On the Need for Professional Economic Ethics

George DeMartino

In this lead piece of our trilogy, the author argues that economists need to engage the ethics of what they do directly and actively. He presents four compelling propositions for why they must do so. Not least of these is that the economic sciences are uncertain. His intriguing case follows.

IN NOVEMBER 1929 the secretary of the Chicago Sunday Evening Club sent a letter to Professor Frederick S. Deibler, the secretary of the American Economic Association (AEA), inquiring about the AEA's "code of ethics." The Sunday Evening Club was an association of young professionals, and they were conducting a broad survey of professional ethics.

Here, in full, is Professor Deibler's reply: "You should know that our middle name is 'Ethics,' but we have no particular code, consequently, I cannot comply with your request."

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A pithy reply, to be sure, and one that Professor Deibler no doubt enjoyed crafting. But it reflects and glosses over a grave problem in the economics profession. Not only does economics have no body of professional ethics, it has never demonstrated much interest in the matter. Indeed, a perusal of the AEA archives reveals that the association has consistently refused to engage the matter in a serious way. Only once has the AEA Executive Committee established a committee to investigate the need for professional ethics, and it did so in that case (in 1958) only because leading economists had been accused of plagiarism and other professional misconduct. The general attitude of the profession, reports A. W. Coats, was that "the AEA needed no special code of ethics because the canons of correct professional practice were too obvious to require specification" (1985, 1710–11). He might have added that economists have generally been wary of any means that might establish occupational monopoly power. This wariness applies in particular to licensing, which in many professions is the primary means by which a code of conduct is policed. Because for many economists licensing is anathema, and because a code without the sanction of license revocation would be toothless, there is little point in specifying a code at all.

By professional ethics I refer not to a code of conduct, however. Professional ethics at its best comprises attentiveness of a profession to the ethical issues that arise in the conduct of its work. It comprises not a simple set of rules that can be tacked to the cubicle wall but a lively tradition of scholarship, critical inquiry, debate, and investigation into the ethical nuances of professional conduct. It involves means by which a profession promotes ethical awareness and transmits ethical and practical wisdom from one generation of practitioners to the next. And when we take this sort of expansive view of professional ethics, we find that economics lacks virtually all of its components.

It bears emphasis that some economists have overcome the profession's long-standing resistance to professional ethical issues, and these deserve mention. Econometricians have long shown interest in the ethical questions that arise in statistical work, and those economists who happen to be members of the American Statistical Association are likely to be aware of its "Ethical Guidelines for Statistical Practice" (available at www.amstat.org/committees/ethics/index.html). In addition, one U.S.-based economics association, the National Association of Forensic Economists (NAFE), has committed its members to follow a set of ethical principles in their professional work (available at http://nafe.net/Pages/Ethics.aspx). Recently, experimental economists have also begun to consider the ethical challenges that they encounter in their work. Finally, in 2007 a group of government economists established the "Association for Integrity and Responsible Leadership in Economics and Associated Professions" (AIRLEAP; see www.airleap.org/index.htm) to promote virtuous conduct among economists.

These are important and welcome developments, to be sure. They nevertheless represent exceptions to the general rule. The economics profession and its chief professional organizations have chosen consistently not to pursue inquiry into the ethical substance of economists' work. Hence, economics has no journals that focus on the ethical questions that arise in economic practice, nor texts, curriculum, or training to cultivate ethical behavior in economists.

Today it is increasingly apparent that this perspective is wrong-headed and even dangerous. Economics needs professional economic ethics, and so do the communities that economists seek to serve.

The Positive Case for Professional Economic Ethics

In what follows, I present a simple, "escalating" case for professional economic ethics. It comprises four distinct steps. Each step highlights an important aspect of economic theory and practice. In my view, even the first aspect that I will discuss warrants professional economic ethics. Each successive aspect strengthens the case.

Central to all that follows is a point too obvious to mention but for the fact that it matters so deeply. When economists undertake and publish their research, when they assess, propose, advocate, advise, and counsel, and when they make the myriad other decisions that their work requires, they alter the life circumstances of those who populate the economy, sometimes decisively. This influence carries with it ethical obligations that are neither obvious nor simple to meet.

Intellectual Monopoly and Power over Others

The first step in the argument is this: Economists exert power over others by virtue of their intellectual monopoly over a body of knowledge that is vital to social welfare.

Economics today is daunting and, above the undergraduate level, largely undecipherable by nonspecialists. The language and tools of economics require familiarity with a level of mathematics that is far beyond that of even most well-educated adults. This provides economists with a degree of intellectual monopoly. Moreover, the knowledge that economists monopolize is important—not just for economists, but for the communities they purport to serve. Together, these features generate substantial influence for the profession over the design of institutions and policies that will affect the lives of others.

Difficult ethical questions arise in the context of the influence that economists enjoy as a consequence of intellectual monopoly. For instance, what should be the *role of targeted communities* in policy design? Should they have a meaningful say—should their values and aspirations influence economic policymaking, or even serve as a constraint on what the economist does? It might seem obvious that since the community will have to live with the effects of any particular intervention, it ought to enjoy the ultimate authority to decide which course of action to adopt, and how. This is the view taken in several other professions where practice affects the lives of others decisively, and where principles like "prior informed consent" recently have come to have salience. This view implies an ethical obligation on the part of the economics profession to cultivate economic decision-making capacities and procedures in the communities they serve. It would also seem to have implications for the matter of whether it would be warranted for an economist to advise an authoritarian government, where those who will be affected by an economic intervention are deprived of meaningful opportunity to decide their own economic fate.

These conclusions are by no means obvious, however. One could instead argue plausibly that the economist faces an obligation to do what is best for the community despite the absence of institutional means for that community to influence policy—such as when democratic governance is absent. Milton Friedman suggested as much in dismissing those who criticized his and his Chicago school colleagues' involvement in providing economic advice to the autocratic government of Chile's General Augusto Pinochet in the mid-1970s. In his words,

> In spite of my profound disagreement with the authoritarian political system of Chile, I do not consider it as evil for an economist to render technical economic advice to the Chilean Government, any more than I would regard it as evil for a physician to give technical medical advice to the Chilean Government to help end a medical plague (*Newsweek,* June 14, 1976, cited in Letelier 1976, 1)

In a similar manner one could argue that the economist should do what's best even when that entails a course of action that the community actively opposes. In this view, a heavy ethical burden attends all professional practice—from medicine, to social work, to law. It is a burden that originates in expertise, in "knowing more" than those whom the professional serves. In this view, the ethical economist must be prepared to use her influence to bring about the policies that the community should want, were it to understand the full ramifications of the case at hand.

Which is the correct perspective, then? Is it the perspective that views the intellectual monopoly of the economist as an ethical problem, emphasizes the autonomy and integrity of the community, and requires that community's prior consent as a condition for implementing an economic intervention? Or is it the view that privileges instead the economist's authority over policymaking that stems from her expertise—which licenses and even obligates the economist to decide for others whenever they do not have the political or intellectual resources to decide for themselves?

A second question that arises in the context of economists' intellectual monopoly is this: How should economists comport themselves publicly as they undertake their work? Should they express certainty in their science and their prescriptions, or should they acknowledge the limitations to their science and their doubt about the efficacy of the analysis and interventions that they have to offer? What if an economist reckons that the policy she advocates is more likely to succeed if it is taken to be credible by the community, as the theory of policy credibility suggests? Is she then warranted in "lying" to the community—in exaggerating the confidence she has in the policy—for the community's own sake? And if she can do that ethically, can she also manipulate data so that they seem to support her policy interventions if that, too, will enhance the policy's success? Why, or why not? These are not at all easy questions to answer, especially for a profession that receives no training in matters of this sort.

Institutional Power

The second step in the escalating case for professional ethics is this: The power that accrues to the economist by virtue of intellectual monopoly has been substantially augmented by historical developments of recent decades that have promoted the economist from peripheral advisor to central decision-maker. In short, the power of the economics profession today is "institutionalized."

Examples of the historical developments that have enhanced economists' institutional power include the move toward independent central banks around the world; the increasing influence of the World Bank and International Monetary Fund since the 1980s in the south and the 1990s in central and eastern Europe; the growing power of global financial markets and institutions of all sorts that have been propelled in part by the international financial liberalization that economists advocated so successfully over the past several decades, and that requires the kinds of modeling expertise with which economists are familiar; and the increasing influence of the ratings agencies that are to keep watch on these extensive financial institutions.

These developments provide the economics profession with a depth of influence on human affairs that neither it nor most other professions have enjoyed in the past. Economists today sometimes *govern*—they do not just advise and counsel. They govern by virtue of the institutional power that is now at their disposal. In the extreme, economists sometimes today find themselves in positions of social engineer—a status to which some in the profession have long aspired (Hirschman 1970; McCloskey 1990).

The institutional power that economists now wield complicates the ethical challenges they face. *What does it mean to be an "ethical economist" in this complex environment, where one's actions bear so directly on the lives of others?* The answer to this question is not at all simple. The economists who now govern need professional ethics to help them manage the awesome power that they enjoy. Moreover, the communities whose fortunes are affected by economic practice need professional economic ethics as a means to hold economists accountable for their actions.

Unevenness and Anticipated Harms

The third step in the escalating case comes directly from Econ 101: Economic interventions typically affect distinct groups of people differently. Some people are harmed even by what are understood to be beneficial economic interventions. The most widely taught exemplar comes from trade theory: trade liberalization promotes aggregate social welfare but nevertheless harms some members of the community.

This fact creates something of a dilemma for the practicing economist and for the profession: Should economists advocate or enact policy that will harm some people for the so-called good of society? Most economists hurriedly answer "yes" (as would all good utilitarians). While the affirmative answer might in fact be warranted in some cases, it bears emphasis that *the rush to that answer* certainly never is. Professional medical practice provides guidance on this matter. Is a physician warranted in quarantining healthy community members who have been exposed to a virus during an epidemic when that is judged to be the best way to staunch the crisis? And is a physician warranted in terminating the life of one person in order to harvest organs that will save the lives of (several) others? Both of these cases entail severe harm to some for the benefit of others. Yet, we might want to make a distinction between them. We might find it ethically more appropriate to endorse the quarantine, even if it deprives people of important rights and even increases the chances that some who are segregated will become ill and even die by virtue of their being corralled with the infected, than to endorse the taking of a life to harvest organs. Or perhaps this distinction is ethically suspect? A closer inspection might lead us to conclude that the two cases must be decided on identical ethical grounds.

The point is that posing the two cases side by side induces a moment of hesitation, a moment of discomfort in which we take care to think through the complexities and ethics of the matter. And that hesitation, when we think carefully about what it means for a professional to harm one for the benefit of another, provides reason for hope for ethical medical practice.

Economists, on the other hand, rarely hesitate. It is second nature for us to advocate policy that harms some while benefiting others. We tend to side-step the ethical difficulty that this raises by discussing the theoretical possibility of Kaldor-Hicks compensation for those who are harmed even though we know that in most actual cases full compensation rarely occurs. This tendency among economists (which we generally would not tolerate among physicians) raises an important question: What is it about economics that constitutes this enormous ethical difference? Perhaps the answer would be discovered in the field of professional economic ethics, were it to exist. Or perhaps instead we would learn that economics is similar to medicine in terms of its central ethical dilemmas; and that economists have been too quick to impose costs on some for the benefit of others while failing to attend to important ethical objections to such practice that have emerged in other fields.

Uncertainty, Risk, and Unanticipated Harms

The final proposition concerns the epistemic condition facing the economist, by which I refer to the sufficiency of knowledge in the policymaking enterprise. The Econ 101 version presumes that economists have sufficient knowledge of the context in which they operate and the effects of their actions—they therefore know that the policy they recommend will succeed, and they know what will be the precise consequences of this policy's success. In this world there is no risk of failure—even the harms associated with an economic policy are presumed to be known in advance by the economist who advocates the measure. This is what David Colander (2003) calls the "economics of control" approach to policy.

The fourth proposition disputes these claims. It is this: The practicing economist operates in a world of uncertainty—where error is inevitable, unintended consequences are the norm, and human subjectivity is not a temporary disability but an ineradicable condition of our being and acting in the world.

Despite the strides made in economics over the past century, the economist today does not know and cannot control whether any particular policy will succeed; nor does she know with certainty what harms may be caused by the policy in the event of its success or failure, etc. There is a degree of ignorance here; there is uncertainty on many levels, and as a consequence, there is risk of policy failure. This is the typical context of most if not all policymaking, including economic policymaking.

The ethical implications of this insight are profound. In a world of uncertainty, even the most skilled economist can do substantial, unintended, and unanticipated harm. The ethical economist must take account of this potential harm, factoring it into her calculations when advocating any particular policy option.

But how should she do that? What new burdens does she carry as she undertakes to serve communities that at once need her attention but are liable to be harmed by her interventions? The risk of harm is something that must be confronted ethically. Unfortunately, managing risk ethically cannot be done by formula, such as through universal application of dictates like "First, do no harm" (Welch 2000). Professional ethics is not about formulas that allow us to sleep well. *If professional ethics is not keeping us up at night, it is not doing its job. . . .*

Conclusion

Here, then, is an escalating case for professional economic ethics. Economists enjoy power over those they serve by virtue of their intellectual monopoly over a subject matter that is of vital importance to society. Second, many economists today also enjoy substantial institutional power. Third, economic interventions generally yield anticipated harms as well as benefits. Fourth, economists operate in a world of epistemic insufficiency, which implies the risk of unanticipated harm.

I would submit that each of these propositions is uncontroversial. What is controversial, perhaps, is my claim that each proposition alone and certainly all of them together imply an obligation on the part of the profession to engage the professional ethical challenges that economic practice entails. The economics profession has too much influence today to allow for its continued resistance to a serious engagement with professional ethics. I would also submit that where the lives of others are at stake, and where even the well-trained and well-meaning economist can do substantial damage, the profession's failure to engage professional economic ethics represents a profound professional ethical failure.

For Further Reading

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