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What economists do: and how universities might help

Book section

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CHAPTER THREE

What Economists Do—And How Universities Might Help

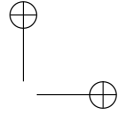
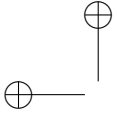
By Paul Anand and Jonathan Leape

A famous definition, due to Jacob Viner, is that ‘economics is what economists do’. A natural question to ask, then, is, what is it that they do? We know something about what academic economists do, but we know *much* less about what professional economists do—what it is to be an economics practitioner. A small number of articles, published mainly in American Economic Association journals, give occasional snapshots from a US perspective (see, for example, Stiglitz 1998) but the apparent flourishing of the discipline in the United Kingdom as a trade embodying valuable skills has until now not been given the attention we feel it merits. To right this egregious wrong, we have been collaborating with the Government Economic Service to design a survey of its members that would contribute to our understanding of what central government economists do, how they go about it and what might be the implications, if there are any, for teachers and researchers in the university sector. We shall be sharing the survey results of this work with the profession more widely in a future publication (Anand and Leape 2012) but we take the opportunity here to comment particularly on some of the initial findings. We consider their implications for the design of university curricula intended to equip people for a career in which economics is used to shape and guide public policy.

In January 2012 we surveyed members of the United Kingdom’s Government Economic Service, receiving nearly 500 responses¹ from across

The authors are particularly grateful to all the members of the Government Economic Service who were kind enough to reply to our survey, to Andy Ross, its Deputy Director, who helped us develop the survey, to the Royal Economic Society for support via its small project grant programme, and to Erina Ytsma for excellent research assistance. We also thank Diane Coyle for organizing the meeting at the Bank of England where some of these results were first aired.

¹A response rate of approximately 25%, which is high for many kinds of organizational survey.



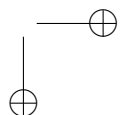
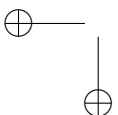
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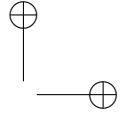
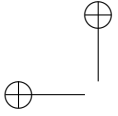
the full range of central government departments and the Bank of England. Economics plays a key role in central government decision making. The survey sought to identify the principal activities, methods and approaches, the use of research and training, and the areas of economics that are used by economists in government in the United Kingdom. In this short overview, we discuss some of the lessons that emerge, focusing on questions relating to the type of work done and methods used and on the open-ended question, ‘Are there any changes in your university economics training that would better prepare you as a professional economist in government?’

We highlight several of the most prominent themes to emerge. This may shed light on how economists contribute to the work of government, and at the same time provide some constructive suggestions for designers of university courses aimed at supporting public policy analysis. As the Government Economic Service is currently the largest single employer of graduate economists in the United Kingdom, these themes and suggestions—which are of most direct relevance to the preparation of economists working in the public sector—should be of some interest. Moreover, it seems likely that the themes that are relevant to (applied) economists in the public sector will also be germane to the training of private sector economists (and hence be of relevance to most university courses).

Perhaps the most striking finding, even if it is an obvious one, is that what economists do is in some sense to *apply* their economics training. In answer to the open-ended question, the single most dominant theme was reflected in comments such as ‘Greater focus on practical application’, albeit with some variation in what was meant by ‘application’. To unpack this a little more, some respondents stressed the importance of using a range of practical examples while teaching: of ways in which externalities could be countered, for instance. Sometimes, these examples could be considered to be topics (like public economics) or methods (such as cost-benefit analysis) in their own right. A particularly noteworthy comment was made by a respondent who made a comparison with the need for being trained in how to drive a car and not how to build one.

This point is reinforced by evidence from the survey that the two dominant areas of work for these economists is the ‘production of briefing material’ and the preparation of ‘policy advice’—tasks performed by 75% and 70% of all our respondents, respectively. Moreover, in terms of approaches and methods, ‘synthesizing evidence’ was clearly the most important, cited by 84% of respondents. Interestingly, these results hold





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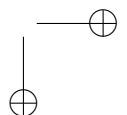
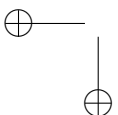
for economists holding postgraduate degrees in economics as well as for those holding only undergraduate degrees. Indeed, the dominant importance of synthesizing evidence is even more pronounced among post-graduates.

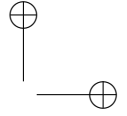
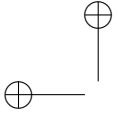
Reorienting teaching towards application may require some thought about what it is to apply knowledge in the economics field. Courses that were given specific mentions included one on ‘regional economics’ and another on ‘economics in government’, both of which originated in Scotland as it happened. Although there is considerable interest in developing training around the application of economic theory, it is worth recognizing that the skills developed and the areas of theory drawn on may change. And the making a car versus driving a car analogy seems to be a particularly pertinent distinction. The application of economic tools to the evaluation of policy proposals seems to be a skill that many would welcome an opportunity to develop further at university. Such skills might be developed through the use of case studies or even through economic debates (perhaps in the style of law moots).

An increased emphasis on application also has broader potential implications. Knowledge of institutions and how they might impact on policy design as derived from contemporary economic history is likely to be an important part of this mix. So too is an approach to the use of models that emphasizes their selective use and their role not as ends in themselves but as starting points for serious empirical analysis. A deeper theme that emerges is thus a recognition, in this context, of the importance of inductive approaches as a complement to the elegant deductive economics that has tended to dominate the core teaching in economics.

This theme is evident in one respondent’s use of the phrase *ad hoc* problem solving, which far from being a negative term highlights the particular nature of the needs of policy analysis. Effective application depends on much more than the acquisition of knowledge about underlying principles. It requires an ability to work from the bottom up: to *start* with data and to draw on a range of tools to learn from that data. The good news here is that in recent years there has been a dramatic expansion in high-quality empirical research in economics and in the range of tools available, although it is perhaps the case that more still needs to be done to integrate this into undergraduate programmes.

Unsurprisingly then, we find, in addition, a strand of comments underscoring the centrality of data to the work of policy economists. A key aspect of this relates to data gathering. Respondents highlight the need for training in a variety of topics: from the acquisition and cleansing of





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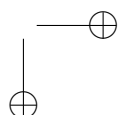
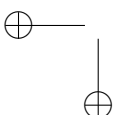
data to the range of methods used to obtain information (survey design, focus groups, etc.). Government economists work in an environment in which answers may require the application of economic theory to information that has to be generated for the purpose in hand rather than to secondary data off the shelf. The professional economist often has to contribute to a number of judgements around data acquisition: how the data acquisition process should be designed; what questions should be asked and how should they be asked; and so on.

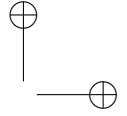
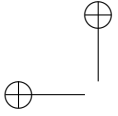
Such training is often provided on research methods courses provided by statisticians or quantitative social scientists, but the message we seem to be getting is that at least some government economists would be interested in such training as well. Data analysis in economics is now very much focused on the analysis of secondary data only, whereas institutions also collect a large amount of their own data.

The comment on ad hoc problem solving mentioned above is relevant here, too. If politics is about ‘stuff happening’, then many of the questions that civil servants are asked will inevitably not have been foreseen by the designers of routine surveys. In any case, there is clearly an interest in a broadening out of the training that some economists receive. Beyond the demand for skills in data gathering, there seems to be a clear need for a stronger set of empirical skills aimed at learning from data—in addition to the skills, more commonly used in academic research, involved in using data to test a particular model.

A related theme concerns the use of econometrics. This emerges as an important method and as one for which, for some, more training would be desirable. Interestingly, in terms of the approaches and methods used, while just over 50% of respondents were involved in conducting or commissioning econometric analysis, more than 70% made use of published econometric analysis. These results were mirrored in the results for the areas in which additional training was deemed useful, with more than 60% of respondents valuing additional training in ‘evaluating econometric work done by others’, against 48% who wanted additional training in ‘doing econometrics’. This suggests a clear demand for econometrics as a central part of curricula to support policy analysis, with the important caveat that *understanding and interpretation of applied econometric work* is of most relevance to this group.

Communication also emerged as an important theme. Government economists spend a considerable amount of their time developing policy briefings and this is fundamentally a job that concerns the translation of analysis conducted in the terminology of an academic discipline





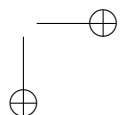
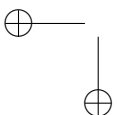
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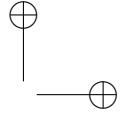
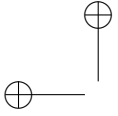
into words, images and stories that are intelligible to decision makers, the media and the public while remaining true to the underlying analysis. This is no mean feat, but the central role of communication comes out clearly in the results cited above, which show that the production of briefing material and policy advice are the two main aspects of the work, identified by an overwhelming 75% and 70% of respondents, respectively. The finding is reinforced by the results on additional desired training, where ‘presenting economic analysis to different audiences’ was identified by just over 60% of our respondents (this was ranked joint highest with the evaluation of econometric work).

In this brief overview we have tried to bring out the most important recurrent themes. In all cases, occasional counterexamples notwithstanding, the themes we highlight seem to reflect a consensus of sorts. Government economists are now distributed across all the spending departments and the quality and relevance of their university training clearly helps explain why this has happened. However, some forms of university training are clearly more relevant than others to the jobs that government economists do. One respondent suggests that graduate economists should not see themselves simply as experts but as ‘having gleaned a wide range of professional skills (communication, analysis, drafting, presentation, project management, etc.)’.

We think this is potentially an important insight that underlines the fact that economists can and should develop many kinds of skills complementary to their knowledge of models and their derivation. These complementary skills, especially in the area of empirical analysis, are particularly valuable to practising economists, and some courses and pathways could usefully pay more explicit attention to their development in educational practices. One respondent suggested that members of the Government Economic Service could go out to universities and run workshops explaining how government economists think. Such knowledge exchanges could provide useful insights into how course options and approaches might be better aligned with the demands of economists in policy positions. More generally, these insights suggest a strong case for incorporating a significant element of project work and case studies into university programmes.

The themes we have discussed derive from the insights of practising economists. Inevitably, they are not a random sample of those who study economics, reflecting as they do very much a self-selected group: nonetheless, they constitute an important section of the economics community.





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Their interest in the discipline is evident from the replies we received (one even wrote: ‘Economics is a fantastic subject but ...’). Now that economics plays an integral role in UK policymaking, we believe that exchanges between the policy and academic worlds can enrich our understanding and experiences of economics both as a core feature of the world and as a system of thought about it.

Professional economics is clearly a distinct activity in its own right, not a watered-down version of anything else, and economics is increasingly important to the quality of people’s lives. What professional economists do is apply their economics, applying some aspects more than others, and in combination with other kinds of information and institutional details relevant to the problem in hand. The term ‘apply’ perhaps does not do full justice to the creative and synthetic nature of this task. The competencies required are broad-ranging and worth reflecting on in thinking about the future of university programmes in economics, at both undergraduate and postgraduate level.

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