On the need for professional economic ethics

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IN NOVEMBER of 1929 a Chicago businessmen's club wrote to the Secretary of the American Economic Association (AEA) to inquire about its code of ethics. Here, in full, is the AEA Secretary's reply: “You should know that our middle name is “Ethics”, but we have no particular code, consequently, I cannot comply with your request.”

That reply, in a nutshell, captures perfectly the attitude of economists regarding professional economic ethics over the past century. With few exceptions, the profession has held the view that its members are committed to social progress; and that in their work economists face no pressing ethical quandaries of the sort that would justify an expenditure of intellectual resources on professional ethics.

This self-perception by the profession is half right and half wrong. Economists as a rule are driven by the imperative not just to understand the world, but to improve it. It is a wonderful irony, in fact, that a profession that portrays human nature as largely self-interested is populated for the most part by other-regarding actors who want to serve the public good. But the profession has made an extraordinary mistake in failing to appreciate that well-meaning economists face daunting ethical challenges in their work.

The case for professional economic ethics is simple. Economists affect the lives of others, often substantially—that is the crux of the matter. Not just one person at a time, as is the case in medical practice; and not just a few people who consent to the economists' influence—say, those who purchase economic consulting services. No, economists affect the life chances of countless people across the globe, not least through their impact on economic policy. Perhaps it is the enormity of that impact that makes it difficult for economists to wrap their minds around their ethical obligations.

Economists' influence comes to them by virtue of their intellectual monopoly over a subject matter that is vital to social welfare; and by virtue of their positions in the public, private and multilateral sectors that sometimes give economists institutional power. Moreover, economic interventions typically harm some while benefitting others, and the losers are rarely fully compensated. Finally, economists do their work in a context of epistemic insufficiency: they just can't control and don't know what will be the full impact of the interventions that they recommend. Think of economic restructuring in Russia, for instance, or financial deregulation in the U.S. This implies that economic interventions can generate all sorts of unforeseeable consequences. Some of those consequences may be terribly damaging, especially to those in the economy least able to bear them.
It's a simple case, as I've said, one that stands on economists' influence over others. Yet the profession has failed to accept the ethical responsibility that necessarily attaches to that influence. And that, I'm afraid, amounts to unethical professional conduct.

Fortunately, we may be on the brink of reform. Over the past two years prominent economists have begun to ask, in full public view, whether and to what degree the economics profession contributed to the current financial crisis. Then a few months back Charles Ferguson's film “Inside Job” was released. It revealed stunning failures by influential economists to disclose their professional entanglements when giving testimony and writing about or advising on financial regulatory reform. Since then, the business press has begun to press the AEA leadership for action on conflicts of interest in economic practice. And just last week, a petition circulated by UMass economists Jerry Epstein and Jessica Carrick-Hagenbarth and now signed by over 300 economists is calling on the AEA Executive Committee to formulate a code of conduct that addresses this issue.

All this is to the good, and long overdue. Not because economists are typically crooks or shills for outside interests, though there are some of those just as in every other profession. But because most economists are trying to do good work in a field where they enjoy extraordinary influence, their interventions generally harm some while benefitting others, and things can go very wrong in unpredictable ways. And so while it is important that the AEA and other economic associations take steps to address conflicts of interest among their members—and while publications like the Economist should as a matter of course begin to demand full disclosure from those economists who appear in its pages and on its blogs—economists and non-economists alike should press for something much more ambitious. We need a new field of inquiry into the many ethical issues that arise in the context of economic practice, including the risk of causing harm; the role conflict that arises when an economist serves an institution with an agenda that conflicts with the public good; the virtues that are required of the ethical economist; and so forth. And perhaps most difficult of all for a profession that has worked so hard to achieve influence, we need to consider our obligation to convey to our students and to the public not just the capacities but also the limitations of economics, and of economists.