Economist Martha Starr thinks there's something you should know about economists: They have no code of ethics.


"Economists have absolutely no guidelines regulating their conduct," Starr said. "Accountants, financial professionals...sociologists, anthropologists, historians, mathematicians and physicists all have standards, but not economists."

This includes the economists who were wrong about the Internet bubble, the housing bubble and whether the Fed's multitrillion-dollar liquidity injections would revive the economy. It also includes the economists who are now offering us differing views on what happens if America loses its Triple-A credit rating or defaults on its debt.

Economists don't have to disclose relationships that leave them fatally conflicted. They too often work for banks, real estate groups, trade associations, corporations, political organizations and other aggressive players with a vested interest in a nation of suckers thinking that things they buy will always go up.

Economists don't have to disclose the big, fat speakers fees they might receive from a Wall Street investment firm. They don't have to mention their roles as corporate board directors, consultants and paid expert witnesses in corporate litigation. Or even the investments they've made personally that could benefit from some good, old-fashioned economic cheerleading.

"If you have specialized knowledge, as a doctor would, where it's hard for an average member of the public to figure out whether you're selling snake oil or scientifically grounded advice, it's advisable for the profession to maintain standards," Starr said.

What is the oath doctors take? First, do no harm. Economists never say that.

Economist George DeMartino argues that economics needs a lot more than a code. He thinks it requires a whole new field of study to sort through its ubiquitous ethical issues.

DeMartino of the University of Denver wrote an essay for Starr's book, and is also the author of "The Economists Oath: On the Need for and Content of Professional Economic Ethics."

"Economists tend to present themselves as knowing more about the economy than it's possible to know," DeMartino said. "People then make decisions based on what they're hearing. But economists often get it wrong and people suffer. That's an enormous ethical problem."

It's part of the reason people buy homes for $750,000 with no clue they could be worth $450,000 in a year. It's also part of the reason investors go roaring into the stock market just as it's about to suffer its most-spectacular collapse since the Great Depression.
Economists are not responsible for the consequences of their forecasts. They don't even stand to be embarrassed for failing to disclose conflicts or living up to any sort of code.

Even unionized New York City sewer workers have a code. But economists have resisted codes like no other professionals, believing that economic incentives to speak the truth are sufficient to rule their conduct, Starr said.

"Economists believe that they're engaged in battles of ideas where right ideas triumph and wrong ideas fall by the wayside, and that that in itself is enough of a check," she explained.

They also are resistant to codes because they believe codes must be enforced through licensing, and they are resistant to licensing because they believe licensing creates monopolies, DeMartino added.

Not all economists believe this, though. In January, about 300 of them signed a letter asking the world's largest professional society for economists to adopt a code of ethics. The move was driven in part by the movie "Inside Job," which exposed embarrassing conflicts of interest in the economics profession.

The result was the American Economic Association's "Ad Hoc Committee for Ethical Standards For Economists." The committee is expected to report its recommendations next January.

Hey, no hurry. It's not like the economy is going away. You got a problem with a delusional economist? Tell it to the committee.

(Al's Emporium, written by Dow Jones Newswires columnist Al Lewis, offers commentary and analysis on a wide range of business subjects through an unconventional perspective. The column is published each Tuesday and Thursday at 9 a.m. ET. He can be reached at 212-416-2617 or by email at al.lewis@dowjones.com, or on his blog at tellittoal.com.)

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