



*Should Economists Deceive? Pro-Social
Lying, Paternalism, and the
'Ben Bernanke' Problem*

George DeMartino
*Josef Korbel School of
International Studies
University of Denver*

George.DeMartino@du.edu

Premise: Economics Profession Complicit in the Illiberal Turn in Politics

- Oversold Neoliberalism, 1980s through 2008
- Ignored hardships imposed on “losers”
- Acted as if profession could know and control what it could not know or control
- Acted as if it knows which values to apply in assessing/advancing policy
- Acted as if it was *warranted in lying* to secure the *right* policies despite public opposition
- Profession’s victims now getting revenge
 - Rejection of all expertise--
 - Economic, Climate, Public Health...

Do Economists Lie? From Dani Rodrik, *Straight Talk on Trade*

Trade economists over the previous decades:

- “*overstated* the magnitude of aggregate gains from trade deals” and “*minimized* distributional concerns”;
- “*endorsed the propaganda*”;
- “*parrot the wonders* of comparative advantage”;
- demonstrate a “*reluctance to be honest*”;
- “*fail to provide the full picture*”;
- should have “*been more upfront*”;
- “*shade their arguments*”;
- purposely “*failed to engage* distributive justice issues”;
- worked as “*academic boosters*” of market fundamentalism;
- should have presented “*a more honest narrative.*”

Recognition of Economic Deception, in Economics and Beyond

“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.” Joan Robinson

“For just as James Bond has a “License to Kill” in the Ian Fleming books, so central bankers possess a “License to Lie” — or, putting it more diplomatically and politely, to make promises about the future that cannot be honored and often turn to be false.” Anatole Kaletsky

“The Chancellor of the Exchequer is not required to respond honestly to questions about a future devaluation of the currency.” Stuart Hampshire

Why Do Economists Lie?

- Rodrik, standing on “the side of angels,” the free traders were reluctant “to provide ammunition to the barbarians.”
- My claim: economists engage in ***pro-social*** lying (Levine & Schweitzer)—lying in the service of others. Follows from the paternalistic ethos that infuses the profession:
 - Economists know best
 - Economists obligated to do what’s right for others *even when others oppose what economists propose*
 - If lying is necessary or the best means to secure economists’ influence, they are warranted in doing it.

Pro-Social Lying: The 2008 Crisis and the Ben Bernanke Problem

Bernanke conveyed increasing confidence in the economy and the Fed's ability to manage economic affairs just as the world economy was about to implode. Speaking of Government-Sponsored Enterprises, like Fannie Mae and Freddie Mac, in July 2008:

“The GSEs are adequately capitalized. **They are in no danger of failing.**”

Two weeks later Warren Buffet warns of looming crisis.

Three weeks later the Treasurer is authorized to purchase up to \$100 billion in Freddie Mac and Fannie Mae assets to prevent financial disaster.

Justifications for Pro-Social Lying in Economics

- Crisis Conditions—The Ben Bernanke Problem
- Immediate Risks, Fleeting Opportunities
- Irreparable Professional-Layperson Epistemic Asymmetry
- Seductive but Harmful Alternatives
- Faulty Modes of Communication and Instruction
- Defensive, Deception-Countering Lies (*They lie, so we have to lie*)
- Adversarial Ethics
- Corrupt or Deficient Decision-makers
- Research Dictates
- Consent of the Deceived (*We want economists to lie to us*)

Not so fast! The Downside of Pro-Social Lying

1. The Problem of Paternalism: Coercion

Lying in medical practice tolerated until the patient's rights movement of the 1960s/1970s.

Turning point: Canterbury v. Spence, 1972, US Supreme Court

- Physician may not deceive
- Replaces paternalistic ethos with recognition of patient autonomy

2. Limits to lying?

Can all economists lie whenever they think it's good to do so? Are there no limits on who/when?

3. Forms of lying

Are all forms of lying equally legitimate? Can economists fabricate data, say, to bring about good policy outcomes? If one form of lying is legitimate, why are other forms illegitimate?

4. Deception corrodes trust

The anti-liberal turn in politics, tied to the loss of trust in expertise...

Sissela Bok, *Lying* (1978)

“The most serious miscalculation people make when weighing lies is to evaluate the costs and benefits of a particular lie in an isolated case, and then to favor lies if the benefits seem to outweigh the costs. In so doing, they risk blinding themselves to the effects that such lying can have on their integrity and self-respect, and to the jeopardy in which they place others.”