

Book Reviews

Advising the Advisers

The Role of the Economist as Official Adviser by W A Johr and H W Singer. George Allen & Unwin, Price 15sh., Pages 149.

Those who instinctively set about tackling economic problems in the right way and are averse to methodology should keep off the book.

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ECONOMISTS in Government are a comparatively recent phenomenon. The Keynesian Revolution in economic analysis came at a time when Governments in most countries were expanding the range of their economic activities; and the economists were in a position to claim that they had developed an analytical framework which could embrace the economic system in its entirety and could unravel the full impact of economic policies in a manner which was not available to simple common sense. The old text-book maxim that the economic problem is distinct from a technical one that technicians can tell you what happens to output under different assumptions' but that you need an economist to decide the point of optimum returns never really carried conviction as long as the realm of discourse was a firm or an industry. Even in those fields, such as that of monetary management, where economic analysis had developed principles of generalised behaviour, the authority of the economist was diluted on all sides—by the interminable controversies among his tribe, by the bitterness of his prescriptions and, above all, by the very simplicity of his analytical framework which could be grasped by any Central Banker without specialised knowledge. But once economists were furnished with the multiplier, the consumption function, the inflationary gap, the national income accounts, the national budgets, the input-output tables and other emblems of aggregative models, they were able to confront the administrators and the politicians with something which they could not easily comprehend and which had all the appeal of the soothsayer's art.

For more than a decade now, economists in almost all countries have had the unique opportunity of holding responsible positions in Government of testing and applying their theories and of judging for themselves the contribution they can make to economic policy. In more than one country the administrative set-

up itself has been reorganised with a view to giving the economist full scope for making his rightful contribution. These are developments of great significance to economists as well as to others. A full-fledged book on 'The Role of the Economist as Official Adviser', therefore, arouses a great deal of interest.

Unfortunately, Prof. Johr and Dr. Singer have written a book which is quite different from what one is led to expect from its title. Part two of the book which deals with 'The Problem of the Economic Order' is hardly relevant to the subject in hand. After a somewhat perfunctory treatment of the nature of major objectives in economic policy and of the comparative claims of different economic systems as devices for coordination, the conclusion is reached that 'the solution to the problem of the economic order is a market economy guided by the state and supplements collective agreements'.

The first part of the book is in the nature of a methodological investigation into the process of forming practical judgments on economic policy. We are solemnly told that those who instinctively set about tackling economic problems in the right way and are averse to methodology should keep off the book.

... after studying the methodology they become conscious of the numerous pitfalls and other dangers which are waiting for them. The result is that they lose their former sure touch, and are led astray or in unsuitable directions. Scholars of this type are warned off methodology and advised especially not to read the following treatise" It can confidently be said that no reader, however ignorant of methodology, is likely to suffer from such dire consequences by reading the book.

In formulating economic judgments, the analyst must go through a number of stages. He must delimit the problem, size it up, establish the aims, determine the situation

and decide what action has to be taken. At each stage, he must avoid certain dangers such as those of wishful thinking, of choosing the wrong concepts, of making faulty comparisons, of neglecting secondary effects and so on. Some of the advice is penetrating enough. Thus the official advisers are advised not to assume away all problems simply because their solution depends on the assumptions made about the whole hierarchy of social problems of which the problem in hand is a part. Everything depends on everything else in economics and economists have been brought up in the tradition that their analysis must keep clear of value judgements. But "economic policy must act" and the distinction between ends and means is a treacherous one where action is involved. Official advisers must also associate themselves actively with the legal, administrative and enforcement aspects of economic policy. All this is somewhat distasteful to economists who enjoy the comparative calm of the study. But we must remember the picturesque American phrase to which Sir Robert Hall has drawn our attention:

"If you don't like the heat, stay out of the kitchen."

On the whole, Prof. Johr and Dr. Singer have not managed to avoid the obvious in an attempt to be exhaustive. We are told, for example, that if we are interested in analysing the causes of balance of payments crises we should not define balance of payments in such a manner that it is necessarily balanced in every case. It is statements such as these - of which the book contains quite a few which make one wonder whether the book is addressed to fellow economists or not. On the other hand, a number of problems of great interest hardly gets as much as a mention. Much of what the Hook contains is relevant to a general discussion of judgements in economic policy. But the specific problems of official advisers do not get the attention they deserve. Official advisers are available to a number of Gov-

ernment Departments. Economists in Government are called upon to perform a number of different functions—of advice, research and general reference work. What should be the organisation to ensure that there is sufficient coordination in economic advice and that the day-to-day routine of servicing and briefing administrators and politicians leaves enough scope and time for the proper functions of advice and research? What should be the position of economists in the official hierarchy and how should economists be recruited for Government? What is the practice in these respects in different countries? These and similar questions do not come within the scope of the book.

What is perhaps more important to economists than all these questions is an assessment of the extent to which economic analysis has proved itself useful in practice to official advisers. In several European countries and in America the tide is already turning against the economists. The annual economic survey in the V K, for example, does not enjoy the same status as it did a few years ago. In part, this is only a manifestation of the general swing to the Right in many Western Countries. But can it be that experience has shown that the distance between

an able administrator's intuitive judgement and the answers of the economists is not as great as it was Imagined a few years ago? Or is it that the New Economics has become so much embedded in the routine of Government Departments that economists must now go out and fashion newer and more efficient tools before they can lay claim once again to a technique which is not an open book to others? Economists will always be needed in Government for compiling statistics and for servicing the powers that be in a hundred small ways. Economic research can be carried on, with official support, in Universities as well as in Government Departments. Even advice can be had from outside as well as from inside. If economists are no longer needed for initiating Government Departments into new ways of thinking, what then is the purpose of full-time official advisers? Or is it that official advisers are useful precisely in this that they cease to be pure economists and emerge as multi-purpose personalities with a flair for research, administration and politics? In India, where the tide is still in favour of the economists and where the available data permit very little of a systematic and comprehensive analysis of anything, these questions are of more than academic value.

But we have to wait for another hook for a systematic assessment of the experience of other countries in this held.

It is interesting to note in this connection that Prof Johr has attempted in an Appendix a critical evaluation of Prof Tinbergen's Theory of Economic Policy which is based on the concept of 'decision models' elaborated by Ragnar Frisch. What Prof Johr has to say about the superiority of the method of mental experimentation' to that of 'the equations system' is not very convincing. But it is equally true that the practical utility of the method of 'decision models' to the larger problems of economic policy is yet to be established.

A word must be said about Dr. Singer's responsibility for the book. It would appear that Dr. Singer has provided only a running commentary on a book which is essentially Prof Johr's. Dr. Singer has apparently inserted a few paragraphs here and there to emphasise the special functions and working experience of economists employed in international organisations. It is difficult to avoid the impression that a separate chapter on economists in international organisations would have made for a better book.

