Steven Durlauf: Hello everyone and welcome to the inequality podcast. This is Steven Durlauf. I am really delighted today to introduce Béatrice Cherrier as today's guest. Béatrice is one of the world's leading historians of economic thought and I think I want to emphasize at the beginning that economic thought has a complicated position within the body of economics and part of what we'll talk about today is why that's happening and how it ought to be rectified. What I can certainly say is there's been a real renaissance of studies of history of thought, which I think have enriched all of economics and there's nobody who's contributed more than Béatrice. She is currently an associate professor at a École Polytechnique and a CNRS researcher affiliated with Crest. So Béatrice, thanks so much for joining us.

Beatrice Cherrier: Thanks for having me. I'm delighted to be here.

Durlauf: So as I mentioned, I thought it would be nice if we talked a bit about the role of history of thought in economics. Really the most important thing is to talk about your vision of history of thought and how it enriches social science and in terms of what social science ought to be doing.

Cherrier: For people who probably most of the listeners of the podcast, they don't read the history of economics the way I view history of economics is that it's a field of its own or science of its own. So we're professionalized. We're trained in history of economics. We do have our own techniques. So basically just like economics, history of economics we simply had a quantitative turn. My sense would be that history of economics has evolved in the past 50 years from being history of thought -- unless it's still how you would call it history of economic thought. Now what we do basically is more history of practice. So that still does include thinking and theorizing, but it also includes encoding, measuring, advising, teaching and so forth. So this is modeling of course.

This is much bigger in terms of topic and the way we actually write this history through a combination of methods and we still do have lots of qualitative methods. It's super important. For instance, I started by being specialized in archival history, then I do a lot of recent history of economics. So every recent history of economics and new field is basically like post war, but I go up to the 2000s so very recent history of economics and these are decades for which we often don't have archives already. So we don't have data. And so the way we actually harvest data [is] through oral history and doing interview[s] and we do combine that with quantitative methods. So of course bibliometrics, unlike economics that is very much into causal inference. We use more techniques that I would say tend to try to reduce dimensionality. For instance, text mining and understanding patterns in text mining, network analysis and that kind of stuff and combine all three. So this is really a professional field. Right now this is the way we work.

Durlauf: But I'd like to emphasize two things that you said. One of them is the evolution of historians of economics, history of economics thought, towards understanding economics as a body of ideas. And I'd not in the sense that one would discuss what Adam Smith meant. That's obviously profoundly important. But asking how does economics generate ideas, generate consensus around ideas? What does it mean to say that the knowledge in economics is progressing, et cetera? And so along those dimensions, this is I think really the micro foundations of many of the ideas in economics, which have to do with innovation, growth, the evolution of ideas. We have rich macro theories that which much of which is the Renaissance associated with Paul Romer. But if we look at economics itself, this is the way you would do the micro foundations.

And the second thing that I wanted to emphasize was the importance of moving beyond causal language for thinking about knowledge, which has been something that people have heard me say ad nauseam and that is suspending roots to understanding phenomena. Historical questions are really not naturally conducive to the sort of logic of counterfactual inference that comes from statistics. And so one way to think about text mining, et cetera, is it's big data, but it's really different data. In other words, asking how does one think of creatively about data and extract information? And I want to promote a phrase Andrew Kaplan came up with, he called it data engineering in which you say, I want to ask a question, figure out the data that's going to answer it. So I think those are really the reasons why I think it's really an extremely exciting area.

I do want to follow up with asking kind of why history of thought has become less salient in many departments. When I was a young man, it was normal that an economic expert would have somebody teaching history of thought. I think that that's much less common now. And how do you perceive the evolution of economics in the last — I hate to admit it, half century — with reference to history of thought?

Cherrier: So three things here. I think there are reasons internal to our own dynamics as a field, as I said, and that basically in seven years of evolution that we went from history of economics is something done by economists on the side, or big economists on the side, or big economists close to retirement. Samuelson and Stigler, for instance, had an interest in history. They wrote history on the side. It was really all-starred history of thoughts and theories that they used to inform their own practice. And now I mean I get weekly emails of economists telling me I got a side interest in history of economics and I want to write on that — um, fine. But again, we've moved to being professionals, so separate.

And so another outcome of that is that economists have been thinking, okay, so what you do is not economics anymore. There's no, not even heterodox economics. You can be a heterodox economist. There was confusion between sort of being the historian, being a

heterodox and now we are two community, we talk to each other, but it's a different community. And so they would be like, okay, you use different types of methods. So you should be in different departments. You should be, for instance, in history department. Except that in history of science, not just history of economics. This is an issue that runs through all history of science — physics, biology, psychology, and so forth. There is a specificity that the material is super technical. And so some historians of economics, they do history from being a sociologist or an intellectual historians and they would study policy ideas, not like economic ideas in the policy sphere, but if you do history of science, so history of scientific practice, to some extent you still need to be trained for some of us. Yes, economists is we actually understand what are the epistemological debate and how people model and how people code and what they are doing. And though there is that permanent tension, is that where should we be located?

And so you see it in the incentive system. So economists stopped publishing history of economics in top journals, even top history of economics because they say it's not the same methods. And I think the last thing is that I think economists lost the ability to evaluate research that is being done with qualitative methods. So they cannot really tell good from bad history of economics, which is also important to actually get us a scientific structure. This is a problem because I think they still should read and publish and teach or have that by historians of economics in their department because if you had that, we could actually teach students whether they actually become economists or consumers of economic ideas involve many things like economics is a social endeavor. So it's shaped by personal drama. It's also shaped by social demands and students don't often recognize that. If I could give you an example yesterday, I was teaching the Solow model to engineering students and they wouldn't understand why there is no natural resource in the original Solow model of the 50s. And I told them, okay, the context is basically the Cold War. And during the Cold War, what you need to actually do is fight in ideological battle with his USSR and what matters is which developing country is going to be socialist and which is going to be capitalist. And so if you want to actually fight that war, you need to understand what makes a country grow and what actually fuels development and whether there's going to be some catch up and whether saving is going to get you some catch up. And this is the question actually Solow answers. So their question that public policy maker, businesses, civic society are throwing at you as a scientist and this question change. So rather than just flat out criticizing the first Solow model for not having nature, it just want to make sense about what were the demands and whether you want to enlarge the demands and that kind of stuff and the blind spot in the technology, what computerization does, whether there is progress, how you can understand progress.

If I have time for a tiny other example, there is a question of, you know, there is a sort of like big data in economics is huge now. And of course, if you define the data in terms of how many bytes, that's unprecedented. But if you define big data that economists face in terms of the production of data is to an extent that the technical capacity to treat them, there is a gap between the prediction of data and the technical capacity and big data is that gap. That's why it's big. Then you already had that in history, like printing machine is basically a big data shock. So it's probably different to some extent, but there's already a pattern to some extent. And you just want to make student think about that, make the civil society think about that so that they understand how science is produced and make economists think about that so that they're reflective and creative about their own practice. So that's what the idea was teaching and consuming history of economics is.

Durlauf: So I wanted to extract a couple of things from what you said. One of them did have to do with the Cold War and thinking about these, you know, questions which I would say disappeared in some extent in 1991, but they've re-emerged in terms of discussions of socialism now. And that is that there were classic debates. Socialist calculation debate comes to mind. Hayek's ideas about information aggregation prices. All of that I think is frankly lost in the way that we teach economics. Well, Hayek not about aggregation per se. But the fact that there were these debates about profound questions, which economists had important things to say about. I'm not saying that the answers are dispositive at this point, but they had deep insights. That seems to be a huge loss for every dimension of public policy.

The second thing that I was very intrigued by is when you mentioned the printing press as an example of big data which I've never thought about before. But that's a, you know, really it's a beautiful example of how you can port ideas from history of thought to reinvigorating classic questions in economic history. In other words, when you're thinking about many dimensions of European development, intellectual, political or economic, there are going to be analogous to big data. So that, as I said, I think that's really just a lovely way to crystallize the relationships between them. And I have to say I fully agree with you that there is a tendency among economists not to listen to qualitative data the same way they do to quantitative data. Something I actually teach in econometrics, if I can talk about myself for a moment, is I start a class off by asking whether or not there's a regression that could answer the question, what were the causes of World War I?

Cherrier: Impossible

Durlauf: The point is to go through that and say, this is what historians would tell us, but it does not naturally lend itself to the sorts of statistical tools we have. And so I think that point is very well taken. So I thought maybe we would turn, of course, to the name of the

podcast, inequality and maybe start a bit about your thinking about history of thought on inequality and sort of themes that you teach, that you're pursuing, you sort of, you think are most salient.

Cherrier: I'm not a specialist of the history of inequality in economics, but I do work on a sub part of it. So I'm going to walk you through what exists, which is more than economists usually think in terms of history of economics of inequality. You have various research questions. You have history of very long term ideas about inequality and what you have, I think you had David Lay Williams on the podcast. You know, that's very long history of how big thinkers have thought about inequality from Marx, Pareto, up, generally up to Kuznets. Okay, so this is one big things and these are ideas. And you already get that sense of one of the things I was saying is basically probably these people were also influenced by their context. So it gives you a sense that which type of inequality is worth studying as change over time. So it could be like functional inequality, capital versus labor and then it could be wealth in income inequality and then it could be skill inequality and then it can be inequality within country or inequality, world inequality how that's changed. And of course the context is influential and so Pareto and Marx are pretty gloomy in terms of, oh you can shift distribution. While Kuznets, what is interesting is that it's post-war, triumphant US and so that's kind of like both more empirical and more optimistic that you have something there. Kuznets actually also is part of a sort of different type of history of economic inequality which is the history of measurement and there is a lot on the history of measurement and measuring inequality that's generally completely overlooked by economics that that's absolutely crucial. And then first question is what you see as scientists like if you were economist studying inequality, how do you even know that there is inequality? How do you find that out? How has that changed? And if you can measure it, you can work on it and if you cannot measure it, you cannot work on it. And so you do have stuff like for instance, Nima Padipatesh, she studied the history of inequality measurement in India and question on whether you can actually measure that in monetary terms or for instance for long time inequality in India was assessed in terms of fine grains. You also have all these histories that if you are actually thinking about inequality about who get what, it means things are commensurable or comparable which raises huge issues about how you actually study inequality and income inequality in the developing world and in the developed world.

Does Gini coefficient work for everyone? Does income inequality even make sense in the 30s in Ghana the way it makes sense in the UK? So you do have history of that. Mareike Beck, Mary Morgan, they've worked on that kind of stuff. There is a sort of subset of question that interests a lot of history of economics. Why inequality seems to have disappeared from economists' interests to some extent during the Cold War? After Kuznets

basically up to Piketty and whatever, it's actually not that inequalities disappeared. It's that the type of inequality you would think about have shifted and it's very much focused on skills for instance because of general equilibrium and the theories we have. But you do have a disappearance of research on income and wealth inequality. You are in a situation where inequality, this kind of inequality picks up in the 80s and no one sees them, which tells you how much measurement is important. Why? Why is that? And his answer is that well, basically since it was about, all about gender inequality and racial inequality in terms of wages and skills, some income and wealth theories were defended because it's costly to actually measure things. Other data were top coded for confidentiality. You could not actually see that. You need other methods. This is very important what happens in measurement and why at some point you have blind spots in the profession.

And what I'm working on as a different question is a mirror question. My research question with respect to inequality, and it started with gender inequality and now I'm expanding a bit, is this is basically there is a question of what do you study, how you study it, do you understand the why, do you understand the consequence? So my question is who studies that and does it matter? So economists are among the scientists and the social scientists who study inequality, but they have a special social structure. And we know for instance that economics itself is unequal, for instance if you look at Anna Stansbury's research. So we know from CSWEP data, lots of research that there is a gender inequality and women issue, there is a lot of publication, I'm going to go back to that. Racial inequality, we know from most recent research by Anna Stansbury for instance that there is also social inequality. I think economics is the discipline, scientific disciplines in which you have the least first gen in the US like 20% and if you take top schools in economics it's like 10 or 12%. That's very unusual.

And we also know from the research by historians and sociologists of economics that not only economics as a discipline is an equal but it's also highly hierarchical. You have new— Everyone knows that famous paper by Marion Fourcade and Etienne Ollion about the superiority of economists but Kevin Hoover and Andrej Svorenčík have just shown that the AEA is basically run by a very small elite that comes from MIT, Harvard, and Chicago. I've shared with Andrej that the John Bates Clark medalist which is the prize that we award and like the Nobel Prize what's the top research that is being done right now has gone from already being quite hierarchized to in the recent decade being awarded every other year to MIT graduate students for instance so it's not like that in any other science, social or natural life science. We're talking about scientists studying inequality having an unusual structure in terms of inequality hierarchy and so you want to know whether it's actually shaped the way they actually approach inequality.

Durlauf: The focus on the lower tail of the income distribution or specific injustices in the American case which we'll say, were you know race and gender had let to data collection choices that made it hard to see the upper tail. So the this has like a technical term for the audience of top-coding basically says when you're asking people to report things like their wealth there's some maximum category or sort of something that takes the upper tail and compresses it down to some particular location which means you can't see extreme wealth in the existing datasets. This is an admirable thing to be focused on the, on certain injustices it meant you couldn't see if the thing seems very important. I'll take the liberty of giving something on the other side another example of that which is there are papers that try to measure the degrees of inequality in the Soviet Union. The way that it's done is it looks at kind of the statistics that were generated for market economies and applies them to a non market economy. There was massive wage equality however people had access to different stores all of the queueing etc the allocation of jobs all that gets mass if you simply treat the market wages as having a market analog. And to give an extreme example of that so something that I'll say is a critique to any long run inequality paper is to ask the question whether or not the statistics reflect fluctuations in the number of people that die in, from starvation. And one can actually see that there's data series being generated that don't respect that and so I think the point you said is extraordinarily important.

Cherrier: You could add domestic work as well it's just the same well in the world.

Durlauf: Is it an enormously important point and there you can see all the micro economics that gets missed so in other words when people look at household income as the determinant of child outcomes you need to account for the other thing called hours. In other words the time the parents have the children and the fact that if there's one at work and someone stays home, all that has fundamental importance. So I think that measurement is something that has something of a renaissance and certainly this is the the Piketty, Zuckman work has changed economics in terms of focusing on trying to measure things better that there's many controversies about it.

Cherrier: Yeah because when you say there is renaissance you don't want to suggest that it wasn't done before but it wasn't done in a way that was prestigious so you want to recover the hidden way in which people were doing it.

Durlauf: All right now that's important you see I committed the sin in other words I didn't — I'm taking that as a friendly amendment which was the correct statement is the visibility of the work and the professionals prestige that was associated with it.

Cherrier: Exactly.

Durlauf: That's what qualitatively changed and by implication when that changes the amount of people that do it changes, the work that comes out of it changes, etc. So I think that's enormously important and so I just wanted to put those on the table because I think that these issues of measurement really are deeply underappreciated. So I wanted you to then elaborate on the work you've done on gender in economics if you could.

Cherrier: Our question is about, not gender inequality in general, but gender inequality in the economics profession because again that might shape the type of knowledge that we produce as a whole and so we know that in the history of gender as a whole there's been a wave of feminism. There is one of the late 19th century and there is one in the 70s for instance and so that's called the second gender reckoning and there has been a lot of things going on like legal change and like court case about discrimination and unequal pay, equal work, discussion about quotas lots of things going on basically. And so we wanted to know what has happened in the economic profession at that time, basically whether there has been discussion and how this discussion has been framed. So again it's an economic study on inequality and so they study gender and inequality on the job market for instance but I mean they're part of it and so how does it work exactly? And so we actually reconstructed the history of CSWEP, so the Community for the Status of Women in the Economics Profession that was in the early 70s as a response to this gender reckoning that was happening in the western world more generally. But what is super interesting is that the economists started accumulating a bit of data and so we recognize that they were less than percent in economics professors that were women and so one big question is how do you actually explain that and how do you actually solve that. And economists are specific in that they actually took their own theories and empirical work and applied it on themself which they have done ever since and also in the latest rounds of discussion about gender inequality in economics and so if you actually go to the archive and look into what was discussed in terms of solution at the AEA during American Economic Association sessions you had Stigler actually building on Becker and saying you want to do nothing because really if there is discrimination again women economists and the department are going to get good women and so like basically the market is going to compete discrimination away.

And then at that time you had Arrow who was president of the American Economic Society it was the moment it was publishing on statistical discrimination and what he does to solve the problem of women in economics is about information, creating a roster, setting out the job market because you know these are, they're not circulating publicly, asking for systematic survey about the stages of women in economics that continues to that day and so this is an information problem we might solve that through better information structure. And then in this session you also have Marxist economists who are like no, the imbalance in the profession is about power structure and you want to change the power structure and

so you want to establish quotas. And these things are being discussed but what is really it's being discussed also in other scientific society but in economics, whatever is the dominant way of understanding what's going on on the job market and dominant theory actually shape how you view your own inequality issue in economics so that's what we learned.

Durlauf: In looking at the dynamics of kind of the American Economic Association status of women, are there changes in the last two decades for example that you might identify that also reflect changes in where economics went in understanding group inequalities?

Cherrier: There has been a another reckoning in society and in the economics profession in say the past eight years or something like that and so it's interesting because again they actually use their own tools and at that, this time it was more kind of empirical tools to evaluate where we are, also what would be good solution like for instance mentorship, whether there are publication bias against women when you write solo, and how credit is shared for instance. So economists have done, again, taking their own tool to study their own issue which is kind of like really interesting so that's one thing that was very effective in convincing economics as a discipline that it had a gender issue. And so like there have been more recruitment of young professor, there's been two female Nobel Prize since. There only was one before and no one actually talked about it. It was Elinor Ostrom. More publication, now if you actually publish a top five issue with no women I mean that's going to show if you are having a panel that's only male that's going to show and stuff like that. What this research does not take into account because it's not historical is basically longer dynamics. And so what we know has historians is that that gender issue in science and in economics more specifically it goes in cycle basically. So we know that there were more women who were getting an economics PhD in the 20s in economics than in the 50s. We also know that women professor would get better wage in the 80s that in just before this reckoning, like 15 years ago.

You don't want to think that whatever is gained is gained forever. First because the dynamics is not self-sustained, so that's an issue because now that every job market committee and I'm on a job market committee has made an effort to actually recruit more women, you could you could be like well it's okay. You've given prize to women, well now it's okay. That's called the marketization of science, it’s basically you have one women and so it's so different from the women that it's enough. And we also know that it's because the pushback against these kind of things goes in society at large and they has been a gendr reckoning in economics and in society at large in the 70s and there's been a pushback in the region. Like look who's changed again, there has been branching in the profit in the economics profession with the creation of IAFFE for instance. And today, what we're seeing in societies at large, for instance in the US under Trump, is also pushback and it's not a

pushback in economics but that's a social pushback. And if you don't have professional scientific structure that are resilient to that kind of cycles in public opinion then you might go backward as we've already gone backwards in terms of gender inequality in economics.

Durlauf: Yeah so I can speak from personal experience that after the Supreme Court decision banning affirmative action, the University of Chicago communicated to the faculty, communicated in the context of hiring, these are the new protocols and these are things you're not allowed to consider. So you know, independent of the motivations of the of the parties these societal level pushbacks are consequential. As you know there's a lot of debate, unfortunately I spend more time than I should on Twitter for example with denigration of DEI et cetera, by academics. The thing I simply want to state is that claims about, in economics are really grossly irresponsible in the following sense which is that the criticisms of efforts to raise the status, the profile, the number of women in economics, African-Americans in economics, etc. they're always taken in opposition to some sort of mysterious mythical meritocratic order. So in other words that the way the world works is a bunch of economists that have a scalar measure of merit and the truth is this is who you would hire and DEI works across purposes with that. And the things I want to say is number one, there is no serious argument that the changes in the board compositions of journals and the awards somehow are putting together people that are less worthy than by the own meritocrat's definitions than before. And so that you know, again, a part of the myth is there's some a rank order that's meaningful whereas in fact, it's much more complicated to identify who deserves what. You know, who's potential professors and being cognizant of the fact that subsets of the community were not getting there due, that is meritocracy. In other words, I think as an empirical statement, I think if you look at the evolution of the boards the journals there is no credible argument at all that there's been any diminution. I'd make an argument that they've gotten better and more meritocratic. And the second is, simply to deny this idea that and many of these decisions there are meaningful rank orders. That seems to me to get lost in a lot of discussions and so I think you know economics deserves credit for at least being showing self-awareness there.

One thing I wanted to add to that was the issues that the associations have done to try to deal with sexual harassment. One of the things that I think has become received much more attention simply is the role of harassment and what is often denigrated as microaggressions. In other words, the idea that there is a process by which people are researchers. They live in academic communities they function, etc. and that there were many many many examples of harms being done that—I'll be blunt and provocative—that males, white males of my age might say, 'well what's the big deal?' Well that's because white males my age have never experienced any of it and don't understand what it means for them to cumulate and so I think that that's another dimension in which the conduct of

an economist in real time I'd like to think has gotten better. Certainly my observation in seminars if I think about things that I'm ashamed to have been in the room and not walked out when I was an assistant professor wouldn't have happened now. So I want to, I think all that probably deserves giving some credit to the discipline.

So might you talk a bit about Paul Samuelson? You have an extremely interesting paper about Paul Samuelson and gender issues.

Cherrier: Yeah exactly so the ties to what the culture and that sort of like not the sexual harassment, but the cumulative effects of microaggression. So you want to understand so that's qualitative research because that's our archival research but because we are in a profession where a few have disproportionate power as editors, as scientists, as supervisors and if you're among— I'm going to ask you to cite five big economists of the 20th century. Samuelson is probably going to be among them and we have now all archived by Paul Samuelson that are open. We actually, with Roger Backhouse, we decided to look into what was Samuelson's answer to women in his science and also in his practice. So basically we don't have a clear cut conclusion because it shows, so not saying oh the guy was a sexist though he's been accused of being a sexist and some of the thing that they did or stuff he wrote in his textbook and also being concerned on one of the very few economists in the early postwar who actually had female graduate students on a regular basis. So how does it work? And so this is a qualitative study into the contradiction that you can have as an individual and it's not a matter of judgment. That's how it was in the 30s to 70s, and how does it impact other people's life? And so we have like contrasted data. So on the one hand Samuelson was probably one of the first textbook writers in the 20th century who drove systematic attention to discrimination and in particular gender and racial discrimination. If you did that in a textbook published in the late 40s and early 50s, well that puts you on the side, really much.

So he's one of the first economists to actually drew attention to gender discrimination and he knew that gender discrimination existed and racial discrimination exists. And on the one hand you were left to say okay, then how does he treat women in the profession? So he had a female and male graduate students, not that much. bBut not that much female, not that much male. And so we look systematically at the recommendation letters that he wrote for them across their career and what we found is that yeah, it's gender bias. So he's going to make derogatory comments on women that are hardworking and they're trying and so forth or on looks. But what we find is that he would also make the same kind of derogatory comments on men, on their psychological characteristic, whether they are nice, whether they're social, whether they are good looking, whether they're resilient and things like that. So he would do that probably with consequences of our women more and it was, it was

called out for doing that by some of the students and it was also publicly called out by students reading his textbook who wrote him well you actually write on discrimination, but on the other hand you make comments about, well women in your textbook they are— first they are not workers, they are the one who actually do the housework and then you make comments on the fact that they cannot calculate properly. What's up with that? And they would apologize and he would revise this textbook.

It's interesting because it's a very complicated situation. There are bias, there is awareness and there is change over time and so it's not a big lesson but it's kind of, I guess, representative of all the problems that you have when you're trying to discuss the bias in the profession.

Durlauf: In terms of addressing inefficient unfair hierarchies, what are your thoughts on what next steps that professional societies ought to take?

Cherrier: So I do believe that you want to do empirical studies of what should be done next. As I was saying, I think a big lesson of history is that you don't want to do small changes basically. So you don't want to change the board now even if that's a good start or set up a mentorship program. You actually want to build systematic structure that are going to go against bias and not just gender bias, like socioeconomic bias, racial bias and things like that. So systematic training for recommendation letters, attention to rewards, attention to decision making and things like that. And my hunch as a historian is that you want the economist to be more reflective about their own bias on the thing that they're studying so I mentioned, oh your gender and in your answer you mentioned meritocracy a lot.

So this is what I'm doing now is basically one thing I want to know as these are people working on question that are difficult to disentangle. So are we leaving in a meritocratic system? Is a meritocratic system efficient, if this is what we have and is it fair? So they are not supposed to answer the questions whether it's fair, but it's sometimes hard to disentangle. And for me one big question is okay again this is people that are studying meritocracy — what does it believe about themselves? No one ever asked economists, do you yourself believe your project of the meritocracy and how would you define it? If we are in a meritocracy, not only is inequality efficient but it's fair, okay? And meritocracy has a tension that it seems to be a system that is both about talent and effort and there are very different types of objects. And to go back to measurement and here basically the way you would measure talent and you would measure effort it's not a native economics question and so we've generated stuff for instance from cycles, how do you measure IQ and what's a good measure and should we do that. And again economists are working on these things being in a system that is super hierarchical so I want to know whether the economist who

actually produced this study and who actually create their own structure they do believe in meritocracy.

So again that's not an answer to your questions about what we should do. I do have ideas as an economist or as someone working in the economic department on what we should do, but as a historian I'm going to tell you at least you want to elicit the bias that the profession have on themself because it's really going to help our conversation about what we should do.

Durlauf: So I wanted to turn to a different topic which is, I'm going to call it economics in politics. And of course there's much interest in the United States as we speak on independence of the Fed and the like, but one of the things I was struck by in your work on the Fed Bank of England is it really gives us a different perspective and how to understand monetary policy. You know, a typical macroeconomics paper might say monetary policy is an interest rate role, there's an equation. But what I found fascinating in your work was the description of the evolution of actual central bank decision making and the role of economic research so I was hoping you could you could give an outline of that because it really— obviously in any macroeconomic model you have a— now as a macro data you have a theory about what the banks are doing and you gave a profoundly different perspective on that, so I thought it would be nice if you could talk about that.

Cherrier: Yeah so I think we're— just like you say it's between two completely opposite lay approach to do economists influence policymaking in general? And so there is the questions of do economists influence policymaking and there's also a separate question but it's also confusing, which is are economists ideological which people believe is the same thing and it's not always the same thing. And then you hear the same economist and also the same journalist and also the same politician saying on the one hand yeah it kind of is like super influential and there is this kind of linear thesis in which economists do think big ideas in their academic office and then it's sort of like trickle down to, for instance central banks, okay. And so of course this is very influential and you have the opposite idea that actually no one listened to economists and whatever happened in terms of central bank or ministry or whatever is absolutely purely political and there is no science involving that. And you do find these two things together.

So for instance in the case of macroeconomics, for instance, this is a big question because after the Great Financial Crisis, one of the line of criticism of economics was about we got a financial crisis because you guys are all about DSG's and that's why created the Great Financial Crisis.

Durlauf: So DSG is called a dynamics to cast a general equilibrium model and it's a particular way of describing macroeconomic dynamics that has a lot of assumptions, or let's say, lack of structure typically on the banking sector so I just wanted to throw that in.

Cherrier: So it has simplifying assumptions on heterogeneity and what drives cycle and whether monetary and fiscal policy can actually tame these cycles and so one question we had is really, is it something that is being done in academia and then trickle down to central banks, and do central bank actually make decisions on the basis of some kind of science? And so we actually did some archive research on the bank of England before the 70s up to 90s. We actually also researched the change in context and for instance like inflation targeting, central banks getting independent or semi independent, generally speaking, more independent that they were in the 70s and what it means. Does independence mean that you are going to get more science based monetary policy? What exactly does it mean? And we also run interviews and we did some bibliometrics on publication in central bank versus publication in academia journals. So this is kind of descriptive we didn't mean to actually reach a very strong conclusion, we just wanted to understand how these decisions are made and how much do the people at each stage of making decision making policy—so the analysists in central banks, the chief economist, and then the boards of central banks like the Fed or the bank of England or the UCB—actually believe that they are taking into account science and that they are making science based decision. And what is really interesting is to begin with they have an understanding of 'what is science' that is different from the public understanding of science and even the academic understanding of science.

So basically there is a mechanics understanding of science that you are going to write a model okay and for instance you're going to write a macroeconomic model and you're going to operate it and put numbers in it and it's going to tell you what's going to be the inflation next year. And on that basis you are going to decide how you're going to adjust the interest rate, okay? So this is called mechanics. This is a mechanical view of objectivity that does exist in economics, but not just in economics. And that's not how they do it in central banks, but that's not how they do it for ideological reasons. That's because they do believe good science as partly mechanics and partly judgment based. And they do believe that they need to, if you want a forecast inflation which is kind of the core thing that central banks are doing right now and this in order— if you want a forecast inflation you don't purely forecast. You need to have a narrative of why there is inflation, like it can be sort of like profit and greed driven or it can be because of international trade or it can be because of the environment and this is going to be a structural shock or this is this could be because of covid there is too much money in the economy, or whatever. But then you have to do the mechanics, you have to come up with a narrative, and if you are senior expert and you have

judgment on what's the right narrative, basically the boards of central banks, they are going to take that in. For them, that's also good science. And you have that sort of gap that academics has [...] a mechanical approach to science while in central banks and probably in other public institutions, trained judgment is also part of the science and narratives are also part of the science. So that's what we learned.

Durlauf: Well the narratives have something to do with the difference between, I'll say, forecasting and theory.

Cherrier: Exactly.

Durlauf: In other words, again, I'll say, the flattering way to describe a narrative is it's an explanation of mechanisms. The success in communicating to the policymakers requires you don't just say this is the number, you have to explain why; not because the first order of our coefficient has a high yield, but rather these are the phenomena that are going on that lead to the forecast, and so that seems to make a lot of sense. I think economists would be comfortable with that. The judgement one of is the one where I think there's less residence with standard modes of thought.

Let me digress for a second. The book *The Best and the Brightest* by David Halberstam about how the United States made this catastrophic set of decisions for the Vietnam War. The paradox is why you had a lot of people like Robert McNamara that were trained in technical methods and were this generation of quantitative professors and the pentagon was filled with economists, etc. making these disastrous mistakes. And Sam Rayburn who was the Speaker of the House once said, “somebody shouldn't be an official unless they'd run for sheriff,” and what he meant was there's all these judgments we have to make and all these nuances. And I think that that seems to me an important message in what you were doing which is that just like the cause of World War I, these don't reduce down to models. They reduce down to the aggregation of very, very disparate types of information, and in some sense in a positive way, being a member of the society it works the decisions are making because you know there's a lot of tacit knowledge there that's important.

Cherrier: But if you're raised in that sort of imaginary world in which science is pure and only mechanics, you're led to believe that judgment is normal which is not the case and that judgment doesn't need to be trained because it should have no role. While if you were in a different universe, you want to also scientifically train your judgment and that's different.

Durlauf: And I think this has something having to do with the history of thought in economics in the following sense which is, this was how I was when I graduated and that was that my vision of economics was very model-based. In other words there were sets of

equations that were economic theory as opposed to saying economic theory is about a bunch of complex things. There's different ways to reduce dimensionality to allow for progress in a good sense. In other words in working out in logical implications of assumptions, etc. And as a result, when you have people trained, again including myself, that models are the economy or are economics what lost an understanding of the richer set of ideas from which these were distillations. And that naturally leads to your work on economic methodology. And so one of the you know very interesting work you've done is the question of tractability. So I was hoping you could talk a bit about that.

Cherrier: Yes exactly, so it ties in with that question we have earlier. So we discussed policy but you also asked the question about politics, like the link between economics and politics and again that's something that emerged after a great financial crisis is basically economics as ideological. And macroeconomics in particular is ideological which is not the only case that I have on tractability, but that was actually the first one. And to me it's a very difficult statement to make, and one big criticism for instance was this DSG model that we mentioned earlier that was Dominican. They had problem for instance they did not integrate a financial sector very much, but also many of them were representative agent based. So that might sound completely crazy to like if there are non economists who listen to us but they were some like one agent. So of course if you have one economic agent, like two in economic agent, you cannot study inequality and so you cannot study what a crisis is going to, how a crisis going to affect different types of people in your economy. That's because economics is neoliberal and you know they do this assumption because they don't think inequality matters and that's ideological.

The tractability research is actually providing a different narrative for why economists in aggregate do the mulling choice they do, which actually shape what they can and what they cannot see. I did other research on the history of macro that showed that economists not blindly in the past 50 years written models with just one agent because you know they like it or because it's ideological. That just doesn't make sense. If they did that not exclusively, but in a way that actually became dominant, it's because it was more simple technically basically. And tractability is about that; tractability is the idea that if you're going to write a model, you're going to need to solve this model. And actually there are also hierarchies which are epistemological hierarchies. So epistemological means what is good science for you? And so any economists actually believe, has belief about what is good science and tractability actually shape this belief. So you want a tractable model means you want a model that you want to solve but if you believe a good solution has to be close form, like that you can derive with pen and pencil, and for instance simulation is not a good thing, well you're going to have to have a representative agent. And some big economists are

going to write models with a representative agent otherwise they cannot solve their models.

And what's going to happen then is that this is going to lead to a few big publications and economists are going to look at that and it's going to set the standard, the technical standard. I'm talking about very technical things that I wish non-economists understand do shape the science in the end in a very public way. So they're going to write representative agent models because they do a bit of simulation, but for instance we have evidence that in the 80s and 90s, except Monte Carlo simulation, simulation or numerical approximation were not very well accepted in economics much less that in branches of physics for instance. And so you go for a close form solution and then the young PG they actually see you doing that and so they do the same and then you have a body of science that you are actually discussing with central bankers about, that is very much about that. And so in the aggregate, the result is that if everyone actually modeled the same way or many people model the same way, their question you're not going to be able to address. And for instance you're not going to be able to address the distributional consequences of macroeconomic policies. And this is not about ideology, this is about which technical choice you make in the middle and then in the aggregate.

Durlauf: Béatrice, I just want to thank you so much for an absolutely wonderful conversation.

Cherrier: Thank you so much for having me. It was fascinating.

Durlauf: So this was Béatrice Cherrier as today's guest historian of economic thought who was talked about a number of things I think are extremely important. One of them is understanding economics itself as a social phenomenon. In other words the evolution of ideas, the evolution of what's considered to be knowledge, etc. has its own micro-economics, it has its own equilibrium characteristics, etc. and so it's a fundamental importance of understanding the discipline itself. Clearly very important messages on the way that measurement has shaped economic ideas, the way that hierarchies, the inequalities with respect to gender have shaped economic ideas — this is all the stuff of great economics and great social science.

The Inequality Podcast is a production of the Stone Center Center for Research on Wealth Inequality and Mobility at the University of Chicago. I want to end the podcast with thanks to the people who really make it happen. First, I want to express deep appreciation to our producer and engineer Shane McKeon who oversees every aspect of the process of creating these podcasts and really does just a splendid job. Second, I'd like to thank our

assistant director Nina Gray for production oversight and the role she plays in bringing the podcast to fruition. Finally, I'd like to thank Grace Kolavo who's the executive director of the stone center who basically does everything in terms of making the center work you may get in touch with us at stonecenter@uchicago.edu. Thank you so much for listening

This transcript was created with the assistance of AI.