

Correspondence

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Comments on Theodore Morgan, “Theory versus Empiricism in Academic Economics: Update and Comparison,” Fall 1988, pp. 159–164.

In updating Wassily Leontief’s (1982) short critical note in *Science*, Theodore Morgan has written an interesting article with respect to the proportions of theoretical and empirical articles in the *American Economic Review* and the *Economic Journal*. He concludes that from the critics’ point of view there has been improvement in the *American Economic Review*. Pure theory with its subdivisions has declined from 72 percent (1972–1976) to 50 percent (1982–1986), while empirical analysis rose from 28 percent (1972–1976) to 51 percent (1982–1986). According to Morgan (p. 160), the only soft spots in this generally good news are that most of the increase in empirical articles comes from papers that use “data published or generated elsewhere” and not from papers “based on data generated by author’s initiative.”

It may seem unarguable to favor the generation of empirical works and of new empirical data, like Leontief and Morgan. However, in this comment I want to stress that the new trend towards more empirical work may be dangerous for our science.

At first glance, the recent strong interest in empiricism may seem similar to the program of the original Younger Historical School as expressed by Gustav von Schmoller (1897, pp. 24–25): “Systematic investigations of particular events and realistic details in economic history, in economic psychology, in researches of the markets, money, credit and social circumstances should be done . . . large and lengthy series of observations and carefully executed material collections are necessary

Scientific laws and assured generalized judgments can only be obtained...if there exists a large and useful body of literature on political sciences.”

A first important difference, however, appears in the construction of these articles. Many recent empirical articles could be called PME articles, because they move from a very short introduction (“The Problem”), to a model with usually quite comprehensive mathematics (“The Model”), and finally to an empirical-statistical support (“The Empirical Results”). In this uniform structure, mathematics and personal computers substitute for the vast historical and philosophical education of the Younger Historical School. Moreover, modern empirical works generally lack the strong ethical orientation of the Younger Historical School.

In addition, the emerging New Empirical School often does not provide a way of choosing between models. The discussions of the different macroeconomic schools in recent years have demonstrated very clearly that empirical estimates do not allow a clear choice between even totally contrary approaches. This “paradox of undecidedness” cannot be solved by working on more small empirical problems. Empirical work provides no alternative to theoretical reasoning in the long run.

Since many economists share these thoughts, why are more and more PME-articles produced? The main reason is simply that economists finally have applied the economic principle to their own production; they try to obtain with a given input a maximal output measured in number of publications. Applying this idea of rationalization to the formulation of scientific results has had far-reaching consequences for the product: it has become quickly produced, easy to consume, in a standardized suitable size, sterile without historical deviations, aseptic without any philosophical and/or ideological references. In 1949, Stigler (p. 104) wrote, “This has been the period of the clever gadget and the plausible surmise—the age of easy answer.” To me, this characterization seems even more apt for the New Empirical School of today.

Microeconomic textbooks teach that competition tends to reduce the costs of production. In economics, this has meant that instead of trying to find mathematical methods for the treatment of the economic problems, the task has become to look for an economic problem which fits the mathematical techniques you have learned. The dynamics of mathematical economics have steadily changed the criteria for evaluating the production of economists from economic relevance to a self-contained mathematical aesthetic. Of course, the choice of mathematics is not neutral. It can determine the characteristics of the model, the questions one is allowed to ask the model, the range of problem solving strategies, and even the data that is allowed.

Personal computers have reduced the production costs of articles in an analogous way. The advanced statistical programs of personal computers offer new tools, and output-maximizing economists have searched for problems or data to be analyzed with these tools.

Perhaps the most severe objection to the New Empirical School is that its low costs of production draw economists from other fields of economics.

Future investigations of the structure of economic articles should add to purely mathematical works and PME-articles a third category of articles that seek to improve the basic model of modern economics. Of course, those articles include (at first sight)

more scientific risks and dead-end streets than the well-established PME-articles. But if journal editors would grant such articles a fair chance for publication, some colleagues would switch to such risky work.

Our profession does not need a Youngest Historical School with thousands of unconnected single analyses, but a thorough reflection on the basics of our discipline together with an honest evaluation of what economics can accomplish at all.

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Schmoller, Gustav von, "Wechselnde Theorien und Feststehende Wahrheiten im Gebiete der Staats—und Socialwissenschaften und die Heutige

Deutsche Volkswirtschaftslehre," Rede beim Antritt des Rektorats, Berlin, 1897.

Stigler, George J., "A Survey of Contemporary Economics," *Journal of Political Economy*, 1949, 57, 93–105.

If Professor Morgan had extended his analysis to cover the first two years of my editorship of the *Economic Journal* he would have discovered the final column of the table below.

	<i>AER</i> <i>Mar '82–Dec '86</i>	<i>EJ</i> <i>Mar '82–Dec '86</i>	<i>EJ</i> <i>Mar '87–Dec '88</i>
<i>Dec '88</i>			
<i>Theory—models, analysis, methodology</i>			
Mathematical models without any data	42	52	43
Analysis without any mathematical formulation and without data	7	7	1
Statistical methodology	1	0	3
Subtotal	50	58	47
<i>Empirical Analysis</i>			
Based on data generated by author's initiative	5	2	2
Based on data published or generated elsewhere	39	38	31
Not using statistical inference	1	1	7
Based on artificial simulations and experiments	6	2	13
Subtotal	51	42	53
<i>TOTAL</i>	100%	100%	100%

Like Professor Morgan's, this analysis excludes short papers and comments (as listed on the first cover of the *EJ*) and also excludes obituaries.

This marked change from the earlier years reflects my determination to increase the empirical content and relevance on the papers published in the *EJ*. Of particular importance, to my mind, is the use of different kinds of data sets—larger-scale micro data sets, cohort and pseudo-cohort data sets, and so on—and data sets generated under controlled conditions, in experiments. This is clearly reflected in the 13% figure in the final row of the table.

Far from lagging behind the *AER*, the *EJ* may be leading the way! (I hesitate to be dogmatic as I have not carried out the same “update on an update” for the *AER*). Let us hope the profession follows by submitting more papers with interesting empirical content.

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1. Kurt Dopier. 1991. The Complexity of Economic Phenomena: Reply to Tinbergen and Beyond. *Journal of Economic Issues* **25**:1, 39-76. [[Crossref](#)]