

### Essays on economics

*The Lost Art of Economics: Essays on Economics and the Economics Profession.* By David Colander. Northampton, MA, Edward Elgar, 2003, 224 pp., \$30/paperback.

Few students of economics have managed to avoid the question of whether their chosen field qualifies as a true science. In this thought-provoking collection of essays, David Colander, a professor of economics at Middlebury College in Vermont, addresses this question with well-written, and often entertaining prose. A self-described “economic gadfly” and “slightly out of sync” economist, he steps back from the theories, practices, and educational establishment of the field to critique how this “science” is taught and done. He argues that, in the real world where economic policies are implemented, successful economic analysis must account for institutions as they exist. It must consider the complex aspects of the economy and economic behavior that cannot be easily quantified, or derived from a simplified, codified theoretical model. In short, he argues for the practice of economics as an art, where theoretical models provide background and elements of judgment, intuitive thought, and even some ad hoc empirics enter into the process before policy prescriptions are drawn.

The author organizes his essays into six parts. In the first part he presents Milton Friedman’s *Theory of Positive Economics* as the foundation for the current methodological approach of the economics field. Under this approach theoretical models are constructed, based on (necessarily) simplified assumptions, and the (presumably observable, or testable) economic implications are then derived from these models. He argues that, ironically, Friedman himself was mainly more of a practitioner of economics as an art, and that this has been lost to the literature on history of eco-

nomic thought. In the second part, he lays out the methodology of the “art of economics,” and, using monetary policy as the example, shows how academic economists are too far into the realm of abstract theory to provide many useful policy ideas for applied problems. He argues that the theoretical models should be separated from applied policy questions because, in the complex real world, one cannot really test the hypotheses of the abstract model. Instead, the model should serve as a general guide, because “the question in applied policy economics concerns whether the theory fits the application, not whether the theory is true.”

Taking this basic premise, he describes in the third part of his essay collection how it can be used to better educate and interest students in economics. Particularly at the introductory (or principles courses) level, he decries the attempt to combine the basic theories of economic behavior with modeling techniques as denying justice to both; it makes for economic stories that are probably uninteresting to students. In his fourth section are two more personal essays, one of which details his own story as an economics student and induction into the profession. The second essay provides suggestions for making a living within the academic world of economics as one with his iconoclastic views. While these essays may be of interest mainly to those who are Ph.D students and academic economists, they do reveal the faults of a rigid “publish-or-perish” institutional structure that may discourage innovative thinking (a problem not necessarily unique to economics as a scholarly field). He argues that this structure has encouraged economists to pursue problems and policy issues that more easily yield to quantification rather than those that are more important to address and thus—econometrics has ascended from the role of toolkit to the final arbiter of which issues an economist will choose to study.

The essays in the fifth and sixth parts of the book provide a critique of the educational institution of graduate education in economics, and a speculative scenario of what the profession, and thus the graduate curriculum, may look like in the year 2050. The author proposes a second track of economics education that will appeal to the generalist inductivist student—one in which formal abstract theorem-and-proof is deemphasized, and more weight is given to interpreting and understanding the basic theory of economics and doing technical work at a more practical level. Interestingly, this appears to already be happening in other fields; some universities are now offering a professional science master’s degree, combining natural and physical sciences with finance and business courses for students who will need both in a practical career (*Wall Street Journal*, Aug. 3, 2004). The author predicts that, by 2050, economists will have abandoned positivism and will be addressing more complex and specific problems with more emphasis on computational simulation—making use of new computation horsepower to mine data for patterns and to create data by simulation, but also combining this with more general, intuitive insight and knowledge of economic institutions in the real world.

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### Publications received

#### Economic and social statistics

Aldy, Joseph E. and W. Kip Viscusi, *Age Variations in Workers’ Value of Statistical Life*. Cambridge, MA, National Bureau of Economic Research, Inc., 2003, 51 pp. (Working Paper 10199) \$10 per copy, plus \$10 for postage and handling outside the United States.