of social patterns. Here I discuss some of the basic ideas and ask whether we see a parallel phenomenon in the economics profession. Two prominent consequences of preference falsification are observed in a society's inhibitions to change and its distortions of knowledge.

Preference falsification can inhibit change because a generation may influence public opinion long after its days are over with an established public opinion that carries over to future generations that have no responsibility to it. . . . A collective reluctance to change a bad political regime or public policy may be observed as a result. Preference falsification can distort knowledge through the removal of facts and arguments from public discourse that imparts credibility to myths by shielding them from corrective disclosures. (Kuran 1995, 114)

The persistence of India's caste system and the long duration of communism in the Soviet Union are, to an extent, products of preference falsification within these countries. In each case, according to Kuran, individuals living in these countries formed their public preferences, in part, on the basis of the reputational incentives associated with historical public opinion, even though their private preferences were at odds with that opinion. And while it is difficult to prove, Kuran observes that subtle signs of preference falsification were obvious in each country that perpetuated a popular public opinion at the expense of differing private opinion.

In India for instance, the caste system's vocal opponents are ostracized and threatened with punishment for questioning its wisdom and fairness. As a result, public discourse on the subject is diluted with distortions, and new generations of Indians are raised in a culture where the caste system is presumably favored by the masses. High-caste Indians perpetuate this belief by creating sophisticated reasons for its existence that ultimately become an important component of conventional Indian wisdom.

In the former Soviet Union public discourse was regulated with propaganda on a regular basis, causing citizens who challenged the

prevailing economic system to use euphemisms to disguise their complaints about Communism. When citizens publicly challenged an official position or a specific policy they did so by appearing sympathetic to broader communist goals. And while protests were allowed, they were generally confined to a “Party-defined zone of acceptability,” which meant that protestors never really criticized the doctrine of Communism itself.

The effect of such behavior in each case has been the reproduction of a public opinion over generations that perpetuated an inefficient policy or institution. And this in turn affects the public discourse of events over time. Further, Kuran argues that public discourse may deteriorate to the point where unthinkable beliefs ultimately become unthinkable thoughts.

An unthinkable belief is a thought that one cannot admit having, or even characterize as worth entertaining, without raising doubts about one’s civility, morality, loyalty, practicality, or sanity. An unthought belief is an idea that is not even entertained. . . . By transferring beliefs from the realm of the thinkable to that of the unthinkable, social pressures induce the withdrawal of those beliefs from public discourse. The consequent reconstitution of public discourse distorts private knowledge. (Kuran 1995, 176)

The economics profession, having a public character and being established for a long period of time, appears to be ripe with such attributes, which, to an extent, parallel the signs of preference falsification present in the cases just mentioned. These signs are manifested in the profession much the same way they were among the respective opponents of the caste system and communism. In fact, one could argue that the scholastic orientation has become conventional wisdom in economics and is sustained implicitly through the process of preference falsification, which has distorted knowledge by deemphasizing, removing, or ignoring facts and formulation from how economists conceive their own selfhood. The notion of changing from the scholastic orientation to the public discourse orientation seems to be unthinkable—at least publicly—and, for many, unthought. As a result, a reproduction of opinion within the profession perpetuated by a previous generation of economists has, and continues to, occur.

Preference falsification may be endemic in various spheres of all societies. Kuran suggests, however, that as more individuals become aware of the possibility of it, they will increase their efforts to encourage candid,

truthful expression. And the development of new media, new surreptitious criticism, and new ways for dissidents to develop and voice criticism, can help enliven fundamental debate in those societies. It can help dissidents to connect with others and suffer less from an existential sense of alienation.

Kuran's studies of political change show that old orthodoxies can be reformed and even deposed. Academic economics, however, is based on neither mass democracy nor consumer choice. Rather, the academic structure is self-referential, self-validating, and therefore self-perpetuating, and as such, the lay person—whether as tax-payer or as tuition payer—has little ability to change the situation. If the current economic scholasticism is to be challenged, it will not likely be by a revolution of lay people, but instead by growing cynicism within the profession. The results of my survey indicate precisely such developments.

Economists should read Kuran's work and take stock of its relevance to their own profession and selfhood.

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