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Topic Area: Z Other Special Topics;

Title: Ethics and Justice in Economics

Sponsor: AIRLEAP

Organizer and Chair: Amelie Constant, Princeton University

Summary: Should economists in powerful policy positions always tell the truth? Prosocial lying may protect the economic and financial markets but it comes at a cost to the economics profession as it undermines trust. In addition, the question is: do economists have a sense of justice. Surprisingly, they do. They seem no different than others in justice research studies. On the other hand, in less-developed countries and in the field of development economics we see Randomized Control Trials (RCT) to be the norm, even earning a Nobel in 2019. Alternative explanations of the success of RCT beyond statistical inference are offered. Lastly, despite the admonition not to resort to p-values to answer empirical questions in economics, p-values are indeed widely used. The session provides remedies beyond p-values useful in the validity of research.

Presenters:

- **Should Economists Deceive? Prosocial Lying, Paternalism, and the Ben Bernanke Problem;** George DeMartino, University of Denver, george.demartino@du.edu

  A widely held principle in professional ethics, across the professions, is the duty to speak truthfully when engaging in professional activity. Expert truth-telling has come to be recognized as vital to the Kantian respect that is due to clients and others who must act based on professional advice; and to the imperative to sustain trust. It is therefore notable that economics does not generally require truth telling among its members. Against truth telling, in cases where what an economist says can impact social welfare, the profession tends toward “prosocial lying”—lying that is thought to be in society’s best interests. The case of central banker statements is paradigmatic. Would economists have preferred that Ben Bernanke tell the truth about the threats to the US and world economy in the early days of the crisis of 2008, when doing so might have destabilized financial markets further? But prosocial lying comes at a cost to the profession, and to society. Not least, prosocial lying reflects a paternalistic ethos that has by now been challenged in other professions; and the prevalence of prosocial lying may undermine trust— both among economists, and between economists and those economists purport to serve.

- **Do Economists Have a Sense of Justice?**; Guillermina Jasso, New York University; gj1@nyu.edu

  As understanding increases about inequality dynamics, justice dynamics, and their link, it becomes clear that a central question pertains to the proportions of individuals who do not experience, or exercise, the sense of justice and whether this justice-obliviousness is related to other individual characteristics. One key subset consists of economists, who have argued, as Hayek put it, that “differences in rewards simply cannot meaningfully be described as just or unjust" and for whom the Ideal Economist is said to be justice-oblivious. But are economists really bereft of the sense of justice? This paper uses state-of-the-art models and methods from justice research to undertake a close examination of economists’ justice life. The results in this sample are unambiguous: Economists exercise the three fairness faculties – forming ideas of justice, distinguishing between justice and injustice, and distinguishing between unjust underreward and unjust overreward. Moreover, consistent with the Hatfield-Friedman Principle that justice is in the eye of the beholder, economists disagree with each other about what is fair – the respondent-specific just reward functions indicating disagreement on the principles of microjustice, and the respondent-specific just reward distributions indicating disagreement on the principles of macrojustice. Thus, far from being justice-oblivious, economists seem no different from everyone else routinely studied in justice research. However, it is possible that when speaking ex cathedra some economists may tend to keep money and markets out of justice reach.

- **Why Are Randomized Controlled Trials (RCTs) so Popular in Development Economics? It Is About Statistical Inference, or the Profession’s Evolution from “Physics Envy” to “Physician Envy”?**; Steven Payson, University of Maryland; spayson@umd.edu

  Over the past two decades the application of randomized controlled trials (RCTs) in the field of development economics has grown to enormous prominence. Such prominence can be easily observed in terms of the substantial funding of numerous programs throughout the developing world, and the highest recognitions for scientific achievement in this subfield, earning nothing less than the Nobel Prize in Economics in 2019. Proponents of RCT methods in economic development have argued that the bedrock, or justification, for their “success” (in terms of recognition and funding) relies on their ability to advance knowledge from statistical inference deriving from widely accepted, scientific methods. This paper, however, offers alternative explanations for the apparent success of RCTs in terms of recognition and funding. These alternative explanations are based on sociological factors that create an appeal for RCTs, and promote their popularity among members of the economics profession and their institutions. Such alternative explanations of the success of RCTs are completely independent from whatever advancement of useful knowledge RCT methods have actually offered, and they are likewise independent of any contributions RCTs have actually made toward advancing economic well-being in the developing world.

- **After Taking the Con out of Econometrics, Supplementing or Replacing p Values for Better Econometrics**: Brian W. Sloboda, University of Phoenix; bsloboda@email.phoenix.edu

  In empirical economic research, economists use p-values to answer the question: How strongly does the evidence favor the alternative hypothesis relative to the null hypothesis? However, p values do not directly answer this question and are often misinterpreted in ways that lead to overstating the evidence against the null hypothesis. Despite the advocacy for not resorting to the p values to answer questions in economic research, p-values may continue to be widely reported and used to assess the strength of evidence. In fact, the p-value reveals almost nothing about the strength of the evidence, yet a p-value of 0.05 has become the ticket to get published at many journals. After all, what economists and other social scientists really want to know is whether their hypothesis is true, and if so, how strong this finding is. The objective of this paper is to provide a brief background of the dependency on the use of p-values and to provide remedies beyond p-values that can be used in economic research to assess the validity of the research.