

# Commentary

THE BUFFIN FOUNDATION

SOCIAL AND ECONOMIC DEVELOPMENT ISSUES

## A Perspective on the Economics Profession

The Max Planck Sciences Po Center in Paris has published an insightful discussion paper with the title *The Superiority of Economists*. This paper, by three French academic authors, presents an in-depth analysis of the factors that distinguish the economics profession from other professions. The authors are: Marion Fourcade, Professor of Sociology at the University of California, Berkeley, and Associate Fellow at the Max Planck Sciences Po Center, Paris; Etienne Ollion, Research Fellow at the Centre National de la Recherche Scientifique, University of Strasbourg; and Yann Algan, Professor of Economics at Sciences Po Center, Paris.

The authors summarize their conclusions by stating: “The world has changed in important ways under the influence of economists. Economic reasoning, expertise, and technologies permeate capitalist activities, culture, and institutions. Economists dispense their expertise on practically every issue of public policy, and have made steady gains in business and government, often in top political positions. Finance ministries, central banks, government agencies, international organizations, and dominant consultancies harbor large concentrations of professionally trained economists, who claim tutelary power over the economy. Economists assist societies as they engage in a never-ending but ultimately beneficial process of economic reconstruction. Finally, the rational-formalist language of the economics profession underpins its universalistic aspirations. Economic fashions circulate across borders, drawing people and techniques in their wake. Much more than sociology or political science, economics is a symbolically and materially globalized discipline.”

The institutional rise of finance as an intellectual powerhouse within economics follows from the establishment of a teaching base in business schools in the second half of the twentieth century. Over that period, business schools, which control the production of certified managers through

the MBA degree, have evolved from programs dominated by practitioners to become the largest employers of trained social scientists, now rivaling traditional academic departments in the size and distinction of their faculties. The absorption of increasingly large contingents of economics PhDs has turned business schools into formidable players within economic science itself that is attested by the remarkable string of Nobel Memorial Prizes in Economic Science awarded to scholars based in business schools since 1990. Moreover, PhD economists contribute significantly at the academic level to social and economic development issues on a global basis. Economics as a profession is prominently intertwined with public administrations, corporations, and international organizations, which not only provide resources, including the use of these institutions to collect data, but have led economists to acquire a consultative and problem-solving role to address contemporary social and economic policy challenges. For example, the International Monetary Fund is dominated by high-caliber economists who address the challenges of maintaining stability in the global financial system, monitoring economic performance of individual nations and providing consultative advice and opinions on economic and financial issues to national governments and their finance ministries.

Economic modeling is an essential component of the methodology utilized by economists. Economic models are generally constructed so as to represent economic processes by a number of key variables and to specify quantitative relationships between the variables. Variables can usually be classified as endogenous or exogenous; an endogenous variable is one that is determined within the model; an exogenous variable is established outside the model. Economic models are mostly designed and classified as mathematical models, empirical models, simulation models, or as simple visual models. Stochastic models are formulated using sto-

chastic processes to model observable values of the variables over time. Econometric models are typically autoregressive based on techniques that relate to the sequential values of a statistical time series. Economic models have many practical applications in finance and public policy; they are also frequently applied in connection with questions of resource allocation for national governments or businesses.

An economic model establishes a framework for the application of logic and mathematics that can be independently tested and discussed. Policies that derive from economic models have a clear basis for soundness according to the proven validity of the model process. Models may be used for forecasting economic activity in a way in which conclusions are logically related to assumptions. Public policy formulation depends on rational presentations of economic outcomes that are supported by economic models. Predictive modeling is widely used in finance to encompass key economic variables such as interest rates, inflation, labor costs, commodity prices, capital flows and other factors. The practical utility of economic models is a powerful argument in support of the main thesis of the paper on the superiority of economists. Other professions that aspire to the prestige and acclaim accorded to the economics profession could readily enhance their public image by embracing the language and methodology of economists. These could become part of the skill set and the practical methods of analysis for practitioners in these other professions, enabling them to contribute more effectively to public policy and business decision making.

### The Buffin Foundation

2200 Pennsylvania Avenue, N.W.  
4th Floor East  
Washington, DC 20037-1701

Email: [info@buffinfoundation.org](mailto:info@buffinfoundation.org)  
[www.buffinfoundation.org](http://www.buffinfoundation.org)

