The Economist as Guru

Geoffrey Brennan
RSSS ANU
Duke/UNC-Chapel Hill

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One of the characteristic elements of what we take to be a broadly "enlightenment" posture is its scepticism—the idea that every proposition can be, at some point or another, up for grabs; that nothing is beyond the reach of intellectual interrogation; that there is no end to profitable questioning.

We accept, of course, that universal scepticism is an analytic impossibility. In bringing arguments as to why one might have reasonable grounds for mistrusting proposition X, one has to appeal to considerations Y, Z and W that have to be taken to be true for the purposes of that exercise. You can't question everything at once. But that just means that propositions must *take their turn* as objects of scrutiny. The central enlightenment commitment is that there is no proposition so basic, no cow so sacred, that its turn does not come[1]!

In this paper, we have been invited to direct such scepticism at the "guru" – the economist public intellectual, who appears regularly in the press or on television (or who runs a blog) and whose self-proclaimed mission is to "inform" ordinary mortals about the policy issues of the day. We should be clear about our target here. Our scepticism is not for the 'economic journalist' – the columnist or television commentator who earns a living writing about economic matters for the ordinary lay-person. That vocation seems to us to be a worthy enough one. And though the journalists may sometimes "get it wrong", or advance ideas that the best recent scholarship has exposed as questionable or misleading, there is a perfectly respectable and indeed necessary location in the division of labour for those who mediate between scholarly endeavour and the general public.

Unfortunately, it is not uncommon for academic economists to exhibit some contempt for economic journalists – as if journalists were some inferior form of scholar, not up with the latest literature or the latest fad in academic debates, when they really ought to be. That seems to us to be a simple mistake. And it is a mistake to which the guru specifically is especially prone. Because the characteristic feature of the guru is precisely that he (only very occasionally, she) is an 'amateur' in the business of communication – someone using his academic eminence and/or putative expertise to pronounce on matters with the authority of the expert. This is, as we see it, the characteristic feature of the "public intellectual" – the "guru" in our terminology – and although there are exceptions in this as in all things, we

[1] This is not to claim that all propositions are equally interrogable. But even the relatively fixed points are only "*relatively* absolute absolutes", to use Frank Knight's helpful category!

think that as a class they deserve much more scrutiny and much less respect than they are commonly afforded.

Part of our gripe about gurus, so described, is that they tend to misrepresent what it is that the discipline of economics amounts to – what things we economists can plausibly claim to know. Part is their too ready acceptance of the status of ‘expert’. Part is an anxiety about the constraints that they subject themselves to. Part is a related scepticism about what motivates them.

So, in what follows, we shall be concerned to explore, first, the demand for gurus; and then features of the supply – the constraints under which they operate and the incentives to which they allow themselves to be subject. Finally, we shall want to explore the question as to what economics can plausibly deliver – what presumptions about the nature of the discipline the guru embodies.

I The Demand for Gurus

Begin with an obvious brute fact: there is a *demand* for gurus!

For some kinds of economist, this fact would be enough. If there’s a market, and if the participants engage in it without compulsion, then … end of story, there is no further normative question to be asked. But markets do depend on the absence of fraud – and fraud is not just a matter of what the law allows or what the confidence trickster can get away with. Indeed, fraudulent behaviour is best thought of not as a category but as a continuum. Gurus, on our view, are a bit like used-car salesmen: we don’t think that there should be a law against them, but that doesn’t mean that they don’t deserve our disdain – perhaps even our contempt.

And this is a good point at which to emphasize the status of our argument and the nature of our imagined audience here. We are not making policy recommendations and so we are not addressing ourselves to those who see themselves as policy-makers. We are not making recommendations about institutional design. We see ourselves as operating entirely within the “economy of esteem and disesteem” -- just voicing our opinions, for what they are worth and addressing them to whoever cares to listen!

Though there is indeed a demand for gurus, they operate in an unusual market – broadly conceived, the market for *information/knowledge* -- and this is a market in which scope for quasi-fraudulent behaviour is considerable (and where any attempted regulation, except in egregious cases, would surely do more harm than good).

In thinking about this particular market, it is useful to go back to basics – and in this case (as in so many others), the basics are provided by Adam Smith (WN ch 1). So, Smith, having begun with the observation that the core element of human material progress lies in the division of labour and the increasing returns that spring from specialisation and cooperation, notes that the division of labour extends to intellectual enquiry. Specifically:

> “*In the progress of society, philosophy or speculation becomes like every other employment the principal or sole trade and occupation of a particular class of*

> *citizens. Like every other employment too it is subdivided into different branches, each of which affords occupation to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy as well as in every other business, improves dexterity and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it."* [I.i.9]

What this means is that any tolerably developed society is characterised by an *epistemic* division of labour. In that setting, knowledge is *distributed:* that is, the total knowledge "possessed" by or available to a society is held, in different bits, by different people. Now, of course, this idea is not unfamiliar to the modern audience: Hayek emphasizes the role of *local* knowledge; Robbins, the idea of private knowledge embodied in utility functions; Polanyi (and Hayek too in another guise) the distinction between knowledge *how* and knowledge *that,* of knowledge communicable by speech and knowledge communicable only by imitation and acculturation. So, for the contemporary mind, the idea that knowledge is distributed across persons is inclined to strike us as a kind of cliché. In that way, we can easily lose sight of the distinctive features of the Smithian picture.

Hayekian local knowledge, knowledge of utility functions, Polanyi's(1958;1967) tacit knowledge – such knowledge is *naturally* distributed. That is, it necessarily comes to us possessed by persons who are epistemically privileged by nature. The distinctive feature of the Smithian picture is that knowledge is *endogenously* distributed – the division of epistemic labour is not so much forced upon us by nature, as it is a spontaneously emergent optimal response to the fact of increasing returns in knowledge acquisition.[2]

Smith develops his argument about the division of epistemic labour in the context of his broader discussion of material progress and more specifically of the invention of 'machines'. He has in mind primarily the kind of knowledge is valued instrumentally and that is "embodied" in the form of machines. But that sort of knowledge is only part of the total picture. People also desire knowledge for its own sake – or for more direct purposes, like being able to impress their friends at dinner parties or do well in "trivial pursuit" competitions. Being "well-informed" is a widely applauded feature – a source as we might put it of positive esteem! When people say: "she's so knowledgeable"; "he's so clever" – these are not normally terms of abuse, except in self-consciously counter-cultural circles. Besides, intellectual curiosity is a natural (as well as a generally applaudable) human trait. People like to know things. They like to understand what is going on and why, even when the knowledge doesn't offer them any scope for doing better in other ways.

There are however some important differences between embodied, instrumentally valued knowledge and non-embodied, intrinsically valued knowledge. One such difference relates to

[2] There is a somewhat analogous distinction between Smith's view of the division of labour and the classical Platonic/Aristotelian view (and for that matter the Ricardian view of the origins of comparative advantage). For the latter, gains from specialisation arise from differences in natural talents (or in the Ricardian case, natural differences in the productive capacities of different locations with respect to different goods), whereas for Smith gains from specialisation arise even where no such 'natural' differences are present. For Ricardo/Plato/Aristotle, the extent of the division of labour is limited by natural differences. For Smith, it is limited only by the "extent of the market"!!

the availability of tests of the truth or falsehood of the knowledge in question. We (either of us) know nothing about the internal combustion engine. But that does not prevent us from a capacity to assess whether or how well a car drives. We know nothing about the workings of the computer. But this does not prevent us from using one; and seeing that some computers work faster and more conveniently than others. To pick up the classic example, no-one in the world may know how to make a pencil – but pretty much everyone can tell whether a pencil works or not!

Now, in the case of embodied knowledge, we do not require that anyone other than the relevant expert "possesses" the relevant knowledge. Relations between various knowers can all be mediated by exchange in the goods in which the knowledge is embodied. And though the "quantity of science is considerably increased" by the division of epistemic labour, it is not as if "society" knows more – just that the amount of knowledge "available to" any of us is larger.

But in the case of non-embodied knowledge – of knowledge desired for its own sake – the story is somewhat different. Here, it is not the goods in which knowledge is embodied but the knowledge itself that is the object of exchange. The advantages of the division of labour here depend on a distinction between knowledge *acquisition* and knowledge *sharing*. When X has appropriate epistemic warrant for proposition p (because she has for example undertaken the relevant experiments or developed the obscure logical chains that connect things already know to p), she can inform Y and Y can thereby come to "know" p without having had to do the relevant experiments and calculations herself. And of course, vice versa – Y can inform X as to q, the proposition that Y has come to know by virtue of practices that are similarly epistemically kosher.

Note, however, that the exchange in question depends on a high degree of mutual trust. Both X and Y have to accept that the other has indeed followed epistemically valid procedures in the absence of any direct test that p and q actually "work" (in the absence, that is, of the kind of test available in the case of embodied knowledge). This is just to repeat what the social epistemologists have long emphasized – that most of what we "know", or take ourselves to know, we do not have direct epistemic warrant for. We "know" by virtue of the testimony of others. And we by necessity have to take that testimony on trust. We may stand, as Newton famously put it, on the shoulders of giants; but we have no direct method of distinguishing giants from dwarfs. To put the point another way, the division of epistemic labour (in the non-embodied case) is limited not so much by the size of the market as by the trustworthiness of those who bear testimony.

There is an obvious question hovering here as to what kinds of institutions might variously emerge or be designed to support incentives for trustworthy behaviour. That is a fascinating question – but mostly for another occasion. Our focus here is the setting itself – and the scope for quasi-fraudulent behaviour that that setting provides.

So, to summarize: There is a demand for knowledge qua knowledge (as well as for its fruits). The pursuit of such knowledge is, like other activities, governed by increasing returns; and so there are advantages in specialisation in knowledge acquisition. Most of us know most of what we know, not by following directly epistemically proper procedures, but from the testimony of others – testimony that, by the nature of the system, we simply take on trust. We will have a highly limited independent basis for assessing the validity of such testimony. And so we are highly vulnerable to believing things that "just ain't so!" Indeed, a certain amount of what is "common knowledge" will be false – and it is a crucial feature of the knowledge economy that it will not be optimal to search out and eliminate the falsehood!

Economists know some things that other people don't know. Or at least, that is a reasonable expectation. They have after all spent a considerable number of years studying arcane books on the subject and doing examinations to verify that they have absorbed an appropriate part of what they have been taught. They have – some of them – written scholarly papers that other accepted authorities in the area have regarded as worthy of publication and (somewhat rarer, possibly) worthy of reading and (rarer still) worthy of citing. So if the division of epistemic labour works at all, we ought to expect that economists know more than everyone else about at least some things. So we have grounds for treating the utterances of putative experts as having some presumptive authority. But which experts? How can we tell who is expert and who isn't? And in relation to what things? These things too we have to take on trust: for the ordinary consumer, it's a matter of trust all the way down. And by its nature, the trust is – must be – largely blind.[3]

So, the fact that there is a demand for gurus doesn't provide any assurance that what gurus *say* is to be taken at face value. Or that the task gurus set themselves as self-appointed knowledge purveyors and expert delivers of the "truth" is an entirely applaudable one.

III The Supply of Gurus

Turning now to the other side of the market, we need to say a little about the *supply* of gurus. There is a minor puzzle here. In most of the contexts in which gurus impart their wisdom, it is wisdom that is not actually paid for. The people who appear on television, or write oped pieces for the newspapers, or spend hours working up their blogs, do it largely without financial reward. To be sure, spending a few hours preparing for your 15 second sound-bite on television or sharpening up your oped piece is not a huge cost – although if you are doing it on a regular basis, the cost soon mounts. In any event, the queue of possible volunteers seems quite long and many economists seem to regard their media appearances as perqs of the job rather than as a chore. So though the supply of guru services is largely without financial reward, it is not of course without reward entirely: the exposure is reward in itself. This market is closed (as we might put it) not by the exchange of money but by the giving and receiving of *esteem*. "Fame is the spur" Hume remarked, "of the noblest minds" – and if that is so, there seems to be no lack of the relevant nobility!

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[3] The distinction between embodied and non-embodied knowledge is critical here and it needs some softening. Like many distinctions, this one reflects an arbitrary dividing line along a spectrum of possibilities. Much knowledge is valuable for instrumental purposes as well as for its own sake. And sometimes it will not be clear where a particular piece of knowledge lies: purely curiosity-led enquiry can often turn out to be useful sometime after the point of discovery. And though embodied knowledge can be assessed independently according to whether it "works" in its embodied form, often such tests are not simple and must be conducted by people who are themselves "expert" – even if the cost of conducting the test is less than the cost of first-round invention.

That same force that supports the *demand* for the guru – the desire on the part of ordinary people to garner the esteem associated with appearing knowledgeable and well-informed on the issues of the day – is the force that explains the *supply*. There is, we think, nothing especially deplorable and certainly nothing unusual about this. Again an appeal to Adam Smith:

> *"When nature formed man for society she endowed him with an original desire to please and an original aversion to offend his brethren. She taught him to take pleasure in their favourable and pain in their unfavourable regard. She rendered their approbation most flattering and most agreeable to him for its own sake and their disapprobation most mortifying and most offensive."* [TMS p116]

For Smith then desire for esteem (and to avoid disesteem) is entirely "natural" and the desire for the esteem of the impartial spectator specifically, the foundation of morality. So there can be nothing intrinsically wrong about the desire for esteem or the pursuit of recognition and public attention that is a critical input into it.

But there is a noteworthy feature of the guru case. This is that the guru seeks approbation in an audience that is poorly equipped to assess whether that approbation is merited. Specifically, the guru seeks out not the *impartial spectator* but the ignorant one: he seeks the esteem attributable to the wise and well-informed in an audience least well-equipped to assess either the wisdom or the quality of information. Normally, the best test for the authority of a putative expert in any given field is whether the judgement of that expert is endorsed by others who we take to be experts. In many cases, that is the only test we have. But the standing of a self-proclaimed "authority" in any field is not best judged by those who aren't authorities themselves – and yet that audience is precisely the audience who the guru seeks out. The guru makes a choice of the audience in which to seek attention and recognition. That audience is precisely *not* the audience of his professional peers. That fact is, perhaps, enough to justify suspicion.

IV The Constraints

It ought to be conceded that the guru labours under certain afflictions. Especially in the television media, the time allotted is short – usually measured in seconds, rather than minutes. And the guru does not have complete control over what is reported. There is little protection from being quoted out of context, or having only part of one's view reported. In particular, there is no time to register provisos or explain to the audience that the views one holds are hotly contested in one's profession and/or widely regarded as eccentric. To be sure, this is more of a constraint in relation to television than to print media – and we have for that reason more sympathy with (and more faith in) the guru-columnist than the guru-announcer.

The truth is that most economic arguments are complex; and most of the available evidence for any position conflicted – and in truth often hopelessly inconclusive. One cannot waste one's few precious moments of air-time "umm-ing" and "ah-ing", furrowing one's brow and saying how complicated it all is. That sort of performance is not conducive to being invited back. Nor is it good strategy to utter clichés that no sensible person can disagree with. That doesn't tell anyone anything they don't already think they know – and watchers can't impress their friends by knowing the totally self-evident! Getting attention is more than half the game; and that means that you had better say something new -- not too far from popular prejudices perhaps, but unfamiliar enough in style and substance to give the public satisfaction!

The guru has, then, a fine array of excuses if you should take him to task. “No time.” “Had to be clear”. “I was misquoted”. “They didn’t report all I said”. But the constraints under which the guru operates are, after all, self-chosen ones. There is a price to be paid for one’s television appearances. But the guru finds that a price worth paying; and that fact suggests that being advanced by the media as a relevant expert, and being considered by the uninformed public as a reputable authority are worth a very great deal to him (-- or her: men have no monopoly on the requisite vanities).

Even in the printed media, there is not much scope for expressing the complexity of the issues and the tentativeness of your own conclusions. If you don’t *know* the causes of the GFC or the likelihood of a second-phase recession, then don’t bore us with how hard it all is; just find us someone who *does* know. And so, the reckless, the especially opinionated, the supremely self-confident, these rise to the top in the guru world. And if you get it wrong, you can always offer the opposite view the following week. It’s not so very likely that too many will remember what you said last time or hold you to account. After all, the challenge is to get attention. There are a lot of would-be gurus out there – and you can’t have success as a guru unless you are noticed. More important to be “interesting” than “right”.

It is worth noting that what applies to the guru applies no less to the academic. Academics too depend on being interesting rather than being right. In economics, for example, there is a special interest in the unusual case, the counter-intuitive result, the surprising possibility – and much of our work is directed at such cases. In Philosophy, there is a notable professional ploy, which we might call the “minimizing ridiculousness gambit”. It operates this way. Take an obviously absurd proposition. Develop a line of defence for that proposition that is at least halfway plausible. In this way, you can show how clever you are – what a master in manipulating argument; and you can get yourself lots of recognition by being identified with a position that no-one else has taken (or thought that it would be possible *to* take); and so invitations to conferences and opportunities to publish in collections because, after all, your position has to be represented. This is a well-recognised strategy in the discipline and certainly not beyond the notice of the cleverer of the graduate students!

Economics has not gone as far in this direction as Philosophy. But there are some well-known, somewhat similar ploys on offer in Economics as well. For example, show how some phenomenon that looks as if it depends on altruism on the part of some set of primary actors can actually be explained entirely in terms of self-interest. Or take some topic that looks as if it has nothing to do with Economics at all and show how aspects of it can be illuminated by an application of conventional economic tools. Hence the famous (or is it infamous?) chapter on the “economics of sex” in McKenzie and Tullock’s *New World of Economics.* Or at a rather greater level of obscurity, Brennan and Tullock’s “economic theory of military tactics”. These sorts of activities are innocent enough in their way; and may even serve a useful pedagogical purpose in making students alert to the “economic way of thinking”. But they are better thought of as games that academics play than as a serious attempt to explain the phenomenon with which they deal. They are innocent enough while ever they remain *within* the academic domain. But if they leak outside, they can do some damage. The academic's vocation may be to be "interesting"; but in the business of sharing knowledge with the general community, of shaping popular opinion, it is important to be "right" – or at least as right as we can be. And that involves not claiming too much, confessing one's predominant ignorance when that is the reality, of refraining from dressing up one's interesting speculations as expert knowledge – none of which are characteristic features of the successful guru's repertoire.

It would of course be easy to exaggerate the influence that gurus exert. But in each case, they exercise some influence, drawing popular opinion in one way rather than another – and in lots of cases, do a small amount of positive harm in the process. Each may well think that all others should exercise some restraint, be readier to confess to ignorance, stick closer to matters on which there is a well-justified professional consensus – but the cost of doing so for themselves is to be that bit less interesting, less controversial, less arresting, and … less noticeable. There is a kind of prisoners' dilemma that gurus are victim to; and this fact may offer some excuse for each one. But this is not much excuse; because this is a prisoners' dilemma that they do not have to play!

V What Kind of Game is Economics?

One dimension of the guru game – at least in the cases involving Economics – is a question about what kind of expertise economists can properly lay claim to. An ex-colleague of one of us gives an account of how he used to give an account of himself when asked: "What do you do?" by casual acquaintances (often enough on the first tee of the golf course, when playing with some unfamiliar members). If he answered: "I'm an economist", he found that more often than not he would be met either with a torrent of abuse because economists were seen to be responsible for some new "efficiency-based" policy or with questions about the likely currency movements or the path of interest rates, where his confession of ignorance was greeted with incredulity and/or irritation. So he developed the strategy of saying: "Well, I'm a kind of statistician!" That seemed to silence just about everyone!

The point here is that there are abroad expectations of the sorts of things that economists can be expected to know – and they differ from what economists can plausibly deliver. Simply put, what characterises economics – at least as we see it – is not the substantive beliefs that economists hold about either economic parameters or about the desirability of particular policies or even political institutions, but rather the way we think! As Paul Heyne put it, by the "economic way of thinking".

So, all of us from time to time get those questionnaires that seek to establish the professional consensus among economists on a wide range of issues. Neither of us is much disposed to fill them in – essentially because the kinds of questions that are posed fail to capture what we think economists are expert about. The point here can be illustrated by an occasion when Milton Friedman visited Joan Robinson at Cambridge. Joan introduced Friedman with the words: "Professor Friedman and I have very different views about monetary policy – and indeed about a great deal else in the policy arena. But we are both economists. We talk the same basic language and we agree on a very large number of things. Our disagreements are family squabbles!"

It was said that whenever N of the major economists of Keynes' day were gathered together, there were always (N+1) different opinions, two of them held by Mr Keynes. Substantive disagreement abounds in Economics – yet it remains the most tribal of disciplines and pretty much everyone recognises the same considerations as decisive in an argument; and agrees as to what counts as "good Economics". We have a common way of arguing, even though opinions on basic empirical questions may diverge. As the late George Stigler used to say: "Whenever arguments among Economists get to the point of appealing to empirical issues, that's when there's no point in continuing the argument. 'That's an empirical question!' is a 'terminal phrase' in economic discussion."

So, confronted with a question about whether free trade is better than some given tariff regime or the desirability of debt-financing or whether minimum wage regulations are a good thing, there probably is a balance of professional opinion – though at different points in the history of the discipline, the balance may well have been otherwise; and in any event that is not what is significant about disciplinary consensus. It is in fact not much of a challenge to a reasonably inventive economist to create a plausible model in which, say, the optimal tariff rate is non-zero or debt-financing of some public project is superior to tax financing.

If you were to ask a random sample of economists whether the US economy is headed for a second-wave recession or whether the dollar is likely to appreciate against the euro, there may well be a majority opinion. But our view is that that opinion wouldn't be worth much. The honest response from most economists is that we don't really know – that we have no particular expertise in predicting the expectations of the vast myriad of individual agents whose beliefs and actions will determine such things and that our own judgements if we have any are mere speculations.

About three decades ago, we ourselves decided that the Japanese yen was over-valued vis-à-vis the US dollar, and vaguely discussed ways on which we could capitalise on this fact (say by buying US dollar futures denominated in Yen or speculating against the Yen in some other way. In the upshot, we were too badly organised to do anything about this. And it was just as well. We'd have lost our shirts. The Yen may well have been "over-valued" – but it *remained* so for a period well beyond any horizon we were contemplating. Economists are no better than anyone else at making money. It is said that Keynes made a significant amount of money in financial speculation – both for himself and for his Cambridge college. But we suspect that this was more because he was lucky than because he was especially clever. (He may have had access to some insider information in certain cases.)

When gurus opine about second-wave recessions, or about exchange rate movements, and about much else in which the general public have an understandable interest, they may well fulfil public expectations about the sorts of things that Economists ought to know. But they have little incentive to correct those public expectations if they are faulty – little incentive to say: "well, I don't really know anything about *that*!" And in that way, the public expectations about the sorts of things gurus ought to be expert about are confirmed, even if most of the gurus around seem to get these things wrong.

As Wittgenstein famously remarked in the *Tractatus,* “That of which one cannot speak, one must pass over in silence”. That is, it seems to us, the right advice for gurus. It is advice, however, in fact mostly honoured in the breach!