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On the Cover



Kustodiev, Boris (1878–1927)
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**Economic Policy Under Uncertainty:
The Role of Truth and Accountability in Policy Advice**

**Peter Mooslechner, Helene Schuberth,
and Martin Schürtz (Editors)**

Cheltenham, United Kingdom: Edward Elgar Publishing,
2004 (322 pages)

What is consensus in economic policy advice? If most or even all economists agree on some economic claim, that does not make the claim correct; that is, passing for true is not being true. That is perhaps the unifying message of the fourteen chapters in this edited volume. Furthermore, economic theory is urged to develop in ways such that economists can have their feet held to the fires sparked by their advice to policymakers. The volume explores these messages through a series of overarching themes, including the effect of uncertainty in economists' policy analyses, the role of truth in the advice given by economists, and specific topics in the philosophy of economic science, especially the potential for pragmatic theories to deploy standards of truth in order to address uncertainty in policymaking.

Four chapters are concerned primarily with uncertainty. To illustrate their offering, consider the standard yet difficult policy question of the efficacy of monetary policy in managing macroeconomic performance. One chapter, by Sheila Dow, explores a continuum of epistemic uncertainty, from certainty equivalence to radical uncertainty. Economic policy being paralyzed at either extreme, Dow proposes a fundamental rethink at the methodological level toward a middle ground that acknowledges epistemic uncertainty but deals with it theoretically and practically, arguing that such is the way monetary policy is conducted in practice.

The next chapter, by Julian Reiss and Nancy Cartwright, addresses the policy question as dependent on the logical foundations of econometric models of causation. If the growth rate of money supply in a year were 1 percent greater than it actually was, how much different would GDP have been in that year? Such counterfactual statements are the necessary bedrock of econometric models of economic policy, argue Reiss and Cartwright.

A third chapter argues that the question depends on the role of uncertainty in the volatility of financial markets, which serve as transmission mechanisms. Finally, in the chapter by Helene Schuberth, she rejects assumptions underlying conventional rules-discretion tradeoffs, which treat uncertainty as probabilistic (i.e., risk). Rather, monetary policymakers typically face multiple simultaneous forms of uncertainty (parametric, model, epistemic), which complicates rules-discretion tradeoffs. Given space constraints, it will have to suffice to report that these four chapters carry the dual salient messages of caution in giving policy advice and vigilance in building pluralistic models that reflect uncertainty in the world.

The thrust of the volume is in addressing the meaning of truth and its role in economic policy advice. *Truth* as the word is used in this collection, is a concept that economics has ignored for decades. Smoothing its edges quite a bit, truth amounts to a concern about whether policymakers are receiving information and analysis that is the closest to the economic problem in reality and that is most likely to predict the actual effects of alternative policy options. Thus, we are concerned with whether policy advice is realistic or biased or uncertain, and so on.

The best chapter among the four dedicated primarily to this issue is “The Role of Truth in Economic Policy Advice” by Gebhard Kirchgässner. First, the foil: Ideal economic policy advice informs policymakers either of the optimal policy given their objectives or that the objectives are infeasible. Economists, however, like agents in economic models, rationally respond to professional incentives, are armed with limited information, and face a level of structural uncertainty in their analysis. If public choice has established policymaker self-interest—or narrow/organized interest—as a behavioral orientation, the same methodological individualism applied to economists suggests that any position takers on a policy problem can buy an economist to produce a study in defense of their stance and conclusions. This is without doubt a worry, both for the formation of beneficial policies and for the standing of the profession. As Kirchgässner states: “It cannot be ruled out that the only purpose of enrolling economists as policy advisors is to serve the political positions of political parties or various interest groups” (88). The chapter sets out to formulate institutional arrangements for the profession that would help alleviate the conclusion that economic policy advice is merely a pawn in a game where interest groups are king and queen.

This is an intriguing exercise. If economists as a society were to draft a constitution with, among others, one objective being the formation of true policy advice, what would the constitution look like? By this chapter’s lights, the profession would have to instill greater openness of discourse, transparency, and accountability. Some specific recommendations include making data from empirical studies publicly available, allowing or requiring empirical results to be reestimated by disinterested economists, and divorcing the generation of economic policy advice from organizations dedicated to advancing narrow or political interests. The expectation is that economics would evolve into a social science in which individual scientists advance their theories as forcefully as possible under the expectation that others in the discipline will have the incentives to reject others’ theories in favor of their own.

An equally intriguing counterpoint unaddressed in the chapter might be to ask why such order within the discipline would not emerge without constitutional design. Several economists have acquired first-rate reputations deconstructing others' arguments and results, or at least serving as umpires within their fields (Deirdre McCloskey, Bennett McCallum, David Laband, and Dan Klein, to name a few). Prominent economists routinely duke it out on weblogs devoted to current events and policy commentary. Increasingly, more formal outlets, such as *Econ Journal Watch*, also serve as checks and balances on policy prescriptions of economists everywhere. Such casual observations suggest that a level of mutual accountability continues to evolve among the competing producers of economic policy ideas, a point that seems to be given short shrift in the volume.

Overall, this collection is a serious examination of many issues that most economists probably take for granted. As such, it is a welcome reminder and valuable contribution. Its title may draw the attention of applied academic economists as well as consultants and government economists who are regularly involved with formulating advice to economic policymakers, but the level of discourse is decidedly philosophical. The volume's fourteen contributors (ten European, four in the U.S.) are evenly split between philosophers and economists with a foot planted in the field of economic methodology. Thus, readers searching for a handbook for navigating the everyday aspects of formulating policy advice should probably look elsewhere. That said, academics and practitioners alike will benefit if the interest is in taking a hard, reflective look at their trade and getting a strong update on the state of thinking about the philosophy of economics and economic policymaking.

—Edward J. López
San José State University

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Editorial Objectives

The mission of the journal is to provide a forum for the scholarly exploration of the relationship between economics, theology, and ethics. The study of these fields unites in its concern with the human person and, more specifically, with human action. A primary objective of the journal, then, is to bring practitioners in these fields together and engage in spirited debate concerning the possible areas of mutual concern and intersection among their disciplines. A secondary objective is to develop and promote economic personalism. Economic personalism is a school of thought inspired by the centuries-old tradition of Christian reflection on the ethical character of social and economic life, which draws from Christian social thought, the natural-law tradition, and the insights of free-market economics. The goal of economic personalism is to produce a new paradigm for a humane economy based on a theological vision of the person.

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Articles should be between 3000 and 6000 words in length and include a title of not more than 12 words. Authors must supply an abstract of 100–150 words. Book reviews should be 750–1000 words and will not be accepted if fewer than 500 or more than 1500 words. All reviews must supply the following information: author, title, publisher, year of publication, number of pages, and price. A brief autobiographical note should accompany any submission and include full name, title, affiliation, mailing address, e-mail address, and full international contact information.

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