What Shakes and What Shapes the Code of Ethics in Economics: *Evaluating the need for the code of Ethics for the Economists*

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Introduction:

Is economics an independent science, which has nothing to gain from other disciplines, including ethics? What is the rhetorical position of economists today on this point. Would such a view have been accepted in the past. Is a value-free economics even possible. If some links between ethics and economics are inevitable, where do they manifest themselves. Would economics benefit from an explicit and deeper engagement with ethics. These, and many other, questions emerge once one begins to think about economics and ethics.

Defining Economics: Lionel Robbins provides this commonly used definition: "Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" (1945, p. 16). Robbins himself notes, however, that a discipline cannot be defined in advance but only after the boundaries of investigation have been determined. In proposing the *ends* and *means* definition, Robbins sought to stretch the boundaries of the field beyond the confines of his day, in which economics was limited to explaining only the causes of material welfare. Robbins expands it to include any outcome-directed activity in which there are resource constraints. In light of the three ethical frameworks presented in this chapter, students can be offered an even broader definition: *Economics involves the systematic examination of the patterns of individual and group behavior used for the provisioning of the socio-economic system.* In addition to prices and markets, this definition encompasses duty and commitment in economic life (Sen, 1977) and the study of cognitive mechanisms that are not consciously controlled, yet likely play a role in economic activity. Zak (2011), a neuroeconomist, provides evidence of an autonomous brain function that controls social behaviors through the release of hormones such as oxytocin (the "moral molecule"). By varying hormone levels, Zak alters the degree of "fellow-feeling" and hence changes behaviors in experimental settings. Hormones and neural networks appear to provide the biological scaffolding for sociability that underlies Adam Smith's conception of moral behavior. Social modeling thus grapples with interpersonal ethical considerations that are psychologically, philosophically, and biologically intertwined. Smith theorized that humans pursue self-deceptive goals whose ultimate ends are not consciously knowable, even as they serve higher purposes (1759, p. 183). The "invisible hand" arises within this context: "It is this deception which rouses and keeps in continual motion the industry of mankind" (1759, p. 183). For a classroom treatment of this subject, see Wight (2007). Over the centuries, Smith's philosophy devolved into the separate (and, to a large degree, isolated) disciplines of psychology, philosophy, economics, sociology, political science, and law. In the 1920s, Balliol College at Oxford (where Smith had studied) began reintegrating the study of philosophy, politics, and economics (PPE). Teachers can use the academic novel, *Saving Adam Smith: A Tale of Wealth, Transformation, and Virtue* (Wight, 2002) to explore Smith's moral underpinnings for wealth creation as a pillar of his market philosophy.

Ethics Defined: There are many ways to define what is meant by ethics. One working definition is: *Ethics is the study of one's proper interactions with others: it is the analysis of right and wrong.* Ethical beliefs and practices constitute a vast and unseen institutional force. A famous example is the generous tip that a satisfied traveler leaves at a highway restaurant—an eatery to which she never intends to return. Why would anyone leave a tip in this case—when there is no expectation of future economic return. The typical diner shrugs and says it is customary or traditional to show generosity for good service and giving a tip is simply the "right thing to do." However, we can imagine deeper answers than this. Economic actors may leave a gratuity because they are *altruistic*; or, diners may not want to incur the social *stigma* of not tipping; or, they may believe that they have a *duty* to act in certain ways; or, they self consciously act in ways thought to be *virtuous*. Of course, not everyone tips, so the simplistic account of the economic actor as *homo economicus*—a selfish miser—is correct much of the time. But the "economic actor" model cannot help us understand why O.J. Simpson's book was booed out of the market before production, nor can it help us explain generous highway restaurant tips. The greatest distinction between humans and other animals is not our rational minds, Charles Darwin argued, but our moral capabilities which allow us to cooperate.

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These capabilities are honed instinctual responses. In his conclusion to *The Descent of Man* (1871), Darwin noted that: Any instinct, permanently stronger or more enduring than another, gives rise to a feeling which we express by saying that it ought to be obeyed (Charles Darwin 1871). The social instincts work initially through the human capacity to sympathize with others, but are strengthened by instruction, exercise, and habit. Ethical beliefs and practices make up the formal and informal rules that generate trust, promote interdependencies, and spur work productivity in a myriad of ways. In everyday economic life there is a vast grey area in which economic behavior is shaped by these social instincts and unconscious moral constructs. Everyone in the society implicitly accepts the ethical mores of life in a social group, which extends to consideration of the nation and one's civic duties. People are bound together in a shared endeavor and celebrate togetherness in ritual feasts like Thanksgiving. Although people may be selfish, they restrain themselves because of ethical commitments that do not fully rely upon a calculation of gains and losses. Adam Smith, the founder of modern economics, wrote *The Theory of Moral Sentiments* (1759) to model the process by which instinctive human nature is socialized for cooperation. Empathetic man is the one Darwin relied upon in writing about human evolution. Smith also wrote in *The Wealth of Nations* (1776) about the invisible hand of the market; few realize that trust and ethical norms—derived from moral sentiments—were essential components for making trade work without the heavy hand of government.

The study of ethics in economics offers a complementary understanding of hidden currents and tides that also move actors on the commercial stage—workers, suppliers, managers, and customers. Ethics provides the "institutional framework" within which economic activity unfolds. The biographies of great entrepreneurs show that they often hold complex motives and inspire others for a variety of reasons. Many technological breakthroughs of the 20th century, for example—relativity, computing, DNA, television, and the Internet—were driven by entrepreneurs with non-pecuniary motives. Non pecuniary motives may relate to internal intentions or they may relate to social rewards of esteem and fame. In either case, ethical behavior is intertwined with concepts of personal meaning and social acceptance. It is important that many developed world economists routinely provide advice to developing countries. If ethical institutions are ignored because they are thought to be irrelevant, advice can go badly awry. Economic policies themselves can change the moral norms in society. In advocating policies, economists may unwittingly also change norms.

The thesis of this paper is that economics should be studied within an ethical framework. The hypotheses that underlie this view are that: 1) Science progresses better when practitioners adhere to basic ethical norms of truth seeking and honesty. 2) Economists can understand and predict outcomes more effectively when they consider the role of ethical beliefs and commitments [(e.g., can do better positive economics). Positive economics is the study of the economy as it currently exists (e.g., the discernment of facts). Positive economics is also used to make predictions about the impact of changes to the economy based on models or theories about how the world works. Positive statements of prediction take the form, "*If* this action is taken, then *this* would be the outcome.")]; and 3) Economists can provide sounder policy advice when analyzing a broader ethical framework (e.g., can do better normative economics as Normative economics entails a judgment about the kinds of actions that *ought* to be taken). In summary, economists should be careful about what we think we know about the world—and even more careful in recommending policies—if the ethical landscape is unexamined.

The "economic way of thinking" is purported to be scientific reasoning, as espoused by many 20th century economists. George Stigler, who won the Nobel Prize in 1982, opined that: "The basic role of the *scientist* in public policy, therefore, is that of establishing the costs and benefits of alternative institutional arrangements (Stigler, George. 1965). In this statement Stigler adopts a particular moral framework (e.g, that only consequences matter) and a particular moral standard about evaluating consequences (e.g., emphasizing those that can be quantified through dollar costs and benefits). "Economics is finally at the threshold of its golden age," Stigler wrote in 1965 *(Edward Elgar, 2009)*. His pronouncement was prophetic, as the methods of economists soon overran the fields of political science and sociology, and made significant inroads in law and philosophy. But in a larger sense, as economics spread across other subjects, the discipline has also drawn inwards in terms of the questions and methods considered. In short, economics became less an active participant in a liberal education.

Justifying an Ethical Framework: As noted above, Kantians use rationality for understanding the appropriate means of acting (rather than for achieving a particular end). And virtue ethicists like Smith explore the emotionally cognitive behaviors that arise from instincts needed for survival in groups. Economists argue that people make rational decisions to achieve the goal of maximizing utility. In reality, people make decisions for complex reasons, not all of which can be understood by a single model. The practice of tipping at highway restaurants, for example, relates to all three approaches: first, because of a rational calculation of reputation-building and future services to be received (economic); second, from logically derived rules for treating others with respect (Kantian); and third, from instinctual fellow-feelings (Smithian). Many other economic behaviors can be modeled in deeper ways than simply connecting means with desired ends. If there are valid multiple perspectives, how can any one of these be "right"? One approach is to simplify economics to produce a "single, coherent" set of concepts that won't confuse students. Hence, many teachers portray economics as engineering, with non-controversial goals and methods that yield the "right" answers to allocation questions. In his Nobel Prize address, Ronald Coase (1960), laments: "What is studied is a system which lives in the minds of economists but not on earth. I have called the result 'blackboard economics'." In addition to being unscientific, "blackboard economics" is antithetical to critical thinking (Nelson, 1989).

A commitment to critical thinking requires that teachers deal with complexity and controversy. When policy issues are discussed, teachers should encourage students to think outside the economists' toolbox. It is not simply that there are additional outcomes (besides preferences) that could be considered, it is also that non-outcomes-based ways of thinking are ubiquitous. During emergencies, people instinctively reject markets in favor of rules for sharing derived from duty or virtue ethics. Non-price allocations are also widely used in families, churches, and schools, institutions which are paternalistic and geared toward cultivating virtuous habits in young people. The moral justification for markets arises from considering the problems that arise within these contexts (Wight, 2009). Teachers can discuss Bentham's (1789) advocacy of utilitarianism as a result of his growing discontent with policies imposed by authority and precedent. In the 18th century, Enlightenment thinkers contended that the institutions of human society should be examined and debated just like the laws of physical science; public policies should be chosen based on their outcomes rather than simply the tyranny of tradition, or by misguided appeals to duties, rights or virtues. Hence, even after considering the objections of other ethical frameworks, a strong justification for policies based on a consequentiality cost-benefit analysis can be made (Frank, 2008).

Objective and Structure of the Paper:

Objective of this paper is to evaluate the need for code of ethics for the practioners in the field of economics. Given the considerable debate over the ethical issues of academics and practioners economist, this paper tries to bring light on the literature for code of conduct of ethics. The economists face conflicting situations in their professional career while performing their daily life, while working with government policy makers, working as advisor in private sector, in their research work, working with the educational institutions and working in various capacities of professional life. In order to address this objective, structure of this paper is as follows:

Section One: Introduces the subject economics with a review of conceptual issues on ethics in economics, immorality challenges of system efficiency, state of play in the economic discipline, the ethical crisis of economics, two grand narratives of ethics and economics, the grand narrative of Amartya Sen the grand narratives Cropsey, Staveley and their followers seeks critiques of the main stream and his alternative approach to economics.

Section Two: This section deals with the need for the code of ethics in economics profession, identification of areas where economists lack code of ethics which poses challenge, advocating for code, questioning the need for code, and tips for intertwining economists, and economists facing flak over ethics, economists has no true professional body.

Section Three: Deals with the interconnectedness of economist and conflict of interest, ideology and the financial crisis, academic economists affiliation with private sector financial institutions, identification of economists in their writing, financial economists opinions on financial reforms, recent changes in disclosure norms, conflict of interest and, Section Four: Summarizes the paper.

Economics is not a neutral science

Economic theory is not morally neutral but also reflects a value system. When proponents of positive economics (Friedman,1953) suggest that we need to separate questions linked to efficiency (did the decision meet its goal?) from those related to legitimacy (is action justified?), they criticize the use of value judgments, but at the same time they also submit a proposal that is itself a value judgment. A philosophical movement like English utilitarianism, as promulgated by economists such as John Stuart Mill, contains a certain ideal of the common good, in other words, satisfying the largest number of people and increasing happiness overall. Moreover, as economics is based on production and exchange within human communities, it is largely dependent on moral values and social customs, and is interwoven with society (Beckert, 2006). Sidgwick (1883) was among the first to differentiate between positive economics that simply states the facts (*what is*) as opposed to normative economics which expresses value judgments (*what ought to be*). The work by Sen (1985; 1987) falls into the field of normative economics research. Normative economics may set out certain requirements, but above all it examines how different ethical principles (related to moral philosophy or the debate on contemporary society) place restrictions on social institutions (leading to conditional recommendations). These principles may include equal opportunities, the fight against inequality, and access to education, for instance. Walras distinguishes between economic science, which explains how competition can ensure the development of wealth, and morals, which indicate how we should intervene to make the distribution of wealth fairer. State intervention is meant to establish a precarious balance between morality and economics (this is the goal of the economics of welfare (Pigou, 1920). This brings us to the general definition of social justice criteria (Rawls, 1971). Mandeville (1714) called for "*the skilful management of the dexterous politician*" whose intervention is essential to transform "*private vice*" into "*public good*." He believed that public action did not mean always getting involved and regulating everything in detail, but rather, defining the legal and institutional framework necessary for sound business operations.

There is nobody out of the community, no community without moral and religious beliefs. Under such conditions, it is to say whether it is the requirements of the individual or of the community must prevail, but whether the principles of justice that govern the basic structure of society may be neutral with respect to moral and religious convictions adopted by citizens (Sandel,1982). Economic analyzes are they neutral. Value judgments inevitably occur at the end of the research, as the results were presented. It is important to point out the danger of radical separation between science and value judgments rather than their confusion. The responsibility of the economist does not end with the achievement of the objectives of the research. Moral responsibility begins only when the process of scientific knowledge with respect to a given problem, is completed. That responsibility lies in the constant review of political and moral consequences of scientific work. We do not expect economists act as legal authorities, but their moral responsibility is not to forget the ethical issues (though economics has a difficulty to explain why moral beliefs are shared by members of a nation).

Immorality challenges the system's efficiency

Morals and ethics remain central to public policy justifications. Basically, the government's role is to limit abuses linked to the way that markets work and to protect the most vulnerable members of society. In 1796, Kant noted that "*politics says: be wise as serpents*," while adding in the same sentence that morality demanded the restrictive condition that we remain "*as harmless as doves*." This led Savidan (2014) to note that: "*Kant and his followers were always careful not to get their hands dirty. We can see in this a form of guilty idealism, or a somewhat naive way of not taking the real difficulty seriously, that which arises of course when, to preserve one's innocence, we must abandon all acumen, or attack the dove when acumen recommends it*." Economics cannot function without a minimum of rules. Numerous examples show that misappropriation of corporate assets, immorality, manipulation, fraud, lies, insider trading, money laundering via tax havens and so on all create obstacles to the successful conduct of business operations. Corruption is a cancer that can remove authority and all of a country's financial resources. It is not painless and, in authoritarian regimes, may be the main cause of people's suffering. The exorbitant pay packets awarded to leaders of multinational firms are also problematic. When there is no limit to the drive for profit, societies reach crisis point. The difficulties experienced by western societies are almost certainly linked to the weakening of three anti-utilitarian standards of the past, namely, aristocratic, Christian and socialist ethics. When exclusively individual interests take priority, violence and predation follow; it is the fear of such violence that leads us to introduce moral antidotes (which involves sublimating individual interests and diverting them towards collective goals). Nevertheless, we cannot have an exclusively moral attitude towards the corruption or towards the fraud, because it would be forget the conditions which engender the troubles of which we disapprove.

One of the greatest barriers to meaningful debate within and about economics has been the successful mainstream rhetoric that economics is a technical subject. Where economics is presented as a science, ethical considerations are deemed to belong to non-science. According to this view, the economist's role is to produce technical results to be handed over as expert advice to policy makers, for them to use according to their (separable) ethical principles. Where the issue of ethics *has* arisen within mainstream academic economics, it has tended to refer to the kind of generic academic ethics applied by funding bodies, employers of consultants and publication outlets: not to plagiarize, to declare conflicts of interest, not to be abusive, and so on. While important in themselves, these are ethics of personal behavior which are considered to be independent of research methodology and research content. But ethical responsibilities have come to the fore in public discourse in the wake of the recent financial and economic crisis. Given the real consequences of the crisis and their uneven distribution, questions arise as to how far economists are morally culpable. Not only did mainstream economists fail to alert the authorities to the forces leading towards crisis, but their theories had equipped financial market players with the technical skills to stoke the system's vulnerability to crisis. Moral issues continue to arise, given the policy advice in favor of fiscal austerity which came from the same economists. The nature and role of expert advice raise moral issues surrounding the status of economic knowledge itself.

There is clearly more scope for ethical issues to arise in economics than implied by narrow generic academic ethics. In order to consider this scope we raise issue with the notion of economics as a purely technical discipline and explore the implications for ethics in relation to economics as a whole and in relation to the responsibilities of individual economists. There has for some time been growing academic interest in considering ethics and economics in this wider sense, such that there is now a body of resources by which to address these issues, such as the *Handbook of Economics and Ethics* (Peil and van Staveren, eds, 2009). Meanwhile, George De Martino (2011) had spearheaded discussion of the possibility that economists, like other professional groupings, might be required to sign an oath which established ethical standards. A range of perspectives on such a possibility and related issues was published in the *Oxford Handbook on Professional Economic Ethics* (De Martino and McCloskey, eds, 2016).

Ethical issues enter at the level of how economic knowledge is produced. Where mainstream economics textbooks refer at all to methodology, it is to a logical positivist approach whereby economists derive positive propositions and test them against independent facts. While Hume had simply pointed out the distinction between 'is' and 'ought' statements, modern mainstream economists assert that economics is only concerned with the former (see further van de Laar and Peil 2009 and Davis 2016). It is not that economists do not seek to contribute to the betterment of society – most do – but rather that this is to be done by producing useful, empirically-validated positive statements.[1] The resulting methodology is seen as defining the discipline, effectively ruling out other approaches. But modern economics began, with Hume among others, as a moral science within the field of moral philosophy; ethics were integral to economic reasoning (Dow 2009). It is not then a question of whether it is desirable to strip economics of ethics, but rather whether it is actually possible to do so. As Kayatekin (2014: 605) argues with respect to Hume: 'to the extent economic behavior is determined by passions such as greed, benevolence and pleasure, we cannot separate economic activity and morality'. The theoretical framework itself determines how values are discussed. Thus ethical concepts such as trust and moral hazard are analyzed in mainstream theory in terms of incentives and self-interest, while elsewhere they are analyzed in terms of institutions and social conventions (Nooteboom 2009, Dow 2012). Inevitably policy advice too is formulated in terms of the framework employed, an important issue for example for banking reform in the wake of the crisis.

Ethical judgments are thus embedded even in apparently-technical mainstream models, and in concepts such as efficiency (van Staveren 2009). Within a mainstream framework, market competition is presumed to ensure that labor and capital are paid the value of their marginal product, justifying the pattern of income distribution, for example. Similarly, mainstream theory supports promotion of free trade on the grounds that it produces a net increase in welfare, i.e. where losers could in principle be compensated by winners, *even if compensation does not actually take place*. The embeddedness of moral values is even more apparent beyond the mainstream, where market forces are analyzed as being as much matters of power and social convention as they are about price incentives.

This brings us to the ethics of the economist herself, as researcher, as teacher, as consultant and as policy adviser. The first implication of economics being a moral science is that it is unethical to present economic propositions as separable from ethics (Dow 2015). Theory is contestable, not just in relation to alternatives, but also in relation to its moral presuppositions. It is therefore incumbent on the economist to be explicit about the ethics embedded in her theorizing and to be prepared to engage in debate about them. But the responsibility extends further to being open about the limitations of any one approach to economics. This requires the economist to be prepared to explain and defend her approach relative to alternatives.

Unfortunately the mainstream approach to economics as a technical subject precludes debate about ethical presuppositions as irrelevant. Yet logical positivism can no longer be sustained in economics (just as the philosophy of science has long since left it behind). This is not just because theory is imbued with ethics; it is also a matter of epistemology. If the subject matter of economics is complex and evolving, no one approach can hope to deal with the whole. Where knowledge is uncertain, and different understandings are possible, pluralism provides the most robust disciplinary strategy. Different groupings of economists focus on particular aspects of that complexity according to their ontology, and understand evidence in their own way (Dow 2004). If the truth of propositions cannot be demonstrated, but is rather a matter of persuasion, the economist has a much broader ethical responsibility than simply revealing the values embedded in theory, challenging though that is (Dow 2016). To engage in honest debate with other researchers, and as a consultant or policy adviser, the economist has a moral responsibility to acknowledge the limitations of her knowledge, and to explain and defend her approach relative to others. The same moral responsibility applies to the economist as teacher. To educate young scholars to be morally responsible economists in the face of epistemic challenges, the economics teacher needs to equip them to understand and choose between different approaches.

According to this type of analysis, the moral opprobrium in which economists were held after the crisis was due to a number of ethical blind spots: economic arguments were presented as definitive, without the show of modesty more appropriate given the epistemological challenges; the arguments were presented as technical, as if there was no ethical content; the responsibility was not recognized to be transparent about ethical content; and the responsibility was not recognized to explain and defend the chosen approach in relation to alternative approaches. Rather than retreating into an unsustainable defense that economics is scientific and therefore free of ethical considerations, economists should aim to rebuild trust in the profession by accepting that more robust knowledge will arise from addressing the ethical content of the subject and opening it up to debate. The professional ethic of tolerance of different approaches is critical. But non-mainstream economics, with its openness to addressing ethical issues, needs to be recognized by the mainstream as economics. The epistemological argument for pluralism needs to be accepted for the principle of tolerance to have substance.

State of play in the economics discipline:

Economics is in disarray. Few would deny it. Some of the signs for this are obvious. Other evidence is more controversial. After commenting on the extent of the crisis, it is worthwhile considering how economics descended into this state. One of the fundamental causes is an ethical failure. First, economists claim to be scientists or technicians who study 'facts,' not values; they make 'scientific' studies and predictions. They claim that advances in mathematical tools, and the ability and willingness to use them, have allowed economics to far surpass all other disciplines in the social sciences (and the humanities). Yet economists failed to predict the Global Financial Crisis, the largest economic 'shock' in seventy years. Since the early 1980s, both Marxist and the Keynesian views of the macroeconomics have been rejected. Not only is the modern capitalist economy free from fatal contradictions/flaws but it is also self-stabilizing. For three decades, the prevailing view of mainstream economists has been that the macroeconomics is inherently stable and self-correcting. Despite the embarrassment of falsification by the Great Depression, we were assured that nothing similar could ever recur.

A little handwringing, however, has recently started to appear in public. When Alan Greenspan, the former US Federal Reserve Chairman, gave evidence to a Congressional Committee in 2008, he admitted to being wrong. He conceded that he had now found a flaw in his worldview: a 'flaw in the model that I perceived as the critical functioning structure that defines how the world works' (quoted in James, 2008). The top of the tree of public sector economists in the United States has admitted to having a fundamental misunderstanding of the economy and economic processes. The facts of the world have not supported the economists' models. Second, all scientists, including positivistic economic scientists, are faced with ethical issues in conceptualizing, conducting, and reporting their work. [2] For example, it is 'unethical [for economists] not to work on the quality of the data or on the correct use of statistical tests' (McCloskey, 2000, p. 144; see also p. 52). In particular, economists 'should not use statistical significance as the equivalent of economic significance' (McCloskey, 2000, p. 143; see also pp. 187-207). Fitting equations to historical data can be an absorbing game but using this for future-oriented purposes, such as public policy, can be dangerous.

Nevertheless, despite repeated criticism, economists persist in this ethical lapse (McCloskey and Ziliak, 1996; McCloskey, 2000, p. 187; Ziliak and McCloskey, 2008). Perhaps driven by the dictum 'publish or perish,' economists do not feel bound by elementary ethical standards demanded of positive scientists. Similarly, business economists act like hired guns in the Wild West. When acting as consultants or expert witnesses, they will tell any story that they expect will be supported by their actual or prospective employer. Indeed, they will tell their story in these contexts, even if there is a conflict of personal interest. To some degree at least, these examples demonstrate the adoption of some of the behavioral principles that they have been taught in economics courses (see the next section, below). The reader may now be wondering if there aren't some minimal standards to which economists must conform. No professional code of conduct has ever existed. This reflects a professional disposition towards laissez-faire and indifference to ethics. In recent years, some economists have been calling for a code of ethics for the discipline (DeMartino, 2005; DeMartino, 2011). This culminated in a petition of three hundred economists, many associated with the Post-autistic Economics (PAE) movement (see below), calling for a code of ethics for economists (Petition to the American Economic Association on a Code of Ethics, 2011). Apparently embarrassed by the petition, on 7 January, 2011, the American Economic Association voted to establish a committee to examine the adoption of formal ethical rules for its members. Third, as indicated above, in order to advance their career prospects, academic economists are 'encouraged' to publish frequently. The result has been an explosion in the quantity of published material, much of which is of limited worth, misleading, or dangerous. Some of this 'output' is purely formal, with no relevance to anyone beyond the formal theorists. Other work appears to be relevant but uses questionable, highly simplified theoretical models. Usually these end with a section on the 'policy relevance' of the paper; this rests on the house of sand previously built. Further, it is never explained how normative conclusions arise out of positive analysis. There are also empirical papers on topics that are relevant, but they often use techniques of questionable validity. Like the theoretical work, policy recommendations drawn from the results of empirical work are often highly questionable or dangerous.

Since the 1980s, economics units within universities have gradually shifted out of Arts, Humanities, and Social Sciences faculties into Business Schools or faculties. The unintended consequence of this apparently strategic choice has been increasing marginalization of the economics discipline; it has been alienated from the disciplines in its former faculty (e.g. political science) and reduced to a 'service' discipline (for accounting and management) in its new faculty. Accreditation bodies (such as exist for business schools and for accountants) require some but minimal economics to be studied. Indeed, the trend has been to require a one-semester unit rather than a full-year first-year course (Guest and Vecchio, 2003). Perhaps indicative of a global trend, economics departments in Australian universities have been subject to frequent amalgamation and staffing levels have declined considerably (Maxwell, 2003, pp. 80-1).

Fourth, the disenchantment of students with economics is palpable. They constantly complain about the poor quality of the teaching (promotion is based on research 'output') and the unrealistic assumptions that economists make. Courses on the history of economic thought, economic history, and political economy have been cut in favor of subjects deemed suitable for technical 'training.' A protest movement began in France in 2000, against the formalism and lack of relevance of mainstream economics education. This spread across the world and became known as the PAE movement (and in May 2011 effectively became the World Economics Association [WEA]). It has gathered considerable publicity and support. Debate within the economics discipline about PAE/WEA concerns, however, has tended to be among those already disaffected with the mainstream.

While some will disagree, let's take the previous four sets of observations to be fairly obvious. Other signs of crisis in economics are more controversial. Let me give just one example. Consider again the Global Financial Crisis. Greenspan's remarks, quoted above, were in response to direct questioning in one US Congressional Committee but they must also be seen in the context of his prepared statement. Here Greenspan said that he had 'looked to the self-interest of lending institutions to protect shareholder's equity' (quoted in James, 2008).Along with other public officials, as the Chairman of the Fed, Greenspan repeatedly rejected public regulation of the financial sector. His views reflected the international trends in the 1980s and 1990s favoring deregulation. Apparently, economists were more influential than one may have expected given some of the earlier observations. Following the onset of the Global Financial Crisis, however, public policy 'best practice' has shifted to re-regulation. It is de rigueur internationally. Hence, even if they failed to predict the Global Financial Crisis, perhaps economists were responsible for creating it through their advocacy of the now controversial/discredited deregulation policy. Is the current crisis in economics simply another episode in the long history of economics from which it will recover (i.e. a cyclical problem). Or is it an indication of a deeper (secular) malaise. There is evidence of both but my focus is on the latter.

In the 1980s, when Keynesianism was being dismantled, a new arrogance emerged in the economics profession. The new view had a wide range of manifestations: creation (and wide acceptance) of fanciful theories and advocacy of a neo-liberal agenda (small government, privatization, deregulation, and so on). Well established theoretical problems (e.g. second-best) were ignored (Lipsey and Lancaster, 1956). Everything had to be construed as 'first best.' At the heart of the new economics was a simplified version of Adam Smith's 'invisible hand' doctrine. Smith held that within a certain institutional framework, in many cases, self-interest worked to the public benefit ([1776] 1976, p. 356; see pp. 664, 698; Evensky, 2005, p. 227). The modern doctrine appears to be a bastardized version of this: 'greed is good.' It seems to me that part of the current crisis in economics is an ethical crisis. This secular problem (which I trace to the 1930s) is the topic of the next section.

The ethical crisis of economics

There are two starting points for the relationship between ethics and economics. The first is the fact/value or positive/normative dichotomy; this methodological view is proclaimed early in almost every economics course and textbook.[8] Science, understood as positive science, is concerned with 'facts.' With virtually no argument, the economic scientists place economic theory in the former category and economic policy in the latter category.[9] I believe that the fact/ value distinction is a dogma and a deadly one. The second point is a sort of amalgam that builds upon the first point. Human ends are said to be subjective and beyond rational debate. Means can be subject to rational debate and economics focuses on them. Because ends are subjective and beyond rational debate, they are taken as given. For the economist/technician, human rationality refers to thinking and calculating about means. The initial characterization of goals/ends is often in terms of gaining satisfaction, maximizing utility (or expected utility), having benefits outweighing costs, or something of the sort (Gans, King, and Makiw, 2009, p. 5; Heyne, 2008, p. 25). It is claimed that the goals can be altruistic or public spirited. Hence, claims by critics that economists assume, and build models based on, human selfishness, materialism, or greed are wide of the mark (Heyne, 2008, p. 25). I believe that this is a rhetorical position which collapses upon closer examination, even for many of those who start off with such claims. In many cases, the rhetoric is dropped once the early genuflection has been observed. Some elaboration on these two points is needed.

First, it is a widely-held view today among mainstream economists that economics is free from any ideology, theology, or moral philosophy.[10] One commentator on the role of ethics in mainstream economics has stated that: *The 'scientification' of economics … has led to a separation of economics from its ethical roots. The 'mainstream economics' of the 20th century fully accepts this separation. Economic theory is seen as a positive science which has to analyse and to explain the mechanisms of economic processes. … [E]thical valuations ('ought'-statements) … should not form part of the economist's research programme. (Rothschild, 1993, p. 16). Similarly, a recent commentator on the methodology of economics has commented that 'economists today … agree that … economic theory free from values is essential in establishing the scientific nature of the discipline' (Drakopoulos, 1997, p. 286).* Many others have expressed similar assessments of the prevailing view (see Young, 1997, p. 4; Galbraith, 1987, p. 124).

The matter-of-fact adoption of this methodology flies in the face of a vast number of criticisms from inside and outside of economics. Inside the profession, thoughtful critiques have been provided by Myrdal (1958), Heyne (2008, pp. 12-21), and others. From outside of economics, critiques have been provided by Putnam (2002) and others. Methodologists have abandoned the fact/value distinction and, along with it, the pretence of a value-free science.[11] A certain resistance to change is inevitable, and even healthy within limits, but there is no legitimate excuse for retaining these views today. Until the fact/value or positive/ normative distinction is abandoned, there is little hope for a deeper integration of ethics and economics.

Second, as stated above, the rhetoric of modern economics is rational calculation and scientific neutrality on moral issues. The reality is that self-interest regarding baser material objectives come to the fore. These foci, including self-interest, however, can easily shift towards something else. For example, Yezer, Goldfarb, and Poppen state that 'introductory microeconomics is based on assumptions of rationally selfish behavior' (1996, p. 178 emphases added). Note that self-interest has slipped to 'selfish behavior.' Consider also what one of today's leading micro economists, David Kreps, has to say: *'a sparse set of canonical hypotheses—…greed, rationality, and equilibrium—became the maintained hypotheses in almost all branches of [economics]' (1997, p. 59 emphasis added).* Colander calls these three the 'holy trinity assumptions' of mainstream economics (2005, p. 930). Note that Kreps and Colander have slipped from the 'selfishness' of Yezer, Goldfarb, and Poppen to 'greed.' While mainstream economists usually begin by claiming that they are technicians, who can apply their tools to any problem, they frequently make the slip noted above (explicitly, or implicitly): human 'greed' is posited as a 'fact' from which modeling can commence. [12] Utility maximization is often rhetoric covering the real view of the profession. Indifference to ends differs from the reality. Other than in the quotes presented above, is there any real evidence that economists tacitly assumed selfishness or greed? One piece of evidence must suffice. Until recently there was not the slightest interest of mainstream economists in theoretical or empirical aspects of altruism. What is the moral effect of promulgating this view on the behavior of economics students (including future economic consultants and expert witnesses). Experiments have been conducted to see whether humans cooperate or attempt to 'free ride' in a range of situations.[13] In one study, it was found that people were generally cooperative or public spirited, except for a group of first-year graduate students in economics: the latter were less cooperative, contributed much less to the group, and found the concept of fairness alien; the economics students were 'much more likely to free ride' than any other group tested (Marwell and Ames, 1981, p. 306). On this same study, Hausman and McPherson comment: 'Learning economics, it seems, may make people more selfish' (1993, p. 674; see also Marwell and Ames, 1981, p. 309). More recently, Frank, Gilovich, and Regan found in their experiments that students of economics, unlike others, tended to act according to the model of rational self-interest to which they are exposed in economics; they concluded that 'exposure to the [economists'] self-interest model does in fact encourage self-interested behavior' and that 'differences in cooperativeness are caused in part by training in economics' (1993, pp. 159, 170 emphasis added). This conclusion leads them to recommend that economists 'stress a broader view of human motivation [than rational self-interest] in their teaching' (Frank, Gilovich, and Regan, 1993, pp. 170-1). If these studies have validity, by producing selfish and uncooperative individuals, empirical evidence exists to show that economics has become non-ethical in practice. Actually, far from a value-free science, it is a type of religion. The preachers of the cult indoctrinate greed as part of their 'holy trinity.' The current ethical crisis of economics is the culmination of longer term trends. Following Amartya Sen, it is argued that the origins can be traced back to advent of Logical Positivism in the 1930s. Nevertheless, if a very long time horizon is chosen, the separation of economics from ethics is actually quite recent.

Two grand narratives of ethics and economics

This section is devoted to placing the current ethical crisis in economics in the context of a longer narrative of ethics and economics. There are two grand narratives of ethics and economics, which are the focus of the section. My own version has been sketched previously (Alvey, 1999; Alvey, 2000). Before turning to these, however, there is a preliminary matter to discuss. Economic matters have been debated throughout human history. For example, sacred writings from ancient times typically included ethical injunctions on wealth accumulation, lending, business, and commerce. For most of recorded history, economic processes were embedded in the social fabric (including theology, ethics, and politics). This inclined theorists to construct social thought in a holistic way, with economics as simply one small part of social thought. The gradual emergence of the semi-autonomous market fairs in the Middle Ages began the process of disembedding the economy but that process was not completed until the early nineteenth century (Lowry, 1987, pp. 3, 253 n.3; see Polanyi, 1944 [2001], p. 60). Similarly, social thought only gradually recognized the notion of an autonomous economic sphere. Hence, the notion of an independent science of economics arose relatively recently, perhaps since the nineteenth century. Until that time, economics was generally discussed as a subordinate part of a broader study of theological, moral, and political matters.

Some commentators, such as Polanyi and his associates, argue that 'economics' began when the modern economy emerged, namely at the time of the industrial revolution (Polanyi, 1957). In their view, there was ethics but no economics before the time of British Classical Economics (roughly 1770 to 1870). Most commentators, however, do not take such an extreme view. The first grand historical narrative of the relationship between ethics and economics is provided by Amartya Sen and his associates and followers, especially Martha Nussbaum. They adopt what may be called a social democratic or egalitarian approach to ethics and economics. The second narrative is provided by Joseph Cropsey, Richard Staveley, and their followers. They adopt what may be called a philosophical/aristocratic view of ethics and economics. Despite disagreement on some details, the two grand narratives have considerable commonalities. Both accept that there was an ethical tradition in economics in ancient and medieval times and both place Aristotle (384-322 BC) at the centre. Second, they agree that the ethical tradition faded out. Third, they consider the current state of economics to be either ethically thin or amoral.

The grand narrative of Amartya Sen

The best place to locate Sen's grand narrative of the history of economics and ethics is in *On Ethics and Economics* (Sen, 1987). Sen refers to 'the historical evolution of modern economics largely as an offshoot of ethics' (1987, p. 2). The 'ethics-related tradition,' he says, can be traced back at least to Aristotle in ancient Greece (Sen, 1987, p. 3). Sen argues that there are two moral aspects of economics: 'the ethics-related view of motivation' and the ethical view of 'social achievement' (1987, p. 4). First, in the ethical view of motivation, 'ethical deliberations' do affect 'actual human behavior' (Sen, 1987, p. 4). Compare this with the 'fact' of human greed proclaimed by today's mainstream economists. Second, the ethical view of 'social achievement' cannot be limited to the satisfaction of 'efficiency': the evaluation 'has to be more fully ethical, and take a broader view of "the good"' (Sen, 1987, p. 4). What Sen has in mind by 'efficiency' is both technical efficiency and economic efficiency. The latter is the Pareto Optimal condition in which no individual 'can be made better off without making someone else worse off'; the former is the equivalent condition in production, in which further output of one good can only be achieved by reducing production of another good (assuming inputs are negative outputs) (Sen, 1987, p. 21 n. 20). For Sen, social achievement is a type of distributive justice, in which the distributive standard is independent of Pareto Optimality (Sen, 1987, pp. 32-3). More will be said below about these two ethical aspects of economics.

In addition to ethics, Sen admits that there is a second origin of economics: 'what might be called "*engineering*"' (1987, p. 3). This approach also has a long history. In the engineering approach, ends are assumed to be given and it is concerned with logistical issues of means. 'Ethical considerations . . . are not given much role' in its analysis (Sen, 1987, p. 6). For Sen, both origins 'have some cogency of their own' (1987, p. 6). *Engineering contributions*, such as general equilibrium theory, are praised, despite their limitations, for showing 'the nature of social interdependence' (Sen, 1987, p. 8). There is a legitimate role for inquiries into both means and ends. The two approaches are not mutually exclusive and can be combined in 'varying proportions' (Sen, 1987, p. 6). Nevertheless, it was the engineering tradition which became dominant and came close to obliterating its sibling (the ethical tradition).

In terms of the grand narrative, Sen argues that the ethical tradition from Aristotle continued to flourish through to the 1930s. The advent of Logical Positivism in the philosophy of (natural) science and its adoption in economics by Lionel Robbins represents the decisive turning point for the ethical tradition in economics (Robbins, 1932; Sen, 1987, p. 30; see also Rothschild, 1993; Drakopoulos, 1997). From the 1930s onwards, economics shifted away from ethics. For Sen, however, economics must 'find an important place' for the old 'ethics-related view of motivation and social achievement' as well as engineering (1987, p. 6). He concludes that 'the distancing of economics from ethics has impoverished welfare economics, and also weakened the basis of a good deal of descriptive and predictive economics' (Sen, 1987, p. 78, see p. 7). Sen argues that both traditions must be kept alive and he demonstrates this in his own writings. He has made various contributions to economic engineering and, more importantly, has been a tireless researcher in the ethical tradition. Further, he identifies himself as part of the ethical tradition in economics stretching back to Aristotle. Martha Nussbaum, Sen's collaborator, has written extensively on various ancient Greek writers. Nussbaum's early work on Aristotle preceded Sen's and heavily influenced the latter's interpretation of the Greeks (especially Aristotle), as shown in his various citations of her work (Sen, 1987, pp. 46 n., 63n., 64 n., 66-7n.; Sen, [1999] 2000, pp. 24, 73, 300 n. 14, 308 n. 35, 309 n. 40; Sen, 2009, pp. 231 n., 436 n. 8; see Duhs, 2008, pp. 185, 188).

The grand narrative of Cropsey, Staveley, and their followers

Cropsey and Staveley were students of the philosopher Leo Strauss. The latter made some side remarks about economics but the comments were fundamental to the second grand historical narrative of the history of economics and ethics (see Minowitz, 1993a). According to Strauss, there is a fundamental break in social thought sometime during the Renaissance (probably in the 1500s), and economic thought reflected that reorientation. At that time, a new view of rationality and self-interest arose and along with these went a new view of the ends of human beings. Modern economics had the same genetic makeup as the rest of modern thought. By contrast, ancient and medieval economics had the same genetic makeup as pre-modern thought. Strauss's brief remarks were developed by Cropsey, Staveley, Peter Minowitz, and others. Cropsey was influential in the United States, especially in his interpretation of Adam Smith (Cropsey, 1957; Cropsey, 1960; Cropsey, 1964; see Minowitz, 1993b). He regarded Smith as very modern (the few minor pre-modern residues in his writings could be safely ignored) and well outside the classical ethical tradition. Pack correctly refers to Cropsey as having adopted an 'Aristotelian' critique of Smith (Pack, 2010, p. 65). Staveley was influential in Australia; many of his students and followers wrote in the Strauss/Cropsey tradition or were at least greatly influenced by it. A collection of essays by some of Staveley's students was recently published (McCarthy and Kehl, 2008).

To ensure full disclosure, we should declare that we were a student of Staveley for certain years and adopted his interpretation for a decade or so. We gradually abandoned most of the Staveley doctrine, especially his view of the turning point in the grand narrative (Alvey, 1999; Alvey, 2000; Alvey, 2003; Alvey, 2007). In any event, what is needed now is a sketch of the second grand narrative. According to Strauss and his followers, in the ancient (and medieval) world, economics was subordinate to politics and ethics in the humanistic studies; indeed, economics played a minor role in such thought. In the face of limited resources, human rationality meant controlling the passions (i.e. the desire to acquire material goods), in order to allow better satisfaction of the true human ends (passions and ends not shared with animals). Three aspects of modern thinking are relevant to economic thinking. [20] First, modern thought is based on the liberation of self-interest; as summarized by Hume, reason is the servant of the passions ([1739-40] 1978, p. 415). This fundamentally breaks with the pre-modern view of rationality. Second, the modern view, commencing with Mandeville, is that self-interest leads to the public good (Mandeville, [1714] 1966). This is a further break from the pre-modern view. Third, the grander view of the ends of human beings is replaced by a reductionist view which could be called materialism or economism (maximize material possessions without limit). These modern doctrines are rejected by the followers of Strauss.

Summary

Both of the grand narratives serve two purposes. First, they seek to show the existence of a vibrant ethical tradition at one point in the history of economics. Second, by endorsing the past over the present, they take a stand against the prevailing economic orthodoxy. Each grand narrative is associated with a critique of mainstream economics today. [21] Aspects of both narratives and their theoretical critiques can be questioned. Nevertheless, they do have considerable merit.

Sen's critique of the mainstream and his alternative approach to economics [22]

Sen is a critic of mainstream economics and a builder of an alternative. After briefly commenting on his critique, this section will focus on his new approach to economics: the Capabilities approach. Sen provides a series of critiques (of positivism, positivistic economics, utilitarianism, and utilitarian economics) (see Alvey, 2005). Some of the criticisms are directed at the inadequacies of human motivation depicted by these theories. Other criticisms are directed at the narrow or inadequate understanding of the purposes of social life. Sen argues that the mainstream views of rationality and human motivation are inadequate or wrong. Concerning ethical motivation, one point should be made here. The economic theory that was the mainstream after World War II asserted that personal choice and personal welfare were identical (see Sen, 1977, p. 329). In this context, he draws attention to the atomistic unsympathetic individualism assumed in economics that derives from J.S. Mill's reductionist model of the 'economic man' (Mill, [1836] 1967). Sen says that this image leaves out sympathy and what he calls commitment (1977, p. 326). Sympathy modifies the simplistic view of many economists, because 'concern for others now directly affects one's own welfare' (Sen, 1977, p. 326). Nevertheless, it remains ultimately egoistic. Sen takes his critique further by introducing 'commitment.' Commitment, he says, 'drives a wedge between personal choice and personal welfare' and thus undermines modern economics (Sen, 1977, p. 329). He refers to 'class and community' as cases where individuals frequently display commitment, acting against their own welfare in favor of the group (Sen, 1977, p. 344). Even if economists have never seriously considered sympathy from a theoretical perspective or attempted to examine empirical manifestations of it, they do quickly grasp the meaning of the term. On the other hand, economists seem to have enormous difficulties grasping the possibility that 'commitment' drives any wedge between personal choice and personal welfare. For rhetorical purposes, commitment is construed as nothing more than sympathy, widely construed.

As stated above, the reality is that neither category has been taken seriously by mainstream economists. Hence, for Sen, economists have not grasped human complexity. By ignoring such ethical behavior, they are left with a reductionist view of human nature represented by the economic man: 'the purely economic man is indeed close to a social moron' (Sen, 1977, p. 336). Sympathy and commitment need to be brought into economic analysis. Indeed, Sen explicitly refers to the need for an ethical framework (including the prevalence of honesty) for a society, and especially a market society, to operate (1977, p. 332). This is an example of commitment that contradicts the model of the economic man. A society of economic men would be one in which markets are constantly tending to break down; the likely end result is a return to a barter economy with a very low standard of living. Although ethical motivations are relevant, the Capabilities approach is more concerned with social achievement. With regard to the latter, Sen and his followers have built up an alternative philosophy which is the foundation of a new approach to economics. To a large degree, this is a theory of distributive justice. Sen thinks that his theory is an improvement on the existing theories in political science and philosophy. More importantly, as economics has no distributive theory, his theory fills an important gap. Some key points should be mentioned here.

Sen's goal is to faithfully represent human well-being, or what Nussbaum calls 'human flourishing,' which lies between commodities (the physical thing) and utility (the pleasure associated with it). [25] His approach can be presented as a chain: 'Commodities→Characteristics→Functionings→Utility' (adapted from Sen, 1982a, p. 30). A commodity, such as a bicycle, has the property of providing transport (i.e. its characteristic); by using that property, the owner can move (i.e. its functioning). The 'characteristics' approach was originated by Lancaster; 'functioning's' was formulated by Sen, using insights from Aristotle, Adam Smith, and Karl Marx (Lancaster, 1966; Sen, 1982a, p. 30; see Sen, 1990a, pp. 43-4).

For Sen, functioning are 'what the person succeeds in doing with the commodities and characteristics'; he also calls them well-being achievements ([1985a] 1999, p. 6). Some of these functioning are more foundational than others. Sen distinguishes between 1) 'elementary functioning,' such as 'avoiding undernourishment, escaping avoidable morbidity,' 'escaping avoidable mortality,' and 'undertaking usual movements,' and 2) 'complex functioning's such as achieving self-respect, taking part in the life of the community and appearing in public without shame' (1980, p. 219; Sen, 1985b, p. 199; Sen, 1990a, p. 44; Sen, [1999] 2000, p. 66). The function 'undertaking usual movements' would be restricted by physical disability or by cultural views about female seclusion (i.e. cultural norms that require a female to be chaperoned for movements in public). Sen mentions a vast number of functioning's in his writings. In addition, he recognizes the importance of freedom, agency, and choice. Hence, he often refers to the 'capability to function.' Capabilities provide for freedom to use, or not use, a functioning (e.g. the choice of fasting or eating).

Nussbaum has gone further than Sen and provided a full list of the main features of a human being and a list of human functional capabilities (Nussbaum, 1995, pp. 76-80, 83-5; Nussbaum 2000, pp. 78-80). [28] In the latter she includes items such as: 'Being able to have good health'; having 'an adequate education'; and 'being able … to participate in political life' (Nussbaum, 1995, pp. 83-4). This year she has provided a work for the general public which summarizes her version of the Capabilities approach (Nussbaum, 2011). In this work Nussbaum argues for ten central Capabilities (Nussbaum, 2011, Ch 2).

Another aspect of Sen's (and Nussbaum's) work which is associated with the Capabilities approach is gender equality. If the female rates of 'mortality, morbidity, under-nourishment, medical neglect' and illiteracy are higher, and the freedom is less, than for the male counterparts, the female's functioning are negatively affected (Sen, [1999] 2000, p. 89). [29] Sen has claimed that, in various Asian countries, females receive less food and medical care than males. He uses his findings to claim that, in these countries, there has been dramatic capability deprivation of females (i.e. there has been a major failure in terms of distributive justice) (Sen, [1999] 2000, pp. 106, 109). In effect, Sen and Nussbaum say that everyone has an entitlement or right to certain basic functioning, including the right to life. This means that there must be an entitlement to adequate provisions (e.g. food) in order to achieve these functioning's. While concerns with gender may seem to have arisen only since the late eighteenth century, and that Sen is merely proclaiming the current view, that is not correct, as I have shown elsewhere (Alvey, forthcoming, Chapters 3 to 5). In his recent work on the Capability approach, Sen has stressed the role of 'democracy', both as a means to achieving other capabilities (e.g. famine prevention) and as an end in itself (he regards public participation as a functioning) (1982b; Sen, [1999] 2000, pp. 16-7, 147-8; Sen, 2009, pp. 342, 348-9).

It can be asserted, however, that it is better to use another term than 'democracy.' [30] What Sen has in mind is not tyranny of the majority but actually an improved (or elevated) democracy including the rule of law, or a regime that Aristotle calls polity (Aristotle, Politics, 1279a36-79b4; 1293b20-94a30; 1984, pp. 96, 129-31; Sen, 2009, p. 352; see Alvey, forthcoming, Chapter 7). When the various functioning are put together with appropriate freedom and resources, some image of human well-being (or human flourishing) emerges. Similarly, Sen argues that capability achievements, rather than the production of commodities, should be the appropriate metric for the standard of living. Having developed this framework, Sen has identified various impediments to capability achievement, including poverty and gender inequality (especially female nutrition). [31] Such impediments are ignored in the most widely used national accounting measure of the standard of living (i.e. GDP/head). Sen's final step is to assert that the political authority must be judged by how well people within its jurisdiction are doing according to the Capability standard. Some duty is imposed on the political authority to support individuals in achieving certain capabilities to function. The Capability approach requires that many means be provided to every person. This is an alternative to what is at least implicitly the mainstream economics approach to social achievement: a high and growing quantity of commodities available for consumption or, more precisely, a high and growing quantity of commodities per head available for consumption. The conventional measure of the standard of living (GDP/head) has been subject to sustained criticism in recent times; one source of the complaints is the Capability theorists. [32] In sum, the Capabilities approach constitutes a whole new interdisciplinary social science. There are many problems with this approach but at least it provides us with a sort of checklist of ethical issues which seem to lie outside of the concern of mainstream economics.

The need for code of ethics in Economic Profession

In November of 1929 a Chicago businessmen's club wrote to the Secretary of the American Economic Association (AEA) to inquire about its code of ethics. Here, in full, is the AEA Secretary's reply: "You should know that our middle name is "Ethics", but we have no particular code, consequently, I cannot comply with your request." That reply, in a nutshell, captures perfectly the attitude of economists regarding professional economic ethics over the past century. With few exceptions, the profession has held the view that its members are committed to social progress; and that in their work economists face no pressing ethical quandaries of the sort that would justify an expenditure of intellectual resources on professional ethics.

This self-perception by the profession is half right and half wrong. Economists as a rule are driven by the imperative not just to understand the world, but to improve it. It is a wonderful irony, in fact, that a profession that portrays human nature as largely self-interested is populated for the most part by other-regarding actors who want to serve the public good. But the profession has made an extraordinary mistake in failing to appreciate that well-meaning economists face daunting ethical challenges in their work.

The case for professional economic ethics is simple. Economists affect the lives of others, often substantially—that is the crux of the matter. Not just one person at a time, as is the case in medical practice; and not just a few people who consent to the economists' influence—say, those who purchase economic consulting services. *No, economists affect the life chances of countless people across the globe, not least through their impact on economic policy*. Perhaps it is the enormity of that impact that makes it difficult for economists to wrap their minds around their ethical obligations. Economists' influence comes to them by virtue of their intellectual monopoly over a subject matter that is vital to social welfare; and by virtue of their positions in the public, private and multilateral sectors that sometimes give economists institutional power. Moreover, economic interventions typically harm some while benefitting others, and the losers are rarely fully compensated. Finally, economists do their work in a context of epistemic insufficiency: they just can't control and don't know what will be the full impact of the interventions that they recommend. Think of economic restructuring in Russia, for instance, or financial deregulation in the U.S. This implies that economic interventions can generate all sorts of unforeseeable consequences. Some of those consequences may be terribly damaging, especially to those in the economy least able to bear them. It's a simple case, as we've said, one that stands on economists' influence over others. Yet the profession has failed to accept the ethical responsibility that necessarily attaches to that influence. And that, I'm afraid, amounts to unethical professional conduct.

Fortunately, we may be on the brink of reform. Over the past two years prominent economists have begun to ask, in full public view, whether and to what degree the economics profession contributed to the current financial crisis. Then a few months back Charles Ferguson's film “Inside Job” was released. It revealed stunning failures by influential economists to disclose their professional entanglements when giving testimony and writing about or advising on financial regulatory reform. Since then, the business press has begun to press the AEA leadership for action on conflicts of interest in economic practice. And just last week, a petition circulated by UMass economists Jerry Epstein and Jessica Carrick-Hagenbarth and now signed by over 300 economists is calling on the AEA Executive Committee to formulate a code of conduct that addresses this issue.

All this is to the good, and long overdue. Not because economists are typically crooks or shills for outside interests, though there are some of those just as in every other profession. But because most economists are trying to do good work in a field where they enjoy extraordinary influence, their interventions generally harm some while benefitting others, and things can go very wrong in unpredictable ways. And so while it is important that the AEA and other economic associations take steps to address conflicts of interest among their members—and while publications like the Economist should as a matter of course begin to demand full disclosure from those economists who appear in its pages and on its blogs—economists and non-economists alike should press for something much more ambitious. We need a new field of inquiry into the many ethical issues that arise in the context of economic practice, including the risk of causing harm; the role conflict that arises when an economist serves an institution with an agenda that conflict with the public good; the virtues that are required of the ethical economist; and so forth. And perhaps most difficult of all for a profession that has worked so hard to achieve influence, we need to consider our obligation to convey to our students and to the public not just the capacities but also the limitations of economics, and of economists.

Economists lack an ethics code, which poses challenges for journalists covering them

Unlike doctors, architects, dentists, building contractors, journalists and a wide range of other professions and trades, economists do not have a code of professional ethics (Craig Silverman, 2011). That would seem more of an internal matter for the profession if it weren’t for the fact that journalists rely on academic and applied economists as sources. Economists are viewed as credible, authoritative experts. Their words carry weight. So should the lack of an ethical code change the way journalists deal with economists? Or is it irrelevant to the quality of commentary and information they provide? There’s a scene in "Inside Job," the 2010 documentary about the financial crisis, in which Frederic Mishkin, a former member of the Board of Governors of the Federal Reserve System and a professor at Columbia Business School, is rendered speechless.

It comes after director Charles Ferguson questions Mishkin about his co-authorship of a 2006 report, "Financial Stability In Iceland," which painted a very positive picture of the country’s banking system. Ferguson notes that Mishkin was paid six figures by the Icelandic Chamber of Commerce to deliver the document--yet nowhere in the text is this information disclosed. The exchange is captured in this clip, which concludes with Mishkin fumbling for a response. It’s a damning few minutes of cinema, and has become a frequently-cited piece of evidence in a growing debate about the lack of formal ethical requirements of economists. George DeMartino, a professor in the global, finance, trade and economic integration program at the University of Denver, said in an email interview that the lack of a code poses a problem for journalists:

“Up until now (and by now, I mean up until the release of Ferguson's film and the subsequent reporting and studies), journalists tended to presume that academic economists have no significant interests outside of their university appointments -- no financial entanglements that might in any way affect their judgments. …

[I]t's now clear that leading economists can and do make substantial sums from consulting, lectures, service on boards of directors and the like. And yet, when they give testimony before Congress, say, or take other positions on pressing policy matters, they do not routinely make full disclosure of their financial entanglements. That's a problem -- for our profession, and for those who rely on economic expertise.”

Advocating for a code

DeMartino isn't alone in thinking the lack of a code is a problem for his profession. Earlier this year a letter signed by roughly 300 economists was sent to the president of the American Economic Association (AEA). It called upon the AEA to adopt a code of ethics. The organization responded by creating an Ad Hoc Committee on Ethical Standards for Economists, which Nobel laureate Robert Solow is leading. When contacted, the AEA said it could not provide additional details about the committee's work. But AEA associate treasurer-secretary Peter L. Rousseau said in an email that a draft report will be sent to the AEA Executive Committee for its January meeting.

"This draft will be for internal discussion only," he said. "When the report is finalized it will be made available on the association's website. At this time we do not know when exactly this will occur but we anticipate sometime by late Spring of 2012." In the meantime, economists operate without a code of ethics. At the very least, it's something journalists need to be aware of, according to Stephen Ward, director of the Center for Journalism Ethics at the University of Wisconsin-Madison. "Without a code, the public has trouble knowing how to keep professionals accountable because they can't cite specific principles and standards that the professionals accept and have violated," Ward said by email. "Unethical practitioners have great space in which to operate if rules are never written down. So codes are not everything in ethics, but they are not nothing, either."

When one contacted Reuters financial blogger Felix Salmon to offer an opinion about the lack of a code, he answered my questions in a blog post. Salmon offered a blunt assessment of the problems posed by the lack of a code, and the way sources deal with disclosure.

All too often economists and other professionals feel comfortable with lies of omission when talking to journalists, simply not mentioning a fact that they know is germane ... A good code of ethics should address this: even if there's a disclosure somewhere about a conflict, the onus should not be on the journalist to find it, but rather on the economist to proactively mention that conflict to the journalist.

Ward said the job of every journalist is to "make sure they know who their sources are, what political perspectives they may have, and what conflicts of interest may be hidden in the background; and to convey that understanding to the public." As a result, he said we have a responsibility to perform due diligence on our sources, rather than expecting them to speak up about any potential conflicts. "Journalists should investigate the integrity, expertise and possible biases of their expert sources in the same way that they investigate any other source of information," he said. "In fact it may be more important to investigate economists and other experts given their power in shaping public discourse." Warren Watson, executive director of the Society of American Business Editors and Writers and a former business journalist, said in a phone interview that his organization's code of ethics has become an important touchstone for members. However, he doubts business journalists consider whether a source is bound by a similar code. "I don't think business journalists would routinely ask a source if he or she has a code of ethics," he said. "... It might be one of those questions that come up at an awkward time in an interview, and it might be off-putting [to the source]." Watson said codes of ethics are important for all professionals, and it's key to keep them current. "I think we all need something like this," he said. "This kind of stuff is good to have and good to freshen up from time to time and make sure it's still applicable and relevant."

Questioning the need for a code

While the movement toward a code for economists appears to have momentum, some prominent economists question the utility and importance of having one. Lant Pritchett made the argument in an online discussion hosted by "The Economist" that a person's clients, race, gender or other characteristics should not be a defining factor in evaluating the value of their arguments. "People should be able [to] put ideas, arguments and evidence into the public sphere of economics discourse to be evaluated on their disciplinary merits, not based on their author and his/her peculiar bundle of biases," wrote Pritchett, professor of the practice of international development and faculty chair of the masters in public policy in international development program at Harvard's Kennedy School of Government. "To help readers fairly assess my ideas, arguments, and evidence I should voluntarily disclose about myself ... nothing."

In an Economist article earlier this year, economist Tyler Cowen questioned the utility of a code. As evidence, he said he believes ethical codes for journalists have little impact. “Newspapers already have conflict of interest policies for many (or all) of their writers, but I don't see they are much enforced or have much improved the quality of most op-ed pages as policy advice,” wrote Cohen, author of "The Great Stagnation." (He didn’t respond to a request to expand on that thought.) Of course, journalists can be guilty of making poor ethical decisions, but that doesn't mean ethics codes don't help. The challenge is making sure newsrooms talk about the codes they have and put them into practice -- not just when an ethical issue arises but in their day to day reporting. A code is not a panacea, be it aimed at economists, journalists or anyone else. DeMartino, author of "The Economist's Oath: On the Need for Content of Professional Economic Ethics," acknowledged that while some people will violate a code, its existence provides important guidance and increases the overall level of ethics and disclosure.

Would some people still cheat? Of course. But my sense is that most economists want to do good work, work with integrity, and to do it honestly; and this alone would lead most economists to make full disclosure, were they simply asked to do so. And for the rest -- their self-interest would also have them give full disclosure, since failure to do so would imperil their standing in the halls of power, and with the media. Economists want influence -- and so they are apt to be careful to conduct themselves in ways that allow them to stay in the game, so to speak. Right now, there are no rules for them to follow, and so each economist is left to figure out when to make a disclosure, and how forthcoming to be in doing so. Not surprisingly, DeMartino added one last item before signing off by email. “BTW: I receive no salary outside of the university, and have no outside financial earnings other than occasional honoraria for giving lectures, paltry book royalties, and my 403b earnings (and losses!),” he said. “See? That wasn't hard...”

Three tips for interviewing economists

1. For academic economists, check the CV listed on his or her university profile page. For applied economists, find a detailed biography. Review these documents prior to the interview. Focus on the boards they sit on, the companies or organizations they advise and the entities that sponsor their research and retain them for consulting. Who pays them for their expertise, and do they have any financial arrangements related to the topic you want to discuss? “My sense is that it would be good to check CVs and the like (though not all financial entanglements might be listed there),” DeMartino said.

2. Ward suggests checking economists' previous public statements and their books or major articles to get a sense of who they are and what their perspectives are. Coverage of their work may include information that helps place their perspective in context.

3. During interviews, ask if they have any experience -- such as sitting on boards or consulting -- that helped form their opinions on this topic. You can then follow up their response with a direct question about whether they have any engagements or relationships that should be disclosed. “It is perfectly legitimate for a journalist to ask economists directly whether they have any potential conflicts to disclose,” Ward said. “In academia and elsewhere, experts are asked to disclose any potential conflicts.”

Economists facing flak over ethics

Are economists ethical? Short answer: no more than most. Long answer: well, it's not something they think about much. The question of ethics is starting to raise its head among economists, both overseas and in Australia, particularly in NSW. It's an issue the Sydney branch of the Economic Society is likely to start debating in the next few months. The issue is arising as more economists find ways to sell their services to big business for big bucks. Business is attracted by the status, expertise and authority economists bring, and is willing to pay for it. Various aspects of conventional economics make economists susceptible to such transactions. Almost all economists believe in the market system and believe that the bigger the economy grows the better off we are. So they have an inbuilt sympathy with business and its objectives. They believe self-interest is a good thing because it's what motivates a market economy. It should never be a bad thing because it's held in check by countervailing market forces. And there's a belief among economists that their discipline is "positive" rather than "normative". It's a "value-free" description of how the economy actually works, not a statement of opinion about how it should work. It's because of this belief that, for example, many economists take no account of the implications of their recommendations for the way income is distributed between rich and poor. That's a "value" question they aren't qualified to comment on and so leave to others, such as politicians.

That's what they say when challenged. When they're not challenged they usually give the impression that distributional issues don't arise and economic efficiency is the only issue worth considering. In truth, the neo classical model is loaded with values, the most important being that individualism is superior to communitarianism. So you see why ethics isn't something economists think much about. And this is reinforced by the profession's lack of organization. Economics is unregulated; anyone can call themselves an economist (we don't, by the way).

Economics has no true professional body

The Economic Society is the closest they come, but it's essentially a discussion group that anyone can join. Its other function is to sponsor the academic economists' annual conference and the main Australian economic journal (which the academics don't rate highly because it's only Australian). Without a proper professional association you could argue economists aren't a profession, just an occupation. Most are employed by governments and, these days, by banks and other financial services firms, which means they're not free to express opinions at variance with those of their employer. Academic economists *are* free, but often don't bother. The question of economists' ethical standards arose in the US after the global financial crisis, when impertinent journalists pointed out that academic economists were writing articles posing as independent experts, without disclosing the financial firms they were affiliated with or for whom they had done consultancy work. In Australia the spur is the rise of the new breed of economic consultancy firms, which are paid to provide allegedly independent modeling to private interests seeking to lobby governments. Sometimes even governments commission private modeling to provide evidence supporting some policy the pollies are pursuing. For some reason, when the independent consultants run their models they invariably reach conclusions that support their paying customer's proposal. These carefully contrived conclusions are then used to bamboozle the public, politicians and even judges who don't know enough economics to know how dodgy many modeling exercises are and how easily models can be tweaked to produce whatever answer you're seeking. The issue has reached a head in NSW, where Dr Richard Denniss, of the Australia Institute, has appeared as an expert witness in a couple of court cases disputing the "independent" modeling being used to claim the development of a new mine will bring huge economic benefits to the district. One judge was scathing in his condemnation of the use of an "input/output model" to exaggerate the indirect job creation from a project. A report by the independent Planning Assessment Commission on another project criticized the NSW Department of Planning for its uncritical acceptance of estimates of the project's economic benefits that had been challenged and were "not credible". Last week the department's new minister, Pru Goward, announced that it would commission separate expert economic analysis of all future major mining projects. Good luck. Issues of independence and conduct will be discussed during the NSW Economic Society's forum on cost-benefit analysis on July 18. And a later meeting of the society is expected to debate whether economists need a code of ethics. I'd start with an ethical code for modellers.

Academic Economists to Consider Ethics Code

SEWELL CHANDEC (30, 2010) reported when the Stanford business professor Darrell Duffie co-wrote a book on how to overhaul Wall Street regulations, he did not mention that he sits on the board of Moody's, the credit rating agency. As a commentator on the economy, Laura D'Andrea Tyson, a former adviser to President Bill Clinton who teaches in the business school at the University of California, Berkeley, does not usually say that she is a director of Morgan Stanley. And the faculty Web page of Richard H. Clarida, a Columbia professor who was a Treasury official under President George W. Bush, omits that he is an executive vice president at Pimco, the giant bond fund manager. Academic economists, particularly those active in policy debates in Washington and Wall Street, are facing greater scrutiny of their outside activities these days. Faced with a run of criticism, including a popular movie, leaders of the American Economic Association, the world's largest professional society for economists, founded in 1885, are considering a step that most other professions took a long time ago — adopting a code of ethical standards.

The proposal, which has not been announced to the public or to the association's 17,000 members, is partly a response to "Inside Job," a documentary film released in October that excoriates leading academic economists for their ties to Wall Street as consultants, advisers or corporate directors. Universities and medical schools have tightened disclosure requirements and conflicts of interest policies for scientists, engineers and doctors in recent years, and the main professional associations for political scientists, sociologists and psychologists have all adopted ethical codes. During the American Economic Association's annual meeting, in Denver next week, its executive committee will take up a proposal to "consider the association's role regarding ethical standards for economists," according to an internal committee agenda obtained by The New York Times. The association's president, Robert E. Hall of Stanford, would not elaborate on the proposal or say where he stood on it. "Like my predecessors, I'm skeptical that the A.E.A. is well-positioned to cure any ethical lapses that economists may be committing outside the A.E.A. itself," he wrote in an e-mail. "Still, the topic might benefit from further discussion within the organization." George DeMartino cites multiple calls within the American Economic Association for a code of conduct. All of them have been rebuffed. Credit Matthew Staver for The New York Times The proposal is likely to raise a host of questions: Should economists be required merely to disclose who finances their research, as many academic journals already require? Should they have to reveal which corporate clients they advise, consult for or give speeches to? Should they even be allowed to serve as corporate directors and officers, as many business and finance professors do?

Some scholars say the discussion is long overdue. "I'm glad the A.E.A. is taking it up," said Dale W. Jorgenson, a former president of the association and a longtime Harvard professor (he advised the undergraduate thesis of Ben S. Bernanke, now the Federal Reserve chairman). "I'm hoping they take an activist position." Professor Jorgenson said that academic economists had fallen behind scholars in other fields in their attentiveness to transparency, and should follow the example of the biomedical sciences, where money from the private sector is subject to rigorous disclosure rules. But another former president of the association, Robert E. Lucas Jr., said universities were better suited to handle the matter. "It's good to get this stuff out in the open, but I don't like the idea of the A.E.A. watching over this," said Mr. Lucas, a Nobel laureate at the University of Chicago. Mr. Lucas added: "What disciplines economics, like any science, is whether your work can be replicated. It either stands up or it doesn't. Your motivations and whatnot are secondary." Since economics emerged as a modern discipline in the late 19th century, its practitioners have resisted formal ethical codes, said George F. DeMartino, an economist at the Josef Korbel School of International Studies at the University of Denver (Frank D. Tinari (*2014*).

Professional Economic Ethics: The Posnerian and Naïve Perspectives

The DeMartino (2013) paper provides a provocative and informative review of the key aspects of the ethical problems faced by applied economists. The purpose of this Comment is not to challenge the contrasts drawn by the author between the two ethics perspectives. Rather, it is our intent to examine more closely the ethical issues that forensic economists may potentially encounter, as identified by the author. DeMartino's paper is rather ambiguous with respect to forensic economic ethics. On the one hand, the paper states that the pressures upon forensic economists are more powerful than those faced by other applied economists; yet, the paper identifies some reasons explaining why there are mechanisms that reduce such pressures. This Comment argues that the author has already identified the broad parameters that explain why ethical problems are *less* severe for practicing forensic economists. This Comment also expands upon the reasons for this more favorable situation. As a result, the author's conclusion that economics "today is a rogue profession" is excessively broad for two reasons: (1) the focus of the paper is on applied economics, not the entire economics profession, and (2) the phrase would more accurately be stated as: some but not all applied economics comprise a rogue profession.

The DeMartino (2013) paper provides a provocative and informative review of the key aspects of the ethical problems faced by applied economists. Yet the paper is rather ambiguous with respect to forensic economic ethics. On the one hand, the paper states that the pressures upon forensic economists are more powerful than those faced by other applied economists; on the other hand, the paper explains some mechanisms that are in place that serve to reduce such pressures. This Comment argues that the author has identified the broad parameters that explain why ethical problems are *less* severe for practicing forensic economists. This Comment also expands upon the reasons for this more favorable situation.

Review of Ethical Issues

The ethical challenges facing applied economists are described in Section IV of the DeMartino paper, and fall under three categories: time constraints, pressure to generate biased work, and market pressures: "selling expertise" versus "selling opinions." This Comment focuses on their relevance to forensic economics. We first present a brief review of the three categories.

Time Constraints: Time constraints, it is argued, force economists to do "barely adequate work" under unreasonable time limits. Economists, it is said, "have nothing to draw upon in attempting to resist unreasonable demands" and "are left to make even substantial compromises with their professional duties ...." (pp. 8–9) What is being discussed is the situation where an economist employed by a government agency or private corporation is being told to produce a report supporting a pre-determined position, usually with a time constraint. This has little relevance to forensic economic work.

Pressure to Generate Biased Work: Pressure to generate biased work refers to client expectations of the expert "to produce evidence that justifies decisions that are already reached prior to the execution of the economic research." (p. 9) DeMartino identifies a related bias, namely, the pressure to avoid certain kinds of research. For forensic economists, this might mean not wanting to publish certain findings if such findings were to adversely affect how the economist calculates economic damages. It could also mean even choosing not to do research that might have a similar effect. A brief discussion of another pressure, namely, to undertake an assignment with inadequate data, is presented: "Economists must then decide where to draw the line between working with inadequate data that are readily available and declining the contract altogether." (p. 15) DeMartino also points out: "The relationship between economist and client can become particularly fraught when the client offers to provide some or all of the consultant's compensation in equity or a share of profits rather than in a fixed fee ...." (pp. 13–14) Again, this has little relevance to forensic economic work.

Market Pressures: Market Pressures "sometimes push the economist in the direction of providing the client with the result that best serves its interest rather than that which is best supported by the evidence." (p. 11) DeMartino cites one prominent economist who argued "that ethical economists could not survive in business since there is little demand for their work." (p. 10). However, citing Hardwig (1994), an important point is made by the author, namely, that the market for consulting services is segmented. On the one hand, clients in both the public and private sectors have a need for reliable, unbiased analysis about their markets or economic landscape. "In such cases there is no conflict between the goals of the client and the professional imperatives driving the economist." (p. 11) In contrast, contested environments such as in zoning variance applications or in litigation create pressures upon the economic consultant by "clients who want to buy validation and legitimacy, not economic expertise." (p. 11) One substantial pressure is the offer of high rewards for selling opinions. DeMartino states: "The pressure to adopt and shade one's findings toward the viewpoint of the client is particularly acute in forensic economics, of course...." (p. 14) At this point, therefore, it is worthwhile to scrutinize the pressures forensic economists face.

Forensic Economists and Ethical Pressures

Having highlighted the key ethical problems faced by economic consultants, we turn to what the author says about economists who work in the litigation arena. Forensic economists, a sub grouping of economic consultants examined by DeMartino, operate within a unique environment characterized by counterbalancing forces that DeMartino recognizes as reducing substantially the ethical pressures other applied economists may encounter. The author's statements about counterbalancing forces are instructive in this regard. First, in cases where substantial financial or other interests are at stake, the work of the economic consultant is exposed to intensive scrutiny by those opposing the client's mission. ... [T]he economist's work may very well undergo a more rigorous test than it would under the review process of a prestigious journal. The adversarial process ensures that tainted or otherwise inadequate work will fail to advance the client's interests; hence, clients will rationally come to demand expertise rather than opinion. Second, ... it is relatively easy for potential clients to ascertain which consultants do good work in the sense of producing credible analysis. Reputational effects are therefore substantial in this industry. (p. 12). In addition, DeMartino points out that consultants believe they are behaving ethically when they are willing to accept contracts from any potential client who seeks legitimate work. Providing services to clients of divergent interests is consistent with the conception of the work as objective and unbiased. At the same time, ... it enhances the consultant's professional reputation (p. 13). In effect, forensic economists who provide their services to both plaintiffs and defendants tend towards doing less biased work than those who choose to work for only one side. In personal injury/death cases, most retention is for the plaintiff who bears the burden of proof in establishing damages. In commercial cases, both sides often retain an economist. In light of the preceding, we revisit the three categories of ethical pressures identified by DeMartino as they apply specifically to the work of forensic economists.

Time Constraints: In forensic economic work, it is not unusual to face court deadlines for submission of an economic loss report. In our experience, the blame sits squarely on the shoulders of the retaining attorney who, for one reason or another, delays engaging an economic expert until the very last minute. In many instances, the plaintiff's attorney is hoping to settle the case without the need to hire many experts. Also, since proving liability and causation take precedence over proving damages in the early stages of a case, attorneys tend to put off hiring economic damages experts until absolutely necessary. Of course, if the economist cannot possibly meet the deadline, he or she will simply not take the assignment. On the other hand, if a forensic economist can set aside the time necessary to do a "rush job" within the specified time, he or she might take the case. But things can get more complicated, especially if insufficient or inadequate data are provided, with no opportunity to request and obtain needed missing information. In such circumstances, the ethical forensic expert needs to explicitly incorporate conditional statements to the methods and conclusions presented in the resulting economic damages report. If the hiring attorney balks at the caveats stated in the report, it would be wise for the economist to withdraw from the assignment. Knowledge of potential cross-examination and scrutiny by the adversary attorney during a deposition or trial should serve as a sobering reminder to the expert not to make unsupported statements or assumptions. Those who ignore this fact risk endangering their reputation as credible experts. For forensic economists who have multi-person staffs, taking on a rush assignment may not be a great difficulty. But for those with a substantial case load, this means "bumping" other cases in order to complete the early-deadline assignment. This may delay somewhat the completion of the other cases. In our experience, we have seen practitioners levy an "expedited fee" for rush assignments that serves two purposes: it provides financial resources that might be needed to compensate staff to work overtime, and it serves as a reminder to attorneys that a penalty is paid for unreasonable lateness in retaining an economic expert. In summary, time constraints in cases with inadequate data are dealt with by adding conditional statements to the opinions expressed.

Pressure to Generate Biased Work: The adversarial process poses threats to economic consultants who do biased work. These threats come in the form of deposition and, ultimately, trial cross-examination. As argued by Tinari (1993), critique of an expert's work from the adversary comes in two stages: first, at the report/deposition stage, and ultimately at the trial stage for those minority of cases that do not settle. Hence, the adversarial competition that exists in the practice of forensic economics is palpable.

Actually, depending on the state venue of the litigation, there could be three levels of potential critique faced by forensic economists. The first level occurs after submission of a written economic loss report since it may be subject to written rebuttal by an economist hired by the adversary attorney in a case. The second level is that of deposition cross-examination wherein, under oath, the forensic economist must explain his or her methods, sources, communications, research and opinions. Finally, there is the trial level where, again, testimony is given under oath. Most other applied economists do not face this tri-level gauntlet that is part and parcel of working on litigated matters. While it is a fact that most litigation settles before ever getting to trial, the first two levels of potential challenge and examination still serve as strong incentives to minimize bias and unprofessional standards. The more biased or exaggerated the opinion being offered, the more likely it is that opposing scrutiny will be triggered. Further, since an expert's reputation is, perhaps, his or her most valuable commodity, forensic economists have a strong incentive to maintain as much objectivity and consistency as possible. The fear of losing credibility is acknowledged as one of the most powerful incentives for forensic economists to perform professionally and ethically. (Sattler, 1991, pp. 264–66)

Ward and Thornton (2013) tabulated the views of NAFE members who responded to an ethics survey. A common theme was that problems in reports issued by economic damages experts seem to stem from incompetence, a lack of knowledge of the literature in the field, and a lack of background facts to make proper calculations, rather than bias or other ethical violations. In DeMartino's words: "The adversarial process ensures that tainted or otherwise inadequate work will fail to advance the client's interests; hence, clients will rationally come to demand expertise rather than opinion." (p. 12) It should be noted that the dominance of the internet in accessing information serves to reinforce adversarial pressures inasmuch as, in our experience, attorneys have ready access to their colleagues on list-servs, blogs and the like, and can obtain copies of an expert's report prior reports and testimony transcripts. The existence of a record of past depositions and trial testimony helps to enforce consistency in methods. It is the foolish expert who ignores such potential access.

Another factor serving to minimize biased work is the policy, widely used by forensic experts, of providing one's services to either side of a litigated matter. With rare exceptions, such availability forces the forensic economist to maintain consistent and defensible methods of analysis. DeMartino recognizes this factor when he states: "Providing services to clients of divergent interests is consistent with the conception of the work as objective and unbiased. At the same time, ... it enhances the consultant's professional reputation." (p. 13)[1] Of course, in litigation engagements, the expert can only undertake his or her analysis based on the information provided. Thus, it is possible that unintentionally biased work would result if slanted, inadequate or incomplete information is given to the expert. This is all the more reason for the expert's report to be fully transparent, stating any and all sources, and including conditional statements with phrases such as "our conclusion may change should additional information be uncovered that changes any of the assumptions or inputs in our analysis." But in these circumstances it cannot be said that the forensic economist is acting in a biased, unethical manner if the economist has been advised that the information provided is complete and accurate.

Market Pressures: With respect to potentially very high compensation, expert economists who testify are prohibited by legal standards from accepting contingent payments. While that is not true with reference to other types of applied economic consulting, it is a welcomed ethical blockade to being unduly influenced by the outcome of one's expert opinion. Nevertheless, it may be that an economic expert may fear that if he or she does not accede to certain assumptions or methods of calculating damages being insisted upon by retaining counsel, he or she will lose that attorney as client in future potential engagements. After all, the attorney could "shop around" until a desired expert is engaged. While DeMartino states that the economist may have to undertake "delicate negotiations" with the attorney about these matters, a more effective mechanism is in place, namely, the need of the economist to protect his or her reputation and credibility. Only foolhardy experts would take such an assignment without thought to how his or her work will possibly be cited in future engagements. Again, it is the adversarial process and its mechanisms that force the forensic economist to adhere closely to professional standards or practice, or suffer the potential consequences.

Summary

DeMartino's article and the book from which it is drawn provide a thorough and comprehensive overview of the ethical issues faced by applied economists. With respect to confronting ethical issues within the ranks of economists, DeMartino states: "Forensic economics is the outlier in the profession in the degree to which its practitioners are addressing explicitly the ethical entailments of their work." (p. 17) This is an unintentionally ironic statement because, as we have argued here, the forensic economics market has several built-in safeguards, countervailing forces, if you will, that serve to minimize the tendency towards unethical practices. It is ironic inasmuch as all of our discussions of the issue, in our journals and at conferences, as noted in Thornton and Brookshire (2013), are not the main reason for the relatively positive situation in forensic economics. Survey comments submitted by practicing forensic economists expressed a general feeling that adversarial pressures could be relied upon, rather than published ethical standards, to rein in potentially unethical practices: "Cross examination works!" "I prefer to let the 'market' to do that (e.g., by providing examples of inconsistency to lawyers to use on cross examination)." "Let word of mouth do it within the legal profession and among practicing economists." (Ward & Thornton, pp. 34–35). As a result, the author's conclusion that economics "today is a rogue profession" is overreaching for two reasons: (1) the focus of the paper is on applied economics, not the entire economics profession, and (2) the phrase would more accurately be stated as: some but not all applied economists comprise a rogue profession. Further, with respect to the practice of forensic economics, it appears that the vast majority of forensic economists are constrained to act ethically, and "that unethical forensic economists comprise a minority of practitioners, and that cross-examination, *Daubert*, and reputation have had an effect on the extent of unethical practice in the field." (Ward & Thornton, p. 35).

Dangerous interconnectedness: economists' conflicts of interest, ideology and financial crisis

In the wake of the financial crises of 2008, Charles Ferguson's movie, Inside Job, helped to bring to the fore a troubling possibility: that prominent academic financial economists, such as those portrayed in the movie, had lucrative connections with private financial firms that they did not disclose to the public even when they were proffering public policy advice on financial matters that could affect the financial fortunes of those financial firms. These interconnections have raised questions about whether academic economists face potential conflicts of interest and whether they should reveal those conditions to the public or, in fact, try to avoid them altogether. Ferguson reminds us of Larry Summers' long-standing advocacy of financial deregulation, while pulling down more than $20 million from the financial-services sector between 2001 and 2008.2 Glenn Hubbard, Chairman of George Bush's Council of Economic Advisers and an advocate of financial deregulation, was paid $100,000 by the defense to testify in the case of the two Bear Stearns executives charged with fraud by the US government. And, according to Inside Job and excellent research by Reuters' journalists, economists routinely get paid to provide testimony and write papers favorable to the financial industry (see also Flitter et al., 2010). While one cannot be sure these payments affect views on financial theory and regulation, they certainly create a conflict of interest. Perhaps these connections helped explain why few mainstream economists warned about the oncoming financial crisis. Perhaps they help explain why support among many of these economists for strict financial regulation has been relatively weak. And perhaps they help us understand some of the pressures that have led so many economists to propose austerity as a solution to the economic crisis they failed to warn about.

Yet, as we show here, these economists almost never reveal their financial associations when they make public pronouncements on issues such as financial regulation. These incentives created by potential conflicts of interest are, we believe, cause for concern. Medicine has had a relatively long history of studying this question, particularly with relation to pharmaceutical company funding. A substantial set of studies done from the 1980s through the present time have found that the pharmaceutical affiliations of the researchers and study authors biased outcomes in favor of the sponsoring affiliation (Barnes and Bero, 1998; Bekelman et al., 2003; Bero et al., 2007; Davidson, 1986; Friedberg et al., 1999; Friedman and Richter, 2004; Heres et al., 2006; Jagsi et al., 2009; Sismondo, 2008; Stelfox et al., 1998). Although our sample is too small to prove such a connection in the case of economists, such findings as those in the field of medicine should be strong enough to give economists pause.

Certainly, ideology also plays a strong role along with self-interest. The economists in a study could be mostly of the same mind prior to the last crisis, in which they failed to forewarn of financial fragility. Now, once again, there seems to be a consensus forming among many economists: the solution to the crisis that they did not predict is to promote austerity, which is not only likely to be inequitable, but also ineffective in confronting the underlying problems that have caused the crisis in the first place. A lack of strong financial regulation and austerity are not likely to be a winning formula for solving the economy's profound problems. It can be argued that ideology plus conflicts of interest among academic financial economists play a joint, powerful, yet hard-to-disentangle role in this widespread lunge toward crisis and austerity. We should focus on the issue of conflicts of interest with respect to a sample of prominent financial economists. In particular, the core of this study assesses the links among academic economists, private financial firms such as banks and hedge funds, and public financial institutions like central banks and the International Monetary Fund for a sample of prestigious academic economists. The choice the economists in the study based on their leading position in academia and their association with groups that advocate a set of policy proposals for the regulation of financial markets. The choice of these economists made it likely they had both a media presence and a stated opinion on financial regulation. Many of these economists did write on financial regulation in the media and opeds, and some did so through their own news columns.

One may look at the conflicts of interest of academic financial economists. In this study, we identify the frequency of these potential conflicts of interest and whether these economists reveal them. Then look at academic economists primarily because of the self-asserted role that economists have played in the post-World War II period. The profession has tried to hold itself up as objective analysts of the economy and, in the realm of policy, as objective purveyors of policy advice. At least until recently, academic economists have been relatively successful in creating this public perception and, as a result, the lack of disclosure of potential financial conflicts of interest among those offering policy advices is troubling. As we argue below, academic economists who offer economic medicine should reveal potential conflicts of interest just as readily as should medical doctors prescribing pharmaceuticals. Interestingly, more recently, the attention to ethics and conflicts of interest over the past year has led some economists to post disclosure statements on their web sites that indicate their private affiliations. To study this recent evolution in disclosure norms, we investigate how widespread this practice has become among the economists in our study. Although there are many positive signs that ethics and disclosure are gaining ground, there is much left to do before there is either a consistent formula for disclosure or before disclosure becomes the norm.

This leads us to conclude that there is a need for additional discussion of ethics and conflicts of interest. One mechanism for promoting such discussion and more disclosure itself is through a professional code of ethics. In the USA, arguably the best institution to establish such a code is the American Economic Association (AEA), which is the main economists' professional organization in that country. Before proceeding further it must be emphasized that this study is not based on a random sample of financial economists; it deals with a small subsection of financial academic economists. But we are not making claims about the broader universe of economists. We only argue that this is potentially a significant problem because, at the least, it afflicts those among the most prominent and influential economists in this important area. Indeed, the economists in our study are some of the leading figures in the academic world. These financial economists also make public pronouncements on financial issues of public policy. It should be obvious that it is the most prestigious economists who set standards for their field, including such norms as holding both academic and private financial roles, as well as failing to disclose those roles. And, in fact, there is some evidence that a larger study may reveal a similar pattern. In particular, a study by Reuters 'of 96 testimonies given by 82 academics to the Senate Banking Committee and the House Financial Services Committee between late 2008 and early 2010—as lawmakers debated the biggest overhaul of financial regulation since the 1930s—found no clear standard for disclosure' (Flitter et al., 2010). They discovered that almost one-third of the time academics failed to disclose their private financial affiliations.

Economists and private sector affiliations

Academic economists' affiliations with private financial institutions

It is not surprising that academic economists from the most prestigious economics departments in the USA would have private financial affiliations. Private financial institutions seek out these economists. Their knowledge and 'stature' can contribute greatly to these institutions' boards and management, and as consultants. And, on their side, the economists can gain prestige, income and useful knowledge from such activities. Study of two groups of economists that put out proposals on financial reform and that consist of such economists: the Squam Lake Working Group on Financial Regulation and the Financial Reform Task Force. They investigated what, if any, affiliations these academic economists had with private financial institutions. More specifically, created five categories of financial affiliations: financial services firms, stock exchanges, financial consultancy firms, credit-rating agencies, and research arms of financial and advocacy firms. Under the category of financial services firms were include the subcategories of private banks, bank holding companies, hedge funds and mutual funds.

To identify these economists' private affiliations, can be looked through their curricula vitae (CVs) and searched through media archives, all on the Internet. This search seemed fairly effective at locating owners, founders or cofounders and members of boards of private financial institutions, but rather poor at identifying consultancies. If a consultancy is listed in the CV or if the company lists the academic as a consultant then these consultancies can be discovered. If neither the economist nor the company mentions these affiliations, then one may not have been able to find it. Accordingly, it is a believe that a study most likely can be carried under-represents the linkages between these academics and the private financial sphere. Nonetheless, one can find extensive affiliations between financial academic economists and the private sector. Much more than half of the economists we looked at worked with private financial institutions and in many cases they occupied quite prominent positions. The depth of these connections may vary, of course. In many cases one can find the economists worked with more than one financial firm; in fact, many economists can found working for two or more financial firms. These suggest that there may, in fact, be a norm in which academic financial economists acquire private financial affiliations.

It is argued that many economists work in some capacity with private financial institutions. For example, many of the financial academic economists are cofounders of private financial services firms where they work in key positions: as vice chairman, managing partner and chief economist. If we examine it may be that the firm is owned by all the managing partners, making the economist an owner of the firm. Economist, works for three banks, in one instance as president of the research arm on the bank and in the other as director. The financial academic economists serve on the boards of private financial firms and other economists may be identified as consultants for private financial firms. The 'Private financial affiliation' refers to and type of private financial affiliations of the economist can lead to conflicting situation. For example Economist one holds positions in two different financial services firms and two different financial consultancy firms. In the first financial services firm he is a vice chairman and a founder and in the second financial services firm he is on the board of directors. He serves as chairman of the board of advisors for the first financial consultancy firm and as a senior advisor for the second financial consultancy firm. One can develop a methodology including Economists demarcating a private consulting firm that deals with financial consultancy among other types of consultancy to corporations, law firms and governments identify consultancies, unless either the company or the economist mentions one, it is likely, based on other evidence, that even more economists worked as consultants.

The fact that well over half the economists have positions with private financial firms shows how commonplace the practice is and suggests how widespread potential conflicts of interest may be. This is especially troubling given the extent to which these economists are influential with respect to public policy. The public looked to these economists for guidance in the build up to the crisis. And after the crisis hit, the public has looked to them for guidance on the key questions of financial reform. These economists, for the most part, failed to warn the public about the looming crisis, and have all taken either an individual and/or a group stance on financial regulation: they have done this while having extensive relationships with private financial institutions that potentially will be significantly affected by financial regulation. This leads to an important question: How often and in what contexts do these academic financial economists reveal their connections to these private firms.

How did economists identify themselves in their writings

To answer this question we can review both general media and academic publications to determine how the economists identified themselves in both domains. Emphasizing the media because it is here that policy pieces directed at influencing public opinion appear and, thus, where the clearest potential conflict of interest occurs. We can focus on economists' affiliations with private financial institutions and reviewed if the economists identify these affiliations either in their general media articles, interviews and testimony or in their academic papers. Of course, for those economists who do not work in the private sector, this argument does not apply. Since these economists generally write about finance and the economy in both their academic publications and their media articles, interviews and testimony, we did not make case-by-case judgments on whether the piece in question constituted a conflict of interest. In other words, we can identify a potential conflict of interest across the board without trying to pinpoint the severity of the problem in each case. The overwhelming evidence is that the economists rarely, if ever, disclosed these financial affiliations in their academic or media papers during 2005–09.

We can calculate the portion of their writings in which these economists disclosed private financial affiliations. In the case of the media, we looked primarily at their articles, such as op-eds, as well as reviewing relevant interviews and testimonies. We can also evaluate a subset of their academic papers. One can assess media op-eds, interviews, testimonies and academic publications from a particular time line for each economist. One can identify the quantity of media articles and academic publications for each person and the number of times in which s/he acknowledged a relationship with the financial sector. Finally, one can create an aggregate statistic representing the times in which the economist identified her/ himself in both media and academic publications. Again, a researcher can find that economists most often identify themselves with their academic position and rarely with their roles in private financial institutions. This occurs even when they are proposing policies concerning the regulation of financial markets. The total number of media articles, interviews and testimonies for each person is the denominator in the process. The denominator varies since these economists write articles and appear in the media to different degrees. Researcher can be encountered both prolific authors as well as authors who write few media articles. This can be attempted to obtain a representative sample of media articles and appearances for each person over the period. One may try to find that most of the economists did not disclose private financial affiliations.

Financial economists' opinions on financial reform

It is natural to ask whether these economists' connections to private financial firms affected their views of financial reform. The short answer is that our sample is far too small to really address this question. More generally, it is undoubtedly the case that economists' views on such matters reflect a complex interaction of ideology, 'cognitive capture' by dominant ideas and, as we suggest here, financial interest. In any case, an evaluation of these economists' views on financial reform reveals some interesting patterns. Two factors became apparent in our study of financial economists' views. First, the economists we surveyed had similar opinions on financial reform. Perhaps such similarity of opinions can be partly traced to graduate school socialization—some call this 'cognitive capture'—which influences how economists model and conceptualize problems. This status quo is further rewarded beyond graduate schools: economists who hold preferred views are more likely to win accolades and entry into prestigious positions and journals. This socialization and reinforcement has almost certainly contributed to the creation of a professional norm that has rendered a cultural aversion to strict financial regulation within economics. Second, the economists' proposals for financial reform had more limited calls for government intervention and regulation in financial markets compared with more progressive groups, such as the Economists' Committee for Stable, Accountable, Fair and Efficient Financial Reform (SAFER). Many prominent economists, including those in our sample, championed financial product innovation combined with the deregulation over the past decades. Such deregulation and increasing risk in financial markets, in part via complex financial products, contributed significantly to the financial crisis. The main response to the crisis has been one of austerity rather than strong financial reform. This is reflected in our study, where many of the economists advocate more market-based reforms and only limited government regulation of financial markets. It is an understatement to conjecture that such reforms may not be sufficient to ward off future crises.

To study these economists' views on financial reform and to compare them with those of more 'heterodox' economists, we created a Financial Reform Index (FRI). By creating a FRI by looking at a range of proposals for the regulation of financial markets put forward by many economists and analysts during the financial reform debate, such as that put out by Paul Volcker and the Group of Thirty, as well as proposals by progressive groups, such as SAFER (Group of Thirty, 2009; SAFER, 2010). Of course, we also studied the proposals put forward by the economists in the study. To understand and classify the economists' views in the research study one can look through the publications each group published as well as a subset of their individual publications, both academic and media, over the period. Then took the economists' recommendations for financial regulation and compared them with the index we created, to see the strength of their recommendations. To summarize, the common perspectives of these groups and their stark differences regarding heterodox views of financial regulation are likely the result of a combination of ideological factors and subtle incentives created by professional and material self-interest. As we mentioned above, there is strong evidence that in the case of pharmaceuticals, financial interests do affect research results. It seems prudent to consider this possibility in the case of academic economists.

Recent changes in disclosure norms

In 2011 economists began to pay more attention to the issue of ethics and disclosure in economics because of several events, some of which we discussed in the Introduction. First, the largest financial crisis since the Great Depression caused the public to question the economics profession for its failure to identify financial fragility. Second, the Academy Award-winning documentary Inside Job dramatically criticized the financial services industry and the connections between this industry and academic financial economists (Ferguson, 2011). This drew the intensive scrutiny of the media to the role economists played in the financial crisis. Third, in response to this chorus of criticism and concern, the AEA reluctantly decided to create a task force to study the issue of disclosure and ethics in economics. This decision was influenced not only by the public outrage and the media attention just mentioned, but also by the actions of a group of 300 economists that sent a letter to the AEA leadership urging them to set up a committee to study a code of conduct for the economics profession. Around the same time, George DeMartino published his excellent book, The Economist's Oath (2011), which pointed out the absence of a serious consideration of ethics by the economics profession. All of these events reinforced the argument that economics, which has long pushed aside the field of ethics, needs to consider the field of professional ethics and implement ethical guidelines for economists.

Conflicts of interest

The economics profession lost a measure of credibility during the past financial crisis. One step toward restoring professional credibility, but, more importantly, improving the transparency with which economists interact with the public in the realm of public policy would be to create a code of ethics regarding potential conflicts of interest.

In the USA, economics is unusual among the professions in that it does not have a code of ethics that provides guidelines for navigating possible conflicts of interest. George DeMartino writes, 'virtually all other professions that matured during the same era [early twentieth century] adopted at least a code of conduct, and some adopted a full-blown body of professional ethics' (DeMartino, 2011, p. 67). Codes of ethics have been adopted in such academic fields as sociology, anthropology and physics. In the context of this paper we can see how useful a code of ethics would be, especially for academics that choose to navigate the difficulties of combining several roles—in particular the tension between that of objective academic expert and that of private financial agent. More importantly, perhaps, it will help the 'consumers' of economic analysis—the public and policy makers—better understand the bases for economic analysis and advice.

The AEA, formed in 1885, has never adopted a code of ethics, although the lack of a code has been questioned over time. For example, in the 1930s this issue came up repeatedly to the AEA's secretary. Needless to say, the AEA had no such code [of ethics], nor had the officers any sanctions or means of enforcement, and the executive committee, when pressed, viewed the investigation of such matters as beyond the range of its proper functions. Of course, some matters of professional behavior could not be ignored, but whenever possible these were dealt with on an individual basis, without involving the executive committee or the membership at large. (Coats, 1985, pp. 1710–1) The reasons why the AEA has never developed a code of ethics, when so many other professions have, are unclear. Coats attributes it to the perception of proper professional behavior as being so obvious that no code was necessary, a history of ambivalence toward this topic and the difficulty of enforcing such a code (Coats, 1985, pp. 1710–1, 1718–9; DeMartino, 2011, pp. 63–5).

With respect to the kinds of conflicts we have identified, some argue there is no need to disclose these private affiliations in the actual media or academic publications since their private financial affiliations are publicly available via CVs, biographies and now disclosure statements. We believe that this is not enough. Disclosure of affiliations is important and relevant information for the audience, few of whom will spend time searching out public CVs and biographies.

In the USA many critics of the adoption of a code of ethics by the AEA are troubled by the AEA's weak ability to enforce such a code. Unlike in the law profession, economists are not licensed by their professional organization, the AEA. Thus, when economists violate the guidelines of a code of ethics, the AEA would have no legal means to punish transgressors. Since violating the code would not result in professional sanctions, some have termed it a code without teeth. The logic follows that because economists would not adhere to such a code it serves no purpose. The historical absence of a code of ethics and discussion of professional ethics in economics may have resulted in ignorance regarding ethical conduct and may have itself played a role in economists' failure to disclose private financial affiliations. Yet, as we discussed in the previous section, peer pressure has begun to establish a norm. As a result, at least some economists seem more open to a set of guidelines that prescribe ethical behavior. Guidelines would give well-meaning economists who may not have given the issue much thought a set of suggested rules for ethical conduct.

Enforcement may well become a social process in which disclosure of conflicts of interest becomes the norm. A widely acknowledged standard of ethical professional behavior would empower colleagues, journalists, students and the public to ask the question, 'Do you have any conflicts of interest?' The very internalization of a norm of clear rules for ethical conduct among both economists and the public could be a powerful deterrent to unethical practices, whether or not the AEA could punish transgressors.

Lastly, some have argued that the AEA is not responsible for monitoring ethical violations. Rather, they say, this is the responsibility of universities. A review of a sample of university guidelines for conflicts of interest and found that, while this also seems to be evolving because of the recent attention paid to these issues, for the most part they deal specifically with conflicts of interest between the economist's private affiliations and their work with the university. The university policies reviewed generally ignored conflicts of interest in the public sphere, such as those of an academic economist acting as a public expert advocating specific financial reforms while having private financial sector affiliations. A counter-example is Columbia University, which 'requires individuals to disclose outside financial interests that relate to any of their research, including unfunded research, to peers and members of the public. These disclosures must be made in publications, reports, talks, or other presentations of research' (Columbia University, 2009).

One can commend Columbia University's approach. It is important for universities to expect the highest ethical conduct from their professors not only in regard to their work with the university, but also in representing themselves and the university to the public. Since university guidelines dealing with disclosure vary, the provision of a code of ethics by the AEA can create a standard for the field of economics and encourage all universities to include disclosure to public and peers in their own guidelines for ethics. In this way university guidelines for conflicts of interest would act as a complement to an AEA code of ethics rather than as a substitute.

In contrast to the AEA's past behavior, the American Sociological Association (ASA) recognizes that sociologists have a responsibility to protect the public from sociologists' conflicts of interest. The ASA states in the section of its code dealing with conflicts of interest, 'Sociologists maintain the highest degree of integrity in their professional work and avoid conflicts of interest and the appearance of conflict' (American Sociological Association, 1999, p. 7). Later the ASA goes on to state, 'Sociologists disclose relevant sources of financial support and relevant personal or professional relationships that may have the appearance or potential for a conflict of interest to an employer or client, to the sponsors of their professional work, or in public speeches and writing' (American Sociological Association, 1999, p. 7; emphasis added). The ASA code recognizes that sociologists' roles extend to their work as academic experts in the public realm where potential conflicts of interest can occur as well.

An obvious first step for economists is to create and adhere to a code of ethics. The language of the ASA's code of ethics would be a useful starting point. In the context of this paper, such a code of ethics would prescribe that economists list their private affiliations in any appearance for the media or the government when there is a conflict of interest or the appearance of a conflict of interest. For example, if an economist were to write a journal article or an op-ed that has relevance to their private affiliations, they should describe themselves not only as a professor but also as a board member, an owner and/or a consultant. These roles should also be reported when testifying in government positions or being interviewed by the media. Such actions would take one step toward ameliorating perverse incentives. Of course, the next question is: How far, though, would this really get us to improving economists' analyses and advice. Would it lead a greater number of prominent voices in the economics profession to argue for stricter financial regulation or a sensible alternative to the austerity hysteria that seems to have gripped our economies.

Summary of the paper

Economics claims to be a science and therefore detached from value judgments. Its obsession is to be like the natural sciences, despite the fact that it is of a profoundly different nature. It asks us to remain objective and to avoid adding moral or subjective appreciations to the equation. Robbins (1920) reminds us that: "*Economics deals with ascertainable facts; ethics with valuations and obligations. The two fields of inquiry are not on the same plane of discourse. Between the generalisations of positive and normative studies, there is a logical gulf fixed which no ingenuity can disguise and no juxtaposition in space or time bridge over.*" However, while the optimization of resources is ultimately intended to provide a certain social wellbeing, the way the economy works does not need to be regulated through axiological criteria. Judging the means rather than the ends, economic theory is largely amoral. Economic agents can disregard the moral or immoral nature of their business conduct. Economic relations are not based on respect for moral obligations. Many situations that appear as grossly unfair (absence of equal opportunities, birth-related inequality…) may prove to be drivers of economic dynamism. An economy cannot function properly without at least some moral values. Theory may reduce economics to ties between production and consumption, but in reality it is principally based on relationships between individuals. We can challenge the notion that economic laws resemble the laws of physics (we need to emphasize the historic and moral dimension of human relations). Capitalism is based on the idea that anyone and everyone can grow rich. But once the potential to increase wealth is regulated, the conciliatory character no longer operates. If Jesus had told his disciples that places were reserved in advance, he would have had a lot less success! All morals are based on intangible principles, and we cannot separate them from economics unless we refuse to align the latter with all that is human. Respect for a certain number of basic values (keeping one's word, honesty...) is necessary to ensure the smooth running of a country. In other words, the day that economics no longer has any form of moral basis will be the day that human beings are replaced by androids!

The concept of relativism, sometimes referred to as postmodernism (Kuhn, Feyerabend and Hübner), is very popular at present: values are uncertain, objectivity is an illusion, and collective beliefs can be put down to cultural traits. These relativist theories contradict basic sociological observations (Boudon, 1995): today, as yesterday, individuals have strong moral convictions. We must not abandon notions of truth. Theft and fraud go against the touchstone of reciprocity which prohibits pure appropriation of others' goods. Theft is wrong because social order is based on the notion that all reward should, in theory, correspond to a contribution. It is imperative to strengthen the ethical values that we can all share. The use of ethical discourse as a set of moral principles presupposes that we are all bound by a mutual understanding of what they imply.

The norm for economists was to not identify their private financial affiliations, establishing the need for a code of ethics prescribing disclosure guidelines. These same economists who mostly failed to warn of the increasing financial fragility and impending crisis also have developed a basic consensus view that favors more market based reforms and relatively less government regulation as a way of preventing future financial meltdowns. Many heterodox economists argue that relatively mild reforms are likely to be insufficient to prevent a future crisis. For example, economists associated with SAFER argue this with respect to reforms that do not bust up too big and too interconnected to fail institutions. It was this crisis and similar 'neoliberal' understandings of economic theory, combined, in all likelihood, with continuing material conflicts of interest for some economists that led to loud, destructive voices for austerity. The voices of the rentier interests can be heard loud and clear in this call (Epstein and Jayadev, 2005). Will a code of conduct urging more transparency of these private affiliations solve these problems. Certainly not. But we believe it can help shift the balance of power, even if only slightly, between financial interests and the general populace, by stripping away some of the veneer of objectivity from those who wield academic economics to support the special interests of finance.

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