In defence of expertise

By David Hearne, Researcher, Centre for Brexit Studies

Michael Gove's now infamous comment, that "the people in this country have had enough of experts"[1] attracted widespread incredulity amongst many and a degree of ridicule from some. Nevertheless, the comment clearly hit a nerve amongst many. Perhaps ironically for someone who might be termed a 'Brexpert', I have some sympathy with this. I have experienced first-hand the frustration that goes with being told, "I don't believe you, because you're an economist". Nevertheless, this is not a paean to 'experts', far from it.

I argue that we shouldn't conflate the rather modern conception of the 'expert', able to offer informed commentary, with the possession of genuine (deep) expertise. This problem is particularly acute in my own field: there is a reason why economists are almost unique in the level of disdain we attract. As such, dismissing the prognostications of academic economists during (and after) the 2016 EU referendum was unusually easy.

Part of the issue is that whereas the use of particular titles (e.g. the term doctor) is regulated, the same is not true of the term 'economist'. To see the importance of this, consider the difference in the use of the term 'engineer' between the UK and Germany. In the latter, the title engineer is restricted to those individuals who have had certain training. In the UK, in contrast, the term 'engineer' applies equally to civil engineer and a heating engineer. Yet, whilst both are valuable roles they are fundamentally very different. The type and amount of training required for each differs vastly.

The same is true of the title 'economist'. The label applies equally to an academic who has won the Riksbank Prize (colloquially known as the Nobel Prize in Economics) and someone who works in the City. Whilst many of the latter are undoubtedly highly intelligent and might be extremely well paid, most will lack the training undergone by the former (and almost certainly the effective 'ongoing professional development' required in order to publish at the cutting edge of the field).

This is not a criticism – the two are different roles and require different skill sets (and mind sets!) The upshot is that our use of terminology has played a contributory role in undermining the reputation of academic expertise in the field of economics. The second important element of this is that, like many academic fields, the domain of economics is very broad. Whilst we all have a certain base level of training, our specialisms and areas of expertise differ notably.

Economics is not unique in this regard. Just as you would not expect a gynaecologist to moonlight as a heart surgeon, so it is not reasonable to expect an industrial organisation specialist to know the cutting edge of the literature on exchange rate movements. By the same token, I have limited knowledge regarding Computable General Equilibrium (CGE) modelling but one of my colleagues has deep expertise in the area (it being his specialism).

Thus, whilst it is easy to point at economists and ask why no-one predicted the 'Great Recession' of 2008, it's worth pointing out that this is only relevant to certain branches of the discipline. It would hardly be fair to suggest that a crisis in finance means that auction theory is a failure. Indeed, auction theory is one of the great success stories of modern economics: it underpins Google's Adwords and informed the UK government's hugely successful auction of the 3G spectrum back in 2000, which raised a massive £22.5bn for the exchequer.

Even in the domain of applied macroeconomics, I remember being an undergraduate in a guest lecture in 2006, during which Professor Charles Goodhart expressed concern at the absence of appropriate modelling of the financial sector in macroeconomics. In other words, even though nobody knew what was to come, there were clear concerns amongst {Santos Silva, 2006 #18@@author-year}leaders in the field about the state of our understanding.

In contrast, the gravity equation – on which much modelling of trade (including with reference to Brexit) is based – is one of the most stable empirical regularities in the whole of economics. As ever, however, the specifics of the model[2] and estimation procedure[3] matter a great deal. The output of CGE models of the potential impact of Brexit depend crucially on the assumptions of the model. These are typically

grounded in economic theory and so the model output is dependent on the theoretical underpinnings.

Finally, one issue that economics shares with other disciplines is the difficulty of communicating uncertainty to the public. People typically want *answers*, but we don't have them – at least not in an easily digestible form. People want specific numbers, but all any of us can do is give a range of outcomes (a Bayesian would point out that I'm effectively giving a probability distribution of parameter estimates!)

Worse, the desire to give "a number" leads to spurious accuracy, and an inevitable backlash when the outcome is different to that number. If someone tells you that a "no deal" Brexit will cause the economy to shrink by 3%, it is almost certain that this is not actually what they mean. It might mean that the model being used suggests that "on average" the economy will be 3% smaller in 15 years than it would have been had the UK remained in the EU. It doesn't mean that the economy will shrink, but it does imply that we will not be as well off as we might be. Most reputable organisations will give some kind of confidence interval around estimates (e.g. from 2% to 4%), but even these are typically too narrow given model uncertainty.

The same phenomenon is visible in opinion polling. Like economists, opinion polls are typically excoriated for giving the "wrong" answer. Yet as opinion polls conduct samples, all they can ever tell you is that the likely range of outcomes will be within a range of values. As in economics, the confidence interval given will always be too narrow. Some voters will change their minds (notice that "don't knows" and refusals always represent a significant part of any sample) and it is notoriously difficult to properly weight a sample. The upshot is that opinion polls are not "wrong" in the conventional sense, simply misinterpreted.

Another excellent example of the same phenomenon is climate science. There is huge uncertainty over the evolution of the climate over the next century and the precise magnitude of any temperature rise that a 100ppm rise in CO_2 levels would engender (and over what time period). Nevertheless, there is broad agreement that a substantial rise in CO_2 will lead to a rise in temperature. As in climate science, there are outliers – it is almost always possible to find examples that buck the trend.

The same is true of Brexit. All of us face pressure to be “experts” and give easily digested information. This pressure is difficult to resist, particularly when communicating the complexities of our work is challenging. There is considerable uncertainty over the magnitude of any impact and the time period over which that might play out. We can, however, have reasonable confidence in its overall direction, at least relative to where we would be in a hypothetical universe in which the UK had remained part of the EU. This is the value of expertise.

[1] https://www.ft.com/content/3be49734-29cb-11e6-83e4-abc22d5d108c

[2] See: http://faculty.haas.berkeley.edu/arose/Meta2.pdf and http://faculty.haas.berkeley.edu/arose/Glick2.pdf

[3] https://www.mitpressjournals.org/doi/pdf/10.1162/rest.88.4.641