

# Ethical Economics Support

Occasional **Newsletter** of the  
Association for Integrity and Responsible Leadership  
in Economics and Associated Professions  
([www.AIRLEAP.org](http://www.AIRLEAP.org))

AIRLEAP

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**October 17, 2008**

## LATEST NEWS / UPCOMING EVENTS

### Mark Your Calendars!

AIRLEAP's next monthly meetings will be held on the following days: See [www.airleap.org/meetings.htm](http://www.airleap.org/meetings.htm) for details.

**Tuesday, October 21, 2008 (Mai Thai Restaurant, 1200 19th St., NW, Washington, DC)**

**Saturday, November 22, 2008, Coinciding with, and nearby the Annual Meeting of the Southern Economic Association (HARD ROCK CAFÉ – HAPPY HOUR at the bar at 7:00, DINNER MEETING at 8:00, 999 E Street, N.W., Washington, DC)**

**Thursday, December 4, 2008. Luncheon Meeting with the Society of Government Economists and National Economists Club** to hear a special lecture by AIRLEAP Director **Deirdre McCloskey** on her recent book with Stephen Ziliak, *The Cult of Statistical Significance: How the Standard Error Costs Us Jobs, Justice and Lives*. (Chinatown Garden Restaurant, 618 H St., NW, Washington)

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## ONGOING ACTIVITIES

**AIRLEAP Survey**: IF you haven't already, **PLEASE TAKE THE SURVEY!** It is important to our mission, and your opinion matters. (<http://www.airleap.org/Survey/>)

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## AIRLEAP's Volunteer Intern Program

AIRLEAP is offering an ongoing, voluntary internship program for economics students in good standing (which includes summer internships). We would basically expect interns to commit a total of at least 120 hours of voluntary work on their own time and at their own pace. For example, it could involve around 20 hours per week for six weeks, or 15 hours per week for 8 weeks, or 10 hours per week for 12 weeks, at the student's discretion. This would allow students the time to be a paid employee at another organization, or to serve as interns during the school year (there would be no restriction in this regard). Student interns would be welcome to list their experience with AIRLEAP on their resumes, and AIRLEAP would acknowledge your participation.

We require that voluntary interns conduct their own research, and provide a working paper of at least 5 single-spaced pages that we would post on our website with the intern listed as the author. The topic of the paper must be closely related, in some way, to AIRLEAP's mission. A voluntary intern could correspond with us remotely, and would be expected to provide a progress report on his/her working paper at least once every two weeks. We would provide help and guidance on the working paper as the research was being performed. In addition, we would not claim any copyright control over the paper.

There is no competition among voluntary interns – all individuals with good academic records and some knowledge of economics are welcome as long as they are willing to accept the time commitment and the requirement to provide an original research paper of good quality. If you are interested, email us at [AIRLEAP\\_News@airleap.org](mailto:AIRLEAP_News@airleap.org) and please write "Volunteer Intern" in the subject line.

## Call for Volunteer Authors, Copy Editors, and Researchers for a New Book

AIRLEAP is now organizing the production of a new book, entitled:

### *Hope for Economics: The Struggle for Integrity and Responsible Leadership in the World's Most Influential Discipline*

This will be an edited volume, consisting of chapters from several authors. The chapters will address a wide range of topics that pertain to integrity and responsible leadership in economics and associated professions. The book will be designed under the guidance of AIRLEAP's Board of Directors (<http://www.airleap.org/BoardOfDirectors.htm>) who have extensive experience in this area.

*Hope for Economics* will cover the same major areas that are listed in AIRLEAP's annotated bibliography (<http://www.airleap.org/bibliography.cfm>): I. How Economics Classes Are Taught; II. Economics as an Objective Science; III. Breadth of Economists' Perspectives; IV. Usefulness of Economic Discourse; V. How Ideas are Recognized and Rewarded; VI. Funding of Economic Research; VII. Contracted Economic Studies; VIII. Economic Statistics; IX. Job Market for Economists; and X. Economics and International Relations. The book will include both newly written papers and reprints of published articles.

AIRLEAP will be the listed author of *Hope for Economics*, and will acknowledge the individual authors of each chapter. AIRLEAP will promote the book heavily in support of its mission.

Contact [Airleap\\_news@airleap.org](mailto:Airleap_news@airleap.org) if you would like to help as a volunteer author, copy editor, or researcher, writing in the subject line, "Volunteer for HFE."

## ARTICLES

### AIRLEAP's New Free-Membership Policy

During AIRLEAP's Annual Directors Meeting during the ASSA/AEA meetings in New Orleans in January 2008, it was decided that AIRLEAP should offer *free membership* to anyone who agrees to support, and abide by, ethical principles in economics and related professions. The change in policy (from our original imposition of membership fees) had two motivations: (1) to avoid precluding anyone from becoming a member if they could not afford it, and (2) to expand our membership greatly for the recognition and growth of our organization.

AIRLEAP Directors, officers, and members debated over the wording of the membership agreement, whose final version appears on the right. At this writing we have about 30 members, but are hoping to expand that greatly. Our members are international; we have members in Europe, Africa, South America, and Asia.

### AIRLEAP's Booth (with ICAPE) at the ASSA/AEA Meetings

AIRLEAP is a member organization of the International Confederation of Associations for Pluralism in Economics (ICAPE), which runs an exhibitor's booth at each annual meeting of the Allied Social Sciences Association (ASSA) / American Economic Association (AEA). So, AIRLEAP displayed our wares at the ICAPE booth this past January in New Orleans where we engaged in some rather interesting discussions with many visitors to the exhibition area of the conference. We acquired several new members this way, distributed our newsletter and other literature, and sold our t-shirts and mugs (see page \_\_\_\_). It was quite an enjoyable experience, and we are looking for volunteers to help us again in January 2009, in San Francisco. (So please contact us if you are interested.)

### AIRLEAP's Membership Registration Form

As a member of the Association for Integrity and Responsible Leadership in Economics and Associated Professions (AIRLEAP) I agree:

- To think about the principles of integrity and responsible leadership in economics and associated professions.
- To abide by these principles whenever it is feasible to do so (without, for example, overly jeopardizing the well-being of myself or others).
- When it is not feasible to act in accordance with such principles, to explore what actions I can take, or AIRLEAP can take, to improve the situation.
- To speak in support of the study and promotion of integrity and responsible leadership, in a positive, professional manner, without directly or indirectly belittling, defaming, denouncing, or disrespecting any individuals or groups.
- To encourage myself and others to take pride in being committed to integrity and responsible leadership in economics and associated professions.

Signature: X \_\_\_\_\_ X  
{Type your full name between the X's}



## NAFE's Statement of Ethics and Principles

by AIRLEAP Staff

Among the many Economic Associations that exist today, there may be none that is more seriously committed to the ethical conduct of its members than NAFE – the National Association of Forensic Economics. Unlike any other economic association of its size (as many as 700 members) NAFE requires all its members to take an ethical pledge, shown at the right. For us here at AIRLEAP, NAFE was a nice “find,” telling us that, indeed, we are not alone in asking our membership (and all our colleagues in economics and associated professions) to support ethical conduct in economics.

AIRLEAP had some questions for NAFE, which it raised by email in February 2008, to NAFE’s then-President, Gary Skoog:

**AIRLEAP:**

“Have you always had the same statement of ethics and principles, or has it changed over time? What are some of the issues that NAFE had to address in making the statement what it currently is?”

**Gary Skoog:**

“It has changed twice, so this is “take 3.” I attach the 2 previous versions. You may not regard the differences as major, but we now require that members pledge to follow the SEPPPP (ethics statement). We did not require this as a condition of membership before. Version 3 cleans up a loophole which a previous Vice President was abusing concerning his “hypothetical.”

**AIRLEAP:** Should different disciplines within economics establish their own statements?

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**Gary Skoog:**

“This is unclear to me. For example, would international economists or

### “Statement of Ethical Principles and Principles of Professional Practice”

National Association of Forensic Economics (NAFE)  
(Effective October 1, 2004)

When providing expert opinion for use as evidence by the trier of fact, a NAFE member pledges, as a condition of membership, adherence to the following:

**1. Engagement.** Practitioners of forensic economics should decline involvement in any litigation when they are asked to assume invalid representations of fact or alter their methodologies without foundation or compelling analytical reason.

**2. Compensation.** Practitioners of forensic economics should not accept contingency fee arrangements, or fee amounts associated with the size of a court award or out-of-court settlement.

**3. Diligence.** Practitioners of forensic economics should employ generally accepted and/or theoretically sound economic methodologies based on reliable economic data. Practitioners of forensic economics should attempt to provide accurate, fair and reasonable expert opinions, recognizing that it is not the responsibility of the practitioner to verify the accuracy or completeness of the case-specific information that has been provided.

**4. Disclosure.** Practitioners of forensic economics should stand ready to provide sufficient detail to allow replication of all numerical calculations, with reasonable effort, by other competent forensic economics experts, and be prepared to provide sufficient disclosure of sources of information and assumptions underpinning their opinions to make them understandable to others.

**5. Consistency.** While it is recognized that practitioners of forensic economics may be given a different assignment when engaged on behalf of the plaintiff than when engaged on behalf of the defense, for any given assignment, the basic assumptions, sources, and methods should not change regardless of the party who engages the expert to perform the assignment.

There should be no change in methodology for purposes of favoring any party's claim. This requirement of consistency is not meant to preclude methodological changes as new knowledge evolves, nor is it meant to preclude performing requested calculations based upon a hypothetical--as long as its hypothetical nature is clearly disclosed in the expert's report and testimony.

**6. Knowledge.** Practitioners of forensic economics should strive to maintain a current knowledge base of their discipline.

**7. Discourse.** Open, uninhibited discussion is a desired educational feature of academic and professional forensic economic conferences. Therefore, to preserve and protect the educational environment, practitioners of forensic economics will refrain from the citation of oral remarks made in an educational environment, without permission from the speaker.

**8. Responsibility.** Practitioners of forensic economics are encouraged to make known the existence of, and their adherence to, these principles to those retaining them to perform economic analyses and to other participants in litigation. In addition, it is appropriate for practitioners of forensic economics to offer criticisms of breaches of these principles.

development economists be required to accept a tenet about helping equalize incomes across countries? If they want to have such a code, then those aspects of their group which set them apart from economists in general would probably dictate their own code, as does NAFE's."

"Some background on NAFE. We have been around since 1986 or so. We are the largest group of people doing economic consulting and testimony in tort cases - we have about 700 members. Still, there are probably more forensic economists than 700 who are not members. We feel that their forensic economic work would be greatly enhanced by reading our peer reviewed journal, the *Journal of Forensic Economics*. All of our back issues are available on our web site, www.nafe.net."

"We require our ethics pledge for members, but let people and organizations be subscribers to our journal for the same price. We do not have the resources or inclination to enforce our pledge: if we did it would raise dues immensely, because if we ever tried to throw an expert out, he would retain counsel, and the legal fees would be enormous. We let attorneys, through depositions and cross examination, effectively enforce our ethics statement. We have considered certification, but our members are firmly against this."

"Here is what we are about: Forensic economics is the scientific discipline that applies economic theories and methods to the issue of pecuniary damages as specified by case law and legislative codes. Topics within forensic economics include: (1) the analysis of claims involving persons, workers, firms, or markets for evidence concerning damage liability; (2) the calculation of damages in personal and commercial litigation; and, (3) the development and use of generally accepted forensic economic methodologies and principles."

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At our monthly meeting in June, AIRLEAP members discussed whether NAFE's expressed commitment to professional ethics is simply a function of the nature of their subfield. Since they do testify before courts, they are surely accustomed to "swearing to tell the truth" and their reputations and livelihoods depend on their

perceived devotion to scientific and objective analysis.

Undoubtedly, the uniqueness of NAFE's subfield will be seen by observers as the main reason for its mandatory ethics pledge. But this conclusion should not make it easy for economists in other subfields to dismiss the need for an explicit ethical commitment in their own associations and societies. In this regard, AIRLEAP hopes that other economists might take a broader view. We see NAFE's policy on ethical conduct as partially a function of the philosophy of its leadership - a philosophy that we believe could easily be adopted, and *should* be adopted, by other economic organizations.

The influence that forensic economists have in courts is, relatively speaking, obvious and transparent. Yet, the influence that other economists have is often of equal or greater magnitude, even if it is not transparent. The arguments that economist make, for example, in cost-benefit analyses of environmental and safety regulations, or in studies of potential anti-trust violations, may well affect millions of people's lives. Decisions in how we measure economic statistics, as well, can, in some cases, make or break the passing of legislation, or determine election results, which will also affect millions on people's lives. Yet, because the connection between economic analysis and societal outcomes is generally obscure in these other situations, the need for a code of ethics becomes obscure as well, and this obscurity likely contributes to indifference about ethics within various circles of the profession.

As our staff has observed in our research, leaders in the economics and related professions have sometimes argued that an ethics pledge would not be meaningful in the sense that people required to say it may still do whatever they like. Some might even argue, cynically, that such pledges exist primarily for publicity's sake, which may be deceptive and, in this sense, unethical in itself. There is surely some truth in this idea, and ultimately the level of integrity will not be determined by what is said in a pledge, but in the norms of our professional societies. In our view, the pledge contributes to awareness that individuals will have of ethical principles, and contributes to the sense of importance that their professional society places on them. This is why

organizations like the federal government require such pledges of all its employees, and why such pledges are used in the vast majority of other professional societies, in medicine, law, accounting, etc. Even in mathematics, which has quite a lot in common with economics, and yet does not address public policy issues, there is an established code of ethics (see <http://www.maa.org/Aboutmaa/whistleblowerpolicy.html>). AIRLEAP staff truly applaud NAFE for capturing the high ground in our profession – for their expressed commitment to integrity and responsible leadership in economics. In our view, other economic associations throughout the world should now follow their lead.

### **Recent Upturn in the Demand for Economists in the United States, While the Supply of Economists Appears Relatively Unchanged**

**Joy Guanghua Zhao**

(2008 AIRLEAP Summer Intern, and Ph.D. Candidate at University of New York, Binghamton)

AIRLEAP finds it interesting that, among all the thousands of economists in the United States, very few of them, in recent times, have published studies on what we would think is the one market that is most near and dear to their hearts—the labor market for economists. In fact, there appears to be hardly any studies providing recent data in this area, with only one exception: a report put out annually by the American Economic Association (AEA), which tabulates and briefly discusses the job listings that the AEA itself posts in *Job Openings for Economists*. This annual report has been written now for several years by John Siegfried, the Director of the AEA.

One other source of data is available on the supply side of the market—the National Science Foundation’s reported statistics on Science and Engineering Doctorate Awards, where there are a few lines of data on the number Ph.D.s acquired each year in Agricultural Economics, Economics, and Econometrics, all of which are added to form an aggregate number of “Ph.D. Economists.”

It may also be interesting to note that the same John Siegfried, and various coauthors with him, *have* written some articles on the job market for economists, based on the *NSF data*, such as ““So you want to earn a Ph.D. in economics: how much do you think you'll make?" *Economic Inquiry*, March 2007. This study used NSF data on economics doctorates received in 1996-1997, and that research was supported by an NSF grant.

There is, quite apparently, a rather small world in the economic study of the job market for economists: Virtually all of the little research that there is, is coauthored by the director of the AEA, and the AEA collects nearly all of the demand-side data (and which controls the demand-size listings, in that JOE is controlled by the AEA). At the same time, NSF collects the supply side data, and also funds the AEA Director’s research.

AIRLEAP would like to know, has anyone in the United States *besides the AEA and the NSF* collected any data on, or performed any empirical analysis of, the job market for economists?

The data that do exist indicate some important patterns in the market, though these are sketchy indicators. Regardless of the data on listings in JOE, we have no idea how many job openings reflect increases in the total number of jobs, as opposed to job switching among people who

**Table 1. Indicators of Supply and Demand for New Economists**

Year	New Ph.D.s in Economics Received	Total Jobs Posted in Job Openings	Academic Positions	Non-Academic Positions
1997	1,163	1,611		
1998	1,157	1,879		
1999	1,075	2,389		
2000	1,086	2,650	1,635	1,015
2001	1,081	2,426	1,589	837
2002	1,026	2,168	1,487	681
2003	1,050	2,101	1,381	720
2004	1,069	2,128	1,472	656
2005	1,184	2,593	1,715	878
2006		2,643	1,759	884
2007		2,914	1,910	1,004

Sources: Ph.D.s received: National Science Foundation, S&E Doctorate Awards 2005, <http://www.nsf.gov/statistics/nsf07305/>; JOE Postings: American Economic Association, Report to the Director, John J. Siegfried, 2006-2008.

already have jobs. Similarly, we have no idea, without further data and analysis, to what extent new Ph.D.s are increasing the total labor supply, as opposed to replacing retirees. Nevertheless, recent trends in the two indicators that *are* available suggest an upturn in the demand for economists in the United States, though there is no apparent matching upturn in supply. The data on supply, however, are less indicative in that they are less current.

Figure 1, contrasts the number of Ph.D.s received in the United States each year in Economics with the number of jobs posted in Job Openings for Economists (JOE) each year, from 1997 to 2005. For the JOE data, multiple advertisements for the same job are only counted once. However, the job listings include positions abroad, so the two variables are hardly comparable. In any case, one observes that the domestic supply of new Ph.D.s in economics is fairly stable, with a mean (over the time span shown) of 1107, a maximum of 1184, and a minimum of 1026.

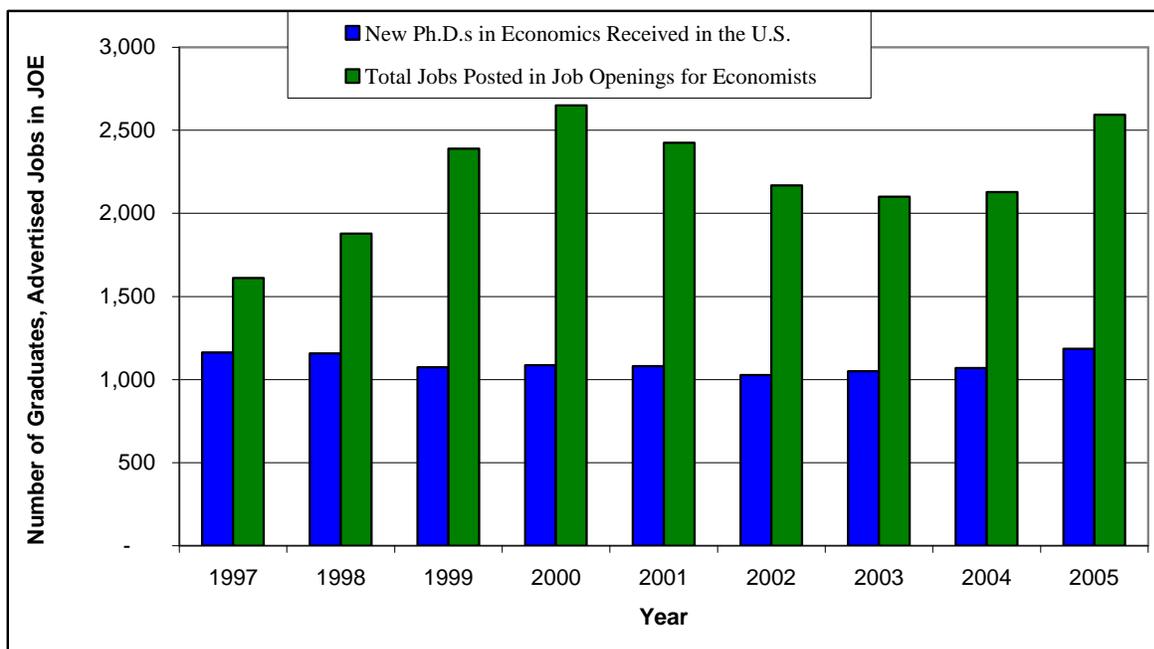
Our discussion of these figures presumes that the number of advertisements posted in the JOE is not sensitive to occasional increases in the fees charged by JOE for advertisements. That is, JOE is generally seen as a quasi-public good, or self-regulated monopoly of sorts, run by a nonprofit organization that will be inclined to charge fees only to recover its administrative costs. Thus, given this assumption, it may follow that the vast majority of new positions available for Ph.D.

economists will be advertised in JOE, as opposed to other advertisers, because JOE's fees are not preclusive. Whether this is, in fact, true is an open question. Again, it is surprising that economists have not investigated this one special market more thoroughly.

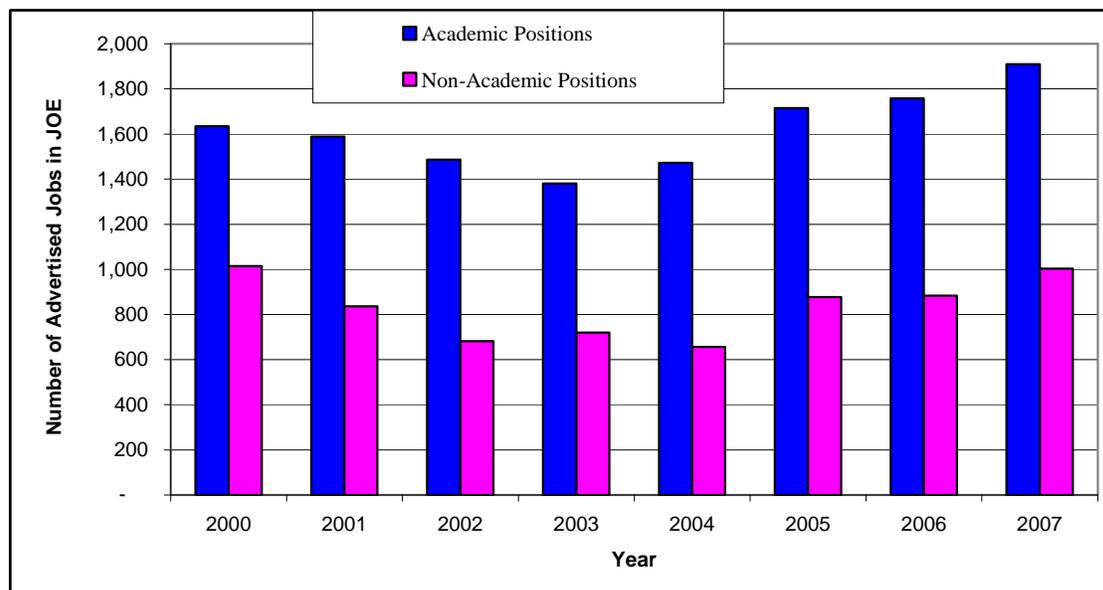
While the supply of new Ph.D.s appears stable, the number of jobs posted in JOE behaves like a business cycle. It rises from 1997 to 2000, falls from 2000 to 2003, and rises again from 2003 to 2007, indicating a recent upturn in the demand for Ph.D. economists in the United States.

From Table 1 and Figure 2, we can see that the highest number of positions (both for academic and nonacademic positions) was in 2007, though these numbers have declined substantially between 2000 and 2003. Hence, there is the appearance of an upturn in the demand for economists in the United States. Is it real? Or is it something else, like JOE simply grabbing a greater share of the market for advertising job vacancies for economists? Furthermore, this begs another set of questions, such as whether it is preferable for a single advertiser to dominate the market (at least for academic positions)? Is it a natural monopoly or isn't it? And is it a good idea for the AEA to control it, given the AEA's dominance in the profession in so many other arenas? Perhaps, though, the biggest question of all is, "Why aren't economists asking these questions?"

**Figure 1. New Ph.D.s in Economics and Total Jobs Listed in Job Openings for Economists**



**Figure 2. Academic and Non-Academic Jobs Listed in Job Openings for Economists**



## AIRLEAP's Newest Board Members

by AIRLEAP Staff

AIRLEAP gained two new members to its Board of Directors during the summer of 2008: Professors Seth Giertz and Thomas Mayer. Professor Giertz is one of AIRLEAP's original founding members, and he was AIRLEAP's Treasurer when he worked as an economist with the Congressional Budget Office, until July 2008, before starting a new teaching position at the University of Nebraska.

Seth grew up in Illinois, and received his doctorate in economics from Syracuse University in 2001. At the Congressional Budget Office he examined tax issues relating to higher education, charitable giving, executive compensation, financing for Social Security, and possible reforms to the U.S. markets for healthcare and health insurance. In 2005, while on leave from CBO, Seth served as a staff economist for the President's Advisory Panel on Federal Tax Reform. And, from 2005 to 2008, Seth served on the Board of Directors of the Society of Government Economists.

Seth already appears at the bottom of page 3 of this newsletter (behind his wife, Yvon), holding

up an AIRLEAP t-shirt at our exhibitors booth during the American Economic Association meetings in January 2008.

Thomas Mayer is Emeritus Professor of Economics at the University of California, Davis, where he has taught mainly monetary economics and macroeconomics. He previously taught at Michigan State University; University of California, Berkeley; Notre Dame University; and West Virginia University.

Professor Mayer has had a distinguished career in economics, as the author of numerous papers in professional journals and several books, and as someone who is occasionally remembered as having debated with Milton Friedman. Among his books are *Permanent Income, Wealth and*



Thomas Mayer

*Consumption; The Structure of Monetarism* (for which he is the lead author); *Money, Banking and the Economy* (written with J. Duesenberry and R. Aliber); *Monetarism and Macroeconomic Policy*; *Monetary Policy and the Great Inflation*; and

*Invitation to Economics* (forthcoming). He also wrote, *Truth Versus Precision in Economics* (1992) – a candid view of the profession that falls squarely in the realm of AIRLEAP’s mission.

Tom has served as President of the Western Economic Association, as Chairman of the International Network for Economic Method, and on the editorial board of several journals.

### Essays on Ethical Economics

AIRLEAP invites essays (and book reviews) from its members for possible publication in *Ethical Economics Support*, subject to review and approval by AIRLEAP’s Newsletter Committee. Such essays may include editorial comments or rebuttals to previously submitted essays. Authors may choose to remain anonymous in the publication, but they are asked to let the Newsletter Committee know who they are to verify their membership. The Committee will honor the anonymity of authors who choose this option. Authors are offered considerable latitude in expressing critical or provocative ideas; however, essays must not critically accuse any particular individuals or organizations of wrong doing. The motivation of the essays is to exchange ideas and learn from each other — not to point fingers. For additional information about submitting essays see the instructions at the end of this section.

**The essays presented here reflect only the opinions of the authors, not the opinions of AIRLEAP®.**

### Economics, Fake Science, and the Holocaust

by an Anonymous AIRLEAP Member

What I am about to argue would be a stretch for most readers, but should not be so much of a stretch for economists. I would argue that this essay could best be understood *mathematically*, which is something that economics, in general, are quite adept at doing. In mathematical (and economic) problems, extreme cases shed light on general tendencies. For example, if an economist were to argue that people generally spend a lower proportion of their income on food, the higher their income is, it might not be obvious without considering extremes. It is intuitively obvious that impoverished people spend a large proportion of their income on food, and that the

most affluent people in the world spend a very small proportion. From these extremes economists might deduce that “the income elasticity of demand for food” is generally less than one (i.e., people spend a lower proportion of their income on food, the greater their income is).

As another example, economists may argue that, in addition to money, time may be an important constraint on consumption. If this is challenged, one might propose an extreme hypothetical situation in which there is a billionaire who has only one favorite pastime, which is to go out to the movies. Since there are only so many waking hours in the day in which he (or she) can watch a movie, his consumption of movies in a movie theater is constrained regardless of how many movie tickets he is capable of purchasing. From this extreme, we can understand easily how time is also a constraint in consumption.

The Nazis in Germany in the 1930s and 40s present a perfect extreme, as well, which can shed light on the question, *how easily and how far can a “false science” be promoted?* The image that most people have of the Nazis is of violent individuals with a sadistic, hateful spirit. However, the Holocaust Museum in Washington, DC has an extensive exhibit on another side of Germany in the 1930s and 40s – its scientists and the research they conducted. It shows how German scientists in that time and place performed methodical, published research, supported by the government, on various anthropological theories supporting the view that Arians were physically and cognitively superior to all other races.

Some of these scientists were quite sadistic in their experiments, especially those working in the concentration camps. However, it appears that most were more like the scientists we commonly think of—geeks—who spent most of their time in laboratories, taking measurements and writing research papers on what they observed. They were competing for publications in their field of science, giving seminars and lectures, and presenting numerous graphs that were the “PowerPoint slides” of their day.

This is the heuristic extreme that has bearing on our understanding of the subfields of economics in modern times. The German scientists under the Nazi regime who were studying human

anatomy and genetic variation were operating in an infrastructure and incentive system that supported this extreme perspective and agenda. Those who did not believe in or promote the superiority of the Aryan race did not receive government support for their research, and would not get published in journals, regardless of the scientific validity of their position. The Nazis had, essentially, created their own science, independent of physical reality and ethical decency, and an infrastructure to convey to their population that such a science was completely valid and helpful to society.

This extreme proves that illegitimate fields of science can be fabricated, and can receive enough support from powerful groups to convince a large proportion of the population that such science is legitimate. It can even be taught to children in a nation's public schools. If this can, and has, been done for something as horrific, despicable, and unscientific as the alleged superiority of the Aryan race, then surely it can be done for something much less objectionable like the proliferation of obscure economic models, with impressive mathematics, that are based on invalid assumptions and have no practical application. In short, the fact that something is widely recognized as "legitimate and admirable *science*," because it is performed by "smart people" who win research grants, publish articles, and give news conferences, does not necessarily mean that it is, in fact, legitimate and admirable science. It is a supply of ideas designed to meet a certain demand, where its legitimacy depends on the demand that is driving it. Or, in some cases, supply simply creates its own demand within scholarly, mutual-admiration societies.

In sharp contrast to what the Nazi scientists would have predicted, some of the greatest leaders of the economics profession were Holocaust *survivors* (as were, of course, many other great scientists like Einstein and Freud). Those survivors who became prominent economists were often outspoken in criticizing the economics profession for creating or supporting *false or misleading science* of its own. Indeed, as leaders in the profession they had a sense of responsibility to denounce pretentious science—a sense of responsibility that must surely have been encouraged by their horrible experiences as Holocaust victims, in which they were, in part, victims of illegitimate science.

For example, in their presidential addresses to the American Economic Association, Holocaust survivors Wallis Leontief (1971) and Zvi Griliches (1994) pleaded for a greater emphasis on scientific reality in economic discourse. In particular, Leontief, who went on to win the Nobel Prize in Economics, remarked in that presidential speech:

Uneasiness ... is caused *not* by the irrelevance of the practical problems to which . . . economists address their efforts, but rather by the palpable inadequacy of the scientific means with which they try to solve them. ... Continued preoccupation with imaginary, hypothetical, rather than with observable reality has gradually led to a distortion of the informal valuation scale used . . . to assess and to rank . . . scientific performance.

It is also interesting to note how incredibly well-represented Holocaust survivors were in the economic subfield of game theory, which includes John von Neumann and Nobel Prize winners: Robert Aumann, John Charles Harsanyi, Leonid Hurwicz, and Reinhard Selten.

Holocaust survivors are also well represented in the economic analysis of behavior and decision making. Hendrik Houthakker and Nicholas Kaldor analyzed consumption patterns and contributed substantially to theories about consumer behavior. Peter Thomas Bauer, a noted development economist, emphasized the importance of private incentives in developing countries, based on his own real-life experiences in Malaysia and West Africa. Nobel Prize winner Daniel Kahneman studied the psychology of how people decide among possible choices. And, Emil Lederer was a leading supporter of interdisciplinary research between economics and sociology.

Another Holocaust survivor, Adolph Lowe criticized economics as being too mechanized, and wrote the article, "Toward a Science of Economics." Jacob Marschak introduced the axiomatization of choice under uncertainty. Ludwig von Mises wrote the treatise *Human Action*, emphasizing the importance of human behavior in economic decisions. And, Nobel Prize winner Franco Modigliani originated the

life-cycle hypothesis addressing patterns of consumption over the course of people's lives.

The contributions of Holocaust survivors to economic thought in other areas abound as well. Hans Singer expanded international trade theory. Leonid Kantorovich won the Nobel Prize for study of optimal allocation of resources. Piero Sraffa challenged the profession's understanding of capital while Abraham Wald was best known for his "Walt test" in econometric estimation.

Indeed, many of the most important leaders of the economics profession over the past 70 years were victims of the Holocaust. They would have never

allowed economics to become a false science, and have greatly supported the idea that economic discourse should reflect legitimate science, based on an interest in what is important, and what is consistent with reality as we can observe and understand it. I believe their emphasis on legitimacy is due, in part, to a rejection of the assumption that we can always trust the direction that published research is taking, simply because it is being published, or benefitting from grant money. We can only hope that this wisdom, like our memory of the Holocaust, will be sustained.

### **Instructions for Submitting Essays and Book Reviews**

Instructions for submitting essays are subject to revision, so please ensure this is the latest issue of the newsletter before executing these instructions. Proposed essays may range from 200 to 4,000 words, and must relate in some significant way to an AIRLEAP-related topic. These essays should be sent as attached Microsoft Word files to [AIRLEAP\\_News@airleap.org](mailto:AIRLEAP_News@airleap.org), and write in the subject line, "Essay for EES." Authors must state explicitly in the email message if they wish to be anonymous in the essay's publication. AIRLEAP will only publish essays where membership is verified, regardless of anonymity. As mentioned above, essays will not be accepted if they critically accuse, either directly or indirectly, any particular individuals or organizations of wrong doing.

Of course, all essays submitted must be the original work of the author, and any ideas or text that is not original must be properly cited. In addition, essays that present statistics must provide the full references to these statistics in the essay, and provide the Newsletter Committee with an easy means for verifying the statistics presented (such as providing links or attachments to those sources in the email message that provided the essay). AIRLEAP claims no property right to essays in *Ethical Economics Support* — authors are free to recycle their essays to other publications.

### **ABOUT AIRLEAP**

AIRLEAP® ([www.AIRLEAP.org](http://www.AIRLEAP.org)) is an international, nonprofit organization seeking to study and promote integrity and responsible leadership in economics and related professions. Please contact us ([AIRLEAP\\_news@airleap.org](mailto:AIRLEAP_news@airleap.org)) if you would like to help in organizing our meetings, preparing our newsletter, contributing to our research efforts, or participating with us at economic conferences. Membership in AIRLEAP is free, though we encourage contributions to maintain our viability as an organization. For United States residents, all contributions to AIRLEAP are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code (EIN 36-4600302). If you would like to join us as a member, please see our membership registration at <http://www.airleap.org/members.htm>. For contributions, please mail a check (in US dollars) to "AIRLEAP" at the address: AIRLEAP, 7481 Huntsman Blvd., # 505, Springfield, VA 22153, USA.

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