

Science, Advocacy, and the Miller Wave:

Positive and Normative Economics

Radical Cambridge economist Joan Robinson once accused her mainstream brethren of “running to hide in thickets of algebra while abandoning the really tough questions to journalists and politicians.” She acknowledged that everyone must recognize the difference between the words “ought” and “is,” but suggested that this difference should not define the economics profession.

Most economists would question both the validity of her observation about economist behavior and her judgement about a preferred method for the discipline, but Mrs. Robinson had a point. Rather than use economics to prescribe what individuals or governments ought to do, economists prefer to develop theories, often expressed in mathematics, about the actions of those individuals and governments. Then, they like to test these theories with the facts to see if the theory explains how the social world works, especially the relationship of cause and effect. Economists prefer science to advocacy. They want to practice positive economics rather than normative economics.

Economists’ reluctance to advocate particular government actions is captured in the old joke about President Truman and his economic adviser. Mr. Truman was the first president to appoint a Council of Economic Advisers. He even enjoyed listening to them, up to a point. Once he asked an adviser about some matter of economic policy, and the economist responded that on the one hand the action would have one effect, but on the other hand it would have another effect, and so on. Confronted with the economist’s

preference for explanation over advocacy, Mr. Truman yearned for a one-armed economist.

Today much of this type of thinking still pervades economics. After all, we do have a Nobel Prize in Economic Science, one we don't wish to jeopardize with excessive professional opinionating and advocacy. Economists still are more likely to study the causes of poverty and inequality in economic well being rather than advocate a particular government program to "improve" the situation. We would be more comfortable explaining the causes of inflation and unemployment rather than advocating a particular target level for these macroeconomic indicators. We would rather explain why the price of oil has risen, rather than opine on whether this is good or bad.

Normal people are much more normative than economists are, especially normal people working for the government. As Mrs. Robinson correctly observed, normative questions are important. Economists have responded over the years to the demand for normative economic analysis. At the beginning of the 20th Century, economist Vilfredo Pareto came up with a normative economic flag that economists were able to salute. As economics is about maximizing human welfare, could we support an action that makes someone better off while hurting no one? Economists would rarely question what came to be called the "Pareto Criterion."

Unfortunately, in the practical world of government policy, someone suffers from most government actions. From a practical standpoint, normal people think that a one-armed economist with the Pareto Criterion just can't do the heavy lifting of normative economics. Perhaps a less stringent social choice criterion would help. The Net Benefits or Benefit-Cost Criterion is an example.

With the Benefit-Cost Criterion, we consider a collective action to be justified if the sum of the gains exceeds the sum of the losses from an action. Note that losses are now allowed, where they were not in the Pareto Criterion. Here we slide further down the slippery slope of comparing someone's gains against someone else's losses. The Benefit-Cost Criterion requires the stronger value judgement that losses are OK as long as they are exceeded by gains.

Economists can continue to maintain at least some degree of scientific objectivity in the calculation of gains and losses under the Benefit-Cost Criterion. They can merely compute the relevant magnitudes, and still allow the politicians to use this "evidence" to inform their normative decisions. Unfortunately, economists don't have quite that easy an escape from the value judgements of normative analysis. Hiding in the technical tidepools of benefit-cost analysis lurk small stinging creatures called assumptions. For example, to add up all the individual benefits and costs, economists must assume that all benefits are to be treated equally, or that the politicians (and journalists?) have at least provided a socially valid interpersonal weighting scheme. Is my \$100 benefit weighted the same as your \$100 cost? Is the rich woman's \$50 loss the same as the poor woman's \$50 loss? These questions require answers that are unavoidably normative in nature.

The Flood Control Act of 1936 codified the Benefit-Cost Criterion in government policy. The act stated that the government should undertake a flood control project if the benefits exceeded the cost. This piece of legislation was a full-employment act for economists. Today, in water resources policy, antitrust and environmental regulation, and many other areas, benefit-cost analysis plays a key role.

Even though modern-day economists have proved Mrs. Robinson's statement incorrect, by involving themselves in important normative questions, one type of normative analysis remains strictly outside the bounds of standard economics. As a matter of doctrine, mainstream economists never question the validity of an individual's tastes or preferences. If you want to own a large, gas-guzzling sport utility vehicle, eat cocoa crispies for breakfast, and rent only movies sold behind a curtain at the video store, that's OK. If a proposed government policy creates benefits or costs to you in the areas of driving, eating, or video viewing, we would willingly measure these effects and add them up across all those affected. But we won't question your preferences.

Finally, any normal person can use scientific economic analysis for advocacy purposes. Normal people are not bound by doctrinal requirements that guide the professional economist. If used correctly economic analysis in an advocacy proceeding can further your cause and make you look smart in the process. At various stages in life, the latter is very important. Over the years, I've related this to my students in the form of the Miller Wave.

The Miller Wave is a polite gesture used to get the opportunity to ask an economic question. You execute the Miller Wave usually from the back of the room. You raise your hand as high as it will go and wiggle it rapidly while at same time saying excuse me, excuse me, excuse me, over and over politely until called upon. My friend Bob says it's similar to the hand gesture he made in a 1950s Catholic school when you knew the answer to a question. "Sister, Sister," he had said, with shoulder nearing dislocation.

Suppose you are a landlord in attendance at a city council meeting where council members are about to impose an upper limit on rents in the city. If you rise and state that you are against rent control because it will lower your income, all in attendance will solidify their beliefs that landlords deserve their traditional position in occupational stature rankings, right near used car salesmen and pawnshop owners. But suppose you use the Miller Wave, and when called upon say, “In every economics textbook I’ve seen, rent control reduces the number of apartments offered for rent. Is it the intent of the Council to reduce housing availability for the poor?” As you slowly take your seat, members of the Council are at first silent. Then they look at the table or their shoes. Then they make panic-stricken glances to staff members sitting in the corner of the room. The glances are futile, as staff members have already run for cover. They table the proposition, realize the lateness of the proceeding and adjourn. You’ve politely advanced your position on an important issue and looked smart in the process. It doesn’t get much better than that!