

# Who Is the Practitioner of Political Economy?

Daniel Klein

*This economist urges other economists to take up the practice of political economy again. Otherwise, it is left to those who know little economics themselves.*

**T**he ordinary person makes decisions every day that are important to maintaining his health. But those decisions are familiar and routine. For new decisions, important decisions, he would usually appoint a doctor to the task. The practice of serious medicine is the province of the doctor, just as the practice of architectural safety is the province of the engineer, and food safety the province of chemists and pharmacologists. In these fields, the practitioner is a specialized expert. Even when the ordinary individual takes on medical decisions himself, he does so after gaining some pointed knowledge of his particular condition and, in a meaningful sense, becoming a narrow sort of expert. (A Yiddish proverb says: "Don't ask the doctor—ask the patient.")

Who makes the important decisions in political economy? Unlike the case in medicine, engineering, and other technical fields, the decision-maker is *not* the trained expert. The practi-

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tioner of political economy is not the professor of economics. Rather, decisions are made by public officials and the ordinary voter—the Everyman (which, of course, includes every woman). The Everyman makes not only the minor and routine decisions of public policy but also the great and awful decisions. Economists have no particular power in this process. Does it make sense for the discipline of political economy to be fashioned a science in the manner of biology and physics when the actual practitioner of the discipline is not an expert?

### **The Great Faith of Many Academic Economists**

Academic economists have not improved the practice of political economy as much as they might. They neglect talking to the practitioner. By generally talking exclusively among themselves, economists on the whole have left the practitioner stranded in darkness.

Academic economists have become focused largely on their own concerns of establishing and maintaining a set of professional standards for legitimacy in research. Academics require a set of standards that can, relative to other possible standards, be applied like a rubber stamp, to reduce vexing internecine conflict over every orals examination, job candidate, or tenure case. Without common standards and values, an academic community is not a community. The profession has adopted certain modes of discourse that serve the communal and institutional needs. The two dominant modes of discourse are equilibrium model building and econometric exploration of data sets. These have become the *bona fides* of academic economic discourse. Brilliance in practicing these academic arts becomes the highest achievement.

But as Professor Deirdre McCloskey reminds us, sometimes

we make the mistake of looking for our lost keys under the lamp-post simply because the light is better there (*If You're So Smart: The Narrative of Economic Expertise* [Chicago: University of Chicago Press, 1990]). To change the parable slightly, the Everyman is searching for the keys, and the economist might decide to help him. But sometimes it seems that the economist is not interested in helping but, rather, in pacing proudly under the light of his profession's lamppost. Too often the Everyman fails to find the keys, not because the economist cannot tell him where they are but because he neglects to tell him. If political economists are going to assist the practitioner, if they are going to advance understanding of public issues, they are going to have to talk to the Everyman.

One can walk into bookstores such as Barnes and Noble and find certain scholarly quarterlies. But can anyone imagine Barnes and Noble carrying the *American Economic Review* or *Journal of Political Economy*? When economists put themselves to "the market test," the markets consulted should be ones in which the fundamental practitioners of political economy play some role, at least indirectly.

One might argue that the current emphasis in academic economics on high-tech discourse does ultimately result in better public understanding. Economic understanding depends at its highest reaches on the top departments and the most austere journals, and a wise and delicate process filters this understanding down to policy-makers and the Everyman. Perhaps. But I have often wondered how economists can spend so much time studying the failures of markets, governments, and other institutions, yet place so much faith in their own institutions. And it is a *faith*. (Where's the model?! Where's the data?! Or any of the other forms of argument?) Perhaps "public choice" economists, who explain politics by self-interest, can help us formulate a satisfying theory in this connection.

## **Six Realms of Practice for Political Economy**

Instruction in political economy can be useful for a wide variety of human purposes. These may be divided into six realms of practice. The first four realms are fundamental, in the sense that political economy is practiced by ordinary people and public officials, for daily activities. Then come two vocational realms for political economy, where the practitioner is something closer to the credentialed economist.

The first realm in which political economy is practiced is that of the ordinary individual forming attitudes toward the economic and social affairs of his or her own environment. What am I to think of my employer, my work, and the money I receive in exchange for my work? Am I being cheated and victimized by the real estate broker or the direct marketer? Am I being beguiled by the fancy stores in the shopping mall? Is it fair that I don't make as much money as all those people who seem no better than I? Are the payments I make to the Internal Revenue Service like the payments I make to the supermarket or like money given to a robber? Here political economy may play a crucial role in the formation of the individual's moral and personal philosophy. The practitioner is the Everyman. The teachings that are most called for in this practice are the basics of political economy, adapted to the economic affairs and institutions of ordinary life.

The second realm in which political economy is practiced is in talking about public affairs or even in simply following events. Conversation is the staple of society and conviviality, and public affairs make for stimulating and gratifying conversation. Everyone takes part to some degree in this form of social interaction. Learning some basic political economy can certainly enrich this area of one's life.

The third realm of practice is using political economy to advance one's career in worldly affairs. The merchant, the

banker, the investor, the accountant, and the marketer may profit by having a command of the vocabulary of economics (such as “economies of scale and scope,” “comparative advantage,” and “transactions cost”). Again, what the Everyman most needs is the basics, with competent application to worldly institutions.

The fourth political economy realm is the formulation of public policy. Only when holding a Ph.D. in economics becomes a requirement for public office will professional economists be able to claim to be practitioners in this realm. In the meantime, they are at most pundits and prophets. The true practitioner is every public official and ordinary voter. The teachings of political economy called for by this realm, whatever the sophistication of the practitioner, are the basics of the discipline, knowledge of institutions, and maybe some high school-level mathematics. The vast majority of articles in the austere academic journals are of no help here, and would not be even if economists were the policy-makers. It is the policy-research think tanks that are best meeting this need.

The two vocational realms of political economy come next—they are the fifth and sixth realms. Practitioners in the fifth realm use political economy to enhance their participation and effectiveness in public discourse as public commentators and teachers. Whether they be journalists or grade school, high school, or graduate school teachers, by studying political economy they can perform their jobs better and advance their careers. The teachings called for are the basics, with application to public issues. Again, I find that these practitioners are being best served in a timely fashion by think tanks. (Much think-tank literature, however, is written by economists in academia.)

In the sixth realm practitioners use political economy to advance their position in academic circles. As this realm currently operates, a command of the basics and competent, useful appli-

cation to important public issues will certainly not suffice. In fact, doing useful applications in the form of, say, think-tank policy studies, will sometimes count against practitioners in academia. The ambitious economist in academia will instead strive to demonstrate some special talents in dynamic optimization techniques or sophisticated statistical methods. This practitioner will need to show a supreme competence in at least one of the profession's two dominant modes of discourse, equilibrium model building and econometric exploration of data sets.

The legitimacy of the two vocational realms of political

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economy rests on the four fundamental realms. Like the worth of professors of history, literature, ethics, and political philosophy, the worth of professional economists is derived from their contributions to realms where the practitioner is the public official or Everyman. Political economy belongs alongside history, literature, and philosophy as a liberal arts discipline. It differs from biology, physics, chemistry, computer science, and other technical disciplines in that the fundamental practitioners in those disciplines are learned experts.

### **What Is Being Lost**

The emphasis on formal model building and econometric exploration in academia is crowding out other modes of discourse

that could serve as handy flashlights in helping practitioners find their keys. A list of other modes of discourse might include the thought experiment, the parable, metaphors aside from formal models, introspection, typology, ideal types, case studies, institutional comparisons, comparative history, interviews with the actual subjects, exegesis of great texts, and various forms of quantitative and textual evidence. Genres of economic scholarship that might receive greater attention include business and economic history, institutional case study, the essay, the literature review, and most especially the policy study that is not overly reserved in exercising judgment and generating dialogue. All these genres and forms of argument are practiced extensively in the profession, but their standing relative to the two dominant modes of discourse, in terms of esteem and rewards, is lower than it should be.

Besides crowding out other modes of discourse, the two dominant modes force economics as an academic discipline to neglect important realities that cannot be neatly modeled or quantified. Important facets of reality that are not well captured by model-building include the heterogeneity and fluctuation of conditions, bounded intelligence, sheer ignorance (not knowing what it is that one is ignorant of), serendipity, asymmetric interpretation, the economic roles of voice and conversation, the multiple self, and the dependence of well-being on cultural, moral, and spiritual factors. For example, all humans know that *the process itself*—of providing community services, of educating one's children, of saving for retirement—is a cardinal issue of well-being. Individuals care not only about getting "the goods" but also about the process of doing so, the process that becomes the story of their lives. Equilibrium analysis, which relies on mathematical functions and a logic of static states, can scarcely shed light on this cardinal issue.

## The Economist's Responsibility

Political economy was established as a discipline mainly by Adam Smith's *Wealth of Nations*, which Jacob Viner described as "a tract for the times, a specific attack on certain types of government activity which Smith was convinced, on both a priori and empirical grounds, operated against national prosperity" ("Adam Smith and Laissez Faire," *Journal of Political Economy* 35 [April 1927]: 218; italics added). Smith felt responsible for improving political economy as it is practiced by the true practitioners. Today in the academic world this tradition is being lost. It faces its most formidable opponents in the most eminent departments.

Decision-making in political economy is practiced not by experts but by individuals apt to be terribly innocent of basic economics. The practice of political economy is fated to malpractice. Let us hope that academic economists will rectify the malpractice, that they will take as their greatest roles serving as teachers and participants in public discourse.

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