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Should Economists Deceive? Prosocial Lying, Paternalism, and the 'Ben Bernanke Problem'

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Abstract: A widely held principle in professional ethics, across the professions, is the duty to speak truthfully when engaging in professional activity. Expert truth-telling has come to be recognized as vital to the Kantian respect that is due to clients and others who must act based on professional advice; and to the imperative to sustain trust. It is therefore notable that economics does not generally require truth telling among its members. Against truth telling, in cases where what an economist says can impact social welfare, the profession tends toward "prosocial lying"—lying that is thought to be in society's best interests. The case of central banker statements is paradigmatic. Would economists have preferred that Ben Bernanke tell the truth about the threats to the US and world economy in the early days of the crisis of 2008, when doing so might have destabilized financial markets further? But prosocial lying comes at a cost to the profession, and to society. Not least, prosocial lying reflects a paternalistic ethos that has by now been challenged in other professions; and the prevalence of prosocial lying may undermine trust—both among economists, and between economists and those economists purport to serve.

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> Deceit and violence—these are the two forms of deliberate assault on human beings.
> -- Sissela Bok, 1999

> The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.
> -- Joan Robinson, 1978

> For just as James Bond has a "License to Kill" in the Ian Fleming books, so central bankers possess a "License to Lie" — or, putting it more diplomatically and politely, to make promises about the future that cannot be honored and often turn to be false.
> -- Anatole Kaletsky, 2014

> [The] precept "first tell no untruth" is the ethical equivalent, for an economist, of the Hippocratic injunction "first do no harm." If economists unjustifiably claim truth for their statements, and if people act on these statements when different actions could have resulted in better outcomes, then harm has been done, to which the statements have contributed materially. If, moreover, there are known critical practices which, had they been employed, would have given grounds to doubt the claim of truth, this harm is avoidable. Economists therefore have an ethical duty to adopt such critical practices.
> -- Alan Freeman, 2016

I. Introduction

Many economists take it for granted that economists lie, and that they should. Many economists, I hazard, would concur with Kaletsky's assertion, captured in the second epigraph, that economists possess a license to lie. In the view of former World Bank economist Liaquat Ahamed, "What [government economists] have to say about the economy affects its outcome," he notes. "As a consequence, they have little choice but to restrict themselves to making fatuously positive statements which should never be taken seriously as forecasts" (cited in Maslin 2009). Some non-economists who think more carefully about truth telling in the professions concur. It is notable that philosopher Stuart Hampshire, discussing the conflict among ethical principles that often emerges as a consequence of the fact that professionals occupy multiple institutional roles, chooses economics as his example of a profession that can be forgiven for deception. The "Chancellor of the Exchequer," he asserts without reservation, "is not required to respond honestly to questions about a future devaluation of the currency" (cited in Wueste 1994 , 3). The implication is that the Chancellor can respond *dishonestly*. Philosopher Sissela Bok (1999, 177-178) dissents. Discussing the very same scenario she acknowledges that it would be injudicious for government spokespersons to disclose an intended devaluation, but she emphasizes that the better course is "to refuse comment than to lie." Alan Freeman's view (2016), which appears as the fourth epigraph, represents an exception within the field of economics.

But in fact there is a tension in how the profession regards lying.[1] On the one hand, it is widely accepted in the profession that there are occasions when economists deceive and even outright lie; situations when they believe doing so is warranted by the public interest. On the other hand, there are limits to the nature of lies that the profession is willing to accept (see Mayer 2016). Lacking a field of professional ethics—a tradition of careful inquiry into ethical conduct—each economist is left to be his/her own judge of what lies are appropriate to tell, and which are not. There are no standards to guide economists' behavior, no debate in the profession, and no learning from economists' decisions, ex post.

Preparing to write a review essay on new books by Dani Rodrik and Joseph Stiglitz for the *Ethics and International Affairs* (DeMartino 2019), I was struck by the urgency with which Stiglitz and especially Rodrik allege that economists deceive. Both claim that over many years members of the profession deceived the public in support of the neoliberal agenda. Here are some assertions from just four pages in Rodrik's *Straight Talk on Trade* (2018)—all appear in the Preface; they are not buried deep in the book. Rodrik says that trade economists "*overstated* the magnitude of aggregate gains from trade deals" and "*minimized* distributional concerns"; they "*endorsed the propaganda*"; they "*parrot the wonders* of comparative advantage"; they demonstrate a "*reluctance to be honest*"; they "*fail to provide the full picture*"; they should have "*been more upfront*"; they "*shade their arguments*"; they purposely "*failed to engage* distributive justice issues"; they worked as "*academic boosters*" of market fundamentalism; and they should have presented "*a more honest narrative*." Rodrik notes the disconnect between the seminar room, where economists acknowledge and engage openly with the limitations to and nuances of their science, and public forums, where they oversimplify what their models tell them, exaggerate their capacities, and cherry pick evidence so as to influence public perceptions.

How are we to account for the subterfuge? Standing on "the side of angels," as Rodrik puts it, the free traders were reluctant "to provide ammunition to the barbarians"—those protectionists who would exploit any equivocation among economists about the virtues of trade. Later, Rodrik argues that "in their zeal" to impress their audiences, economists "skip over the real-world complications and nuances" and "downplay the diversity of intellectual frameworks." Stiglitz (2018) adds that the profession told a "little white lie"—that trade creates jobs—and continually "oversold" globalization. Elsewhere (Stiglitz 2016) he goes much further in challenging the profession's associated ethical failures.

In my reading the allegation is clear: during a period of fundamental global economic transition—an epochal transformation toward neoliberalism that altered the life circumstances and prospects of billions of people the world over—*the economics profession failed in one of the*

[1] For present purposes it suffices to equate deception and lying, and I use the terms interchangeably. For other purposes it is not. In her treatise on lying Sissela Bok distinguishes between them this way: "I shall define as a lie any intentionally deceptive message which is *stated*." Deception is a "broader category" which also comprises purposely misleading "gesture," "disguise," "means of action or inaction," and even "silence" (Bok 1999, 13). Here I largely restrict my attention to economists' statements, though I define the term widely to include not just what economists *say* but also, for instance, how they report their findings, the claims they make for their data, the disclosures they do and don't make about their practice, and so forth.

most egregious ways that a profession can fail. The profession *lied* to the public so as to promote the success of a regime that the profession believed to be best. The subterfuge was intended to hide the fact, of which economists were well aware, that the transition would generate substantial harm to large numbers of people.

I take as my principle theme the question, *is it appropriate that the economics profession should give itself license to violate a principle of truthfulness that is by now universally recognized as an important dictate across the professions*? The question can be reframed as follows: Is there a case to be made for ethical "exceptionalism" for economics? If so, what forms of deception are to be deemed appropriate, and which are to be recognized as inappropriate? Alternatively, is there something ethically worrisome about the warrant economists give themselves to deceive? In what follows I will lay out the most compelling defense of economic exceptionalism. I will then examine the case for economic deception, and identify some of the ethical challenges that arise once a profession deems it appropriate to lie. In particular, I emphasize the difficulties associated with tracing the boundaries between permissible and impermissible lying within a profession that tolerates deception. I also emphasize the fact that deception can corrode trust, within the profession and between the profession and others, upon which the profession's efficacy depends.

II. Prosocial lying—the Dirty Hands Defense

The best defense of professional deception in the public domain involves what is Levine and Schweitzer (2014; 2015) call 'prosocial' lying—lying in service not of the deceiver, but of the deceived.[2] Others refer to it as paternalistic lying, for reasons we examine below. The defense of prosocial lying recognizes truth-telling as a *prima facie* obligation that is nonetheless sometimes overcome by various exigencies. Liars 'dirty their hands' to promote social good.[3] The dirty hands defense often entails recognition of a conflict between deontological and consequentialist ethics, where a moral imperative is violated to bring about the best aggregate outcome.[4] We are encouraged to hold that a lie that brings about better aggregate outcomes than does truth-telling is not just permissible, but in fact, necessitated. A professional who lets her ethical squeamishness prevent her from lying when lying would serve the public good is, on this account, ethically deficient.

Prosocial lying might be taken to be appropriate in a range of circumstances and under a range of conditions. Here I list ten circumstances that might justify deception. The list is intended to be illustrative, but not comprehensive (see Table 1). First, prosocial lying may be taken to be essential under crisis conditions where decisions must be made and behaviors

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[2] "Prosocial lies involve the transmission of information that misleads and benefits a target (Levine & Schweitzer, 2014)" (Levine and Schweitzer 2015, 89).

[3] On the dirty hands problem, so named after the play by Sarte (1960), see Walzer (1973), Thompson (1987); Walzer; and Winston (1994). For dirty hands in the context of deception see Bok (1999).

[4] Not all agree. Winston (1994) holds that the dirty hands problem is better theorized in terms of conflicting duties, where an agent's actions to meet the duties to some violate his/her duties to others. For present purposes it is not necessary to adjudicate this dispute.

adjusted immediately, when there is insufficient time for lengthy dialogue between the professional and laypersons, and when the consequences of failing to change behavior are dire.[5] In such cases, the argument runs, the professional must tell the lies necessary to avert disaster—leaving it to later (if ever), after the crisis has passed, to defend the crisis-induced lie on prosocial grounds.

A related justification is also grounded in temporal urgency given by immediate risks of harm or fleeting opportunities for benefit. Mill's discussion of the right of a bystander to use temporary force to restrain a person from walking out onto an unsafe bridge illuminates the first. It can be argued that one should employ deception in the moment to stop an agent from harming himself, if no other (less damaging) means are available to stop him, but the deception may be maintained only long enough to inform the agent of the present risk. Alternatively, a fleeting opportunity may be lost without the abrupt insertion of deception into the flow of events. Like the crisis justification, deception is used here to freeze action or to alter behavior in the moment, while at the same time permitting a full, *honest* discussion among the parties of the situation after the fact. The use of deception to permit the circumstances for honesty is strange on its face—but not inconceivable nor, perhaps, uncommon.

<<Table 1 about here>>

Table 1: Justifications for Prosocial Lying in Economics

Justifications
Crisis Conditions
Immediate Risks, Fleeting Opportunities
Irreparable Professional-Layperson Epistemic Asymmetry
Seductive but Harmful Alternatives
Faulty Modes of Communication and Instruction
Defensive, Deception-Countering Lies
Adversarial Ethics
Corrupt or Deficient Decision-makers
Research Dictates
Consent of the Deceived

A third justification foregrounds the enduring epistemic asymmetry that characterizes the professional-layperson relationship (DeMartino 2013). If it is the case that the asymmetry is effectively unbridgeable—as economists might presume as concerns their epistemic privilege over non-economists—then it might be argued that the professional if absolved of the duty to speak truthfully since doing so would fail to communicate the features of the situation or the consequences of the decisions to be taken. It is important to note that unlike the crisis or temporal constraint justification, this one permits ongoing deception so long as the epistemic asymmetry persists. The best analogy involves the adult-child relationship. On the assumption that the child cannot make sense of truthful arguments about the non-existence of the dragons she sees on television and is certain reside under her bed, the parent may be deemed warranted in conjuring up a story about a powerful good fairy that protects him as he sleeps.

[5] See the discussion in Bok (1999, ch. 8) of the crisis justification for deception, and the dangers thereof.

Fourth, a choice environment might include an ideal but apparently unattractive option, and one or more seductive but harmful alternatives. Decision-makers might be drawn to the attractive option, unaware of and perhaps unable to fathom its severe downside. In such circumstances the economist may steer decision-makers to the less attractive option by eliminating the alternatives from the choice set. The greater the seductiveness of the alternatives the stronger is the case for "there is no alternative" (TINA) deception—deception that constrains the choice set to the only option deemed appropriate by the economist. Since it is difficult to claim that there really is just one available option, TINA deception is associated with ersatz cost-benefit analysis that exaggerates of the benefits of the preferred option and the risks/costs of the alternatives.[6]

Fifth, it may be argued that prosocial lying is warranted when the existing modes of communication and instruction do not permit effective transmission of knowledge. Here, the issue is not that the epistemic asymmetry is unbridgeable—it is that the conditions which would permit the shrinking of the asymmetry do not obtain. Ideally, the situation should be reformed to permit effective professional-layperson communication and education; but in the meantime, the professional is justified in telling prosocial lies to bring about the situation that she would otherwise be able to bring about through truth-telling.

The sixth is the defensive case of deception-countering lies. It involves lying to defeat the lies others tell. Ideally, of course, discussions of existing circumstances, strategy options, distributional consequences, and the like are conducted by participants operating on good faith who avoid lying except for prosocial reasons. But in fact, agents often tell self-interested lies—or they lie to themselves, especially when their interests are at stake—which may amount to the same thing. In such cases, prosocial actors may find that they can only prevail in disputes with their dishonest adversaries by telling more compelling lies.

A variant of the claim that economists can lie to defeat others' lies adopts the idea that the public arena is contentious, and that each party in public policy melees has a right to present the case that best supports its position, even if that means cherry-picking or shading the evidence in its favor. Here, the economist adopts the adversarial ethic of the legal profession (DeMartino 2011). The adversarial economist presumes that the best decisions will emerge from the battle of opposing facts. The economist is therefore to choose just those facts that sustain the position of its client, leaving it to the other side to present the opposing case (and data) as best it can. Here is how an economist who works only for industry put it in an interview I conducted when doing research for *The Economist's Oath* (2011):

> While an academic economist places all the evidence he can find on both sides of the scale and sees how things balance out, the economic consultant's job is to load up as much evidence as he can find on just one side of the scale — that side that advances the client's interests. But all this evidence must nevertheless be legitimate and honest.

[6] See Bok (1999, 19-20) on the use of deception to eliminate viable options from consideration.

Eighth, prosocial lying can be defended on grounds that decisionmakers whom economists advise are corrupt, have deficient values, or mistaken beliefs about those they represent that obstruct prosocial decision-making; or that they are enmeshed in decision-making structures that prevent prosocial outcomes. In either case, the expert should intervene strategically, including telling prosocial lies, in order to induce the morally impaired decision-makers or the technologically impaired decision-making mechanisms to produce the right results. For instance, the economist might attempt to persuade narrowly self-interested decision-makers that policy choice that the economist knows to be best for society will also benefit the decision-makers.

Ninth, a profession may come to think that deception is necessary in research in contexts that engage human subjects. The issue arises, for instance, in behavioral economics where economists run experiments in labs. Here, an economist might find it convenient to use confederates who present themselves as research subjects but who in fact covertly play prescribed roles to elicit the reactions of actual research subjects. Or an economist might want to know how the behaviors of research subjects are altered by their perception that they are one of a very large number of subjects when in fact they are not, so as to ascertain tendencies toward free riding (see Wilson 2016).

Finally, it may be argued that those to whom experts lie have consented to be lied to, or would invariably consent, were they to be in position to do so. A patient may ask his physician not to tell the truth about the likely success of a painful treatment regimen, when in fact there are no viable treatment options. Here, the physician is licensed to tell prosocial lies—and in fact, doing otherwise would be callous. But economists do not treat clients one-on-one in this way—their actions affect many thousands and even millions all at once. In that context, the consent to be deceived can only be presumed. Those who proffer this defense of deception must be prepared to claim that the presumption is a strong one.

The case for prosocial lying appears at least plausible, and may even appear to be compelling. And yet it is not widely embraced across the professions. What is to be learned, then, from the skepticism of other professions about lying for the good of others?

The Case of Medical Practice—the Paternalistic Hippocratic Tradition

Medical practice of the 19th and 20th centuries was driven by the Hippocratic principle of harm avoidance. The Hippocratic doctrine is fundamentally paternalistic in spirit. It is characterized by layperson deference to physicians' authority, and the substantial latitude of the physician regarding truth-telling. An early version of the Hippocratic Oath included the following passage:

> I will follow that system of regimen which, *according to my ability and judgement*, I consider for the benefit of my patients, and abstain from whatever is deleterious and mischievous (emphasis added; DeMartino 2011).

Nowhere does the Oath (nor the broad Hippocratic tradition — see Shuster 1998) recognize the autonomy or integrity of the patient. Neither does "the prayer of Maimonides, Percival's Ethics, or the early codes of the [American Medical Association] or the World Medical Association

(Veatch 1984) . . . Outside agents — including the patients themselves — were simply not deemed qualified to participate in the formulation of ethical behavior within the profession" (Wolpe 1998, 39). In Hippocrates' own words,

> The art of medicine has three factors, the disease, the patient and the physician. The physician is the servant of the Art. *The patient must cooperate with the physician in combating the disease* (cited in Shuster 1998 , 974; emphasis is Shuster's).

Under the Hippocratic tradition it was permitted and perhaps even expected for physicians to deceive their patients when they thought lying would minimize pain and suffering—or when, in the physician's view, lying was the only, simplest, or most effective/efficient way to induce a patient to change his behavior or agree to a course of treatment that the physician preferred.

The Patients' Rights Movement

The patients' rights movements of the 1960s and 1970s presented a powerful challenge to Hippocratic ethics. In the US context the courts intervened decisively, altering the nature of medical practice and ethics. The landmark decision is *Canterbury v Spence*, 1972, in which the US Supreme Court overturned the physician's authority to deceive, finding that "'the patient's right of self-decision shapes the boundaries of the duty to reveal'" (Sharpe and Faden 1998, 54). A decade later (1974) the National Research Act established the IRB procedures that protect the rights of research subjects, which continue to the present. By the 1970s, Sharpe and Faden (1998, 67) report, "professional paternalism was increasingly challenged by the publicly and politically-forged ethos of patient self-determination."

Today, professional deception is taken to be deeply problematic because, among other things, it is a form of coercion. Agents coerce others not just or even principally with a gun to the head, but also by shaping the beliefs of others about available courses of action, and the viability and desirability of the available options. When professionals induce others to do what they want them to do (and which they might not otherwise do) by lying to them, for their own good, professionals deprive them of their personal autonomy. Lying therefore runs afoul of the Kantian imperative to treat others always also as an end, and not simply as a means.[7] This form of coercion is far more pernicious than the gun to the head sort, since deception deprives the coerced agent of the opportunity to know that she is, in fact, coerced. *She is doubly wronged*. She suffers a loss of autonomy and the opportunity to resist, or to learn. It bears emphasis: the ethical grounding for prosocial lying is essentially paternalistic. It presumes that the professional knows best and is licensed to do what it takes to promote welfare, even when doing so requires coercion of those whose welfare is targeted for enhancement.

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[7] Dworkin (2005) writes: "To deny an adult the right to make their own decisions, however mistaken from some standpoint they are, is to treat them as simply means to their own good, rather than as ends in themselves." A fuller examination than I provide here would have to engage the possibility that one could ground a strong defense of prosocial lying in virtue-ethics—perhaps strong enough to overcome the Kantian objection. I thank Robert McMaster for pressing this point on me.

One indicator of the ethical shift in medical ethics is the altered content of contemporary medical oaths.[8] Consider this passage from the Yale Physician's Oath, drafted during the 1990s by medical students and the University Chaplain:

> I will respect the moral right of patients to participate fully in the medical decisions that affect them. I will assist my patients to make choices that coincide with their own values and beliefs (cited in DeMartino 2011).

As the excerpt suggests, the physician's authority to undertake a treatment regimen is now substantially constrained by the need to engage the patient as a partner in the treatment plan. This Oath places paternalistic strategies in ethical doubt: consent secured on the basis of deception can hardly be considered informed. Under the dictate to respect the integrity and autonomy of patients, such consent is therefore deemed invalid. The Oath codifies a presumption that the *patient* and not the physician should decide how much and what kind of information he will receive, for instance, and his demand to be fully informed must be honored no matter how damaging that information may be to his physical or psychological wellbeing.

Other professions have followed medical practice in moving away from prosocial lying toward the dictate of truth-telling so as to respect the integrity and autonomy of laypersons. Economics lags in this respect, remaining anchored to the paternalistic ethos. We can now return to the question posed earlier. Is this as it should be? Can a compelling case be made for economic exceptionalism? Is economics unlike other fields in ways that make paternalistic coercion, through lying, ethically appropriate?

III. Economic Exceptionalism—"The Ben Bernanke Problem"

Let's begin with a case of prosocial lying that, I think, many if not most economists would accept as legitimate. I refer to the utterances of Ben Bernanke in the period leading up to and during the financial crisis of 2008. I take this to be the paradigmatic case, which involves many of the defenses of prosocial lying we reviewed above, but I should emphasize that the case for lying is not unique to central bankers, and central bankers are not in fact my principle interest in connection with lying. The same arguments that sustain central banker lying can be made for the practice of economists in every sector where they work, and from the local to the international spheres. And that, I will suggest, represents a problem for the profession and might undermine the case even for central banker deception.

It is interesting to note that Bernanke's statements to Congress and the public became more reassuring as economic conditions deteriorated. In the early months of 2008, we find assertions of increasing confidence as the financial collapse nears. On May 15, 2008, in comments to the 44th Annual Conference on Bank Structure and Competition, Bernanke spoke candidly about financial risks:

[8] This discussion draws on DeMartino 2011.

> The financial and credit market turmoil that began last summer has raised a number of significant issues of public policy, including questions concerning the maintenance of financial stability, the supervision and regulation of financial institutions, and the protection of consumers in their financial dealings…The problems with subprime mortgage underwriting were disguised for a time by the continued appreciation in home values. As long as house prices kept rising, subprime borrowers saw their home equity increase and were often able to refinance into more-sustainable mortgages. But when house prices began to stagnate and then fall, many subprime borrowers found themselves trapped in mortgages they could not afford. (Bernanke May 15, 2008)

Just two weeks later Bernanke presented a more sanguine account. On June 3rd he reported to the International Monetary Conference:

> The current economic and financial situation reflects, in significant part, the unwinding of two of these longer-term developments — the housing boom and the credit boom — and the continuation of the pressure of global demand on commodity prices…
>
> The Federal Reserve is pursuing its objectives through several means. First, we have eased monetary policy substantially and proactively to address the sharp deterioration in financial conditions and to forestall some of the potential adverse effects on the broader economy. Our decisive policy actions were premised on the view that a more gradual reduction in short-term rates could well have failed to contain the financial and economic problems confronting us. *For now, policy seems well positioned to promote moderate growth and price stability over time* (emphasis added).

The same week (June 9) he discussed financial uncertainty as if it represented nothing more troublesome than a surmountable impediment to growth:

> I would like to provide a brief update on the outlook for the economy and policy, beginning with the prospects for growth. Despite the unwelcome rise in the unemployment rate that was reported last week, the recent incoming data, taken as a whole, have affected the outlook for economic activity and employment only modestly. Indeed, although activity during the current quarter is likely to be weak, the risk that the economy has entered a substantial downturn appears to have diminished over the past month or so. Over the remainder of 2008, the effects of monetary and fiscal stimulus, a gradual ebbing of the drag from residential construction, further progress in the repair of financial and credit markets, and still-solid demand from abroad should provide some offset to the headwinds that still face the economy. However, the ongoing contraction in the housing market and continuing increases in energy prices suggest that growth risks remain to the downside (cited in Ip and Reddy, June 10, 2008).

Then, in July 2008, presenting the central bank's semiannual report on monetary and economic policy to the House Financial Services Committee, he asserted that "the GSEs (Government-Sponsored Enterprises) are adequately capitalized. They are in no danger of failing" (Herszenhorn and Weisman, July 17, 2008). Just two weeks later Warren Buffet signaled his concerns about the GSEs; a month later (September 7th), the US government was forced to bail out two principal GSEs—Fannie Mae and Freddie Mac. The Treasury was authorized to

purchase up to $100 billion in preferred stock and mortgage-backed securities to save the institutions and prevent financial panic.

I presume that by mid-2008 Bernanke faced extraordinary pressure to calm investors and prevent financial collapse. During the period leading up to the crisis his speech was increasingly strategic and performative rather than descriptive. By then, there were ample signs of financial fragility. Bernanke's interventions were directed toward sustaining confidence so as to prevent a crisis. His utterances at this point were not truthful; they were deceptive. If that presumption is correct, then his behavior reflected prosocial lying.

IV. Assessing Economic Exceptionalism

We might take it as obvious that in this situation Bernanke was right to deceive—his purpose was to prevent economic crisis, and one chief means available to him to achieve that goal was deception. Here and in other similar situations where economists lie deception takes the form of "strategic speaking." In the context of central banking, the fairly recent shift from less to more public pronouncements and the associated shift to what is called "forward guidance," open the door to increased prosocial lying, even in non-crisis situations. Central bankers increasingly speak privately and publicly—with lawmakers, financial investors and other influential economic actors, and to the public. In this context, "open mouth" interventions represent strategic speech intended to produce a particular result. Speech is one of the means by which central bankers look to exert effects on the economy. A growing research field today is exploring whether, how, and to what degree forward guidance affects economic agents' behavior, and helps to achieve the purposes for which it is undertaken (e.g., Kliesen et al. 2019; Kool and Thornton 2012).

Strategic speaking often takes the form of conveying information in a neutral way, but its purpose is not primarily to inform. It is to bring about a variety of concrete effects. The test of the speech is not its truth content, then, but its contribution to the effects it targets. The goal is to alter beliefs, in order to affect behaviors and, in that way, to generate particular aggregate outcomes. Central bankers may characterize the economy as healthy, for instance, not primarily to describe what they see or what they believe to be true, but as a strategy to bring about stability.

Central banker strategic speech is ethically complex, and for a number of reasons.

1: The *truth* of the strategic utterances of central bankers depends, in significant part, on the *ultimate effects* of the utterances, which they cannot know when the make the statements. What makes the statement true or false *ex post* depends on whether the statement has its intended effects, and that in turn depends in part on a wide range of factors that the banker cannot know at the time of the statement. It is in this sense a calculated falsehood that may yet prove to be validated by subsequent events.

Consider a generic statement of the sort, "*Financial markets are stable.*" The statement should be interpreted not as descriptively true, but as a request to market actors: "*Please act on the belief that markets are stable*." But why does the central banker then not just make the request, which would dispense with dishonesty altogether? The answer, obviously, is that the

banker believes that the request will not suffice to induce the hoped-for behavior by market actors. In fact, the request might even have the opposite effect by alerting market actors to the central bank's perception of the threat of instability. Only a declarative statement of the form, "*financial markets are stable*," may be thought to have a chance of achieving that goal. The foregoing implies that the performative force of a strategic statement is what matters, not its truth content. But notice—the abandoning of truthfulness as a criterion for assessing professional utterances opens the door to more significant deceptions. When a bigger lie or a longer chain of lies is needed to get the job done, the greater deception would appear to be warranted.

2. Prosocial lying in economics is clearly paternalistic, and coercive. Its intent is to alter perceptions and behaviors not through reasoned discussion with others about risks and strategies for meeting them, but by deception (Bok 1999). Lying in economics therefore violates the autonomy of laypersons populating the economy.[9] It is an instance of the "dirty hands" justification given above, where an agent feels compelled to violate an important value so as to bring about what the actor deems to be a more important social good (Walzer 1973; Thompson 1987; Winston 1994). So the defense of that lying must demonstrate that the goal to be achieved justifies the ethical transgression—the diminished autonomy of laypersons populating the economy. The defense must also sustain the claim that it is rightfully within the economic profession's authority and competence to decide when it is and when it is not appropriate to make the decision to coerce. This is precisely the position of the medical profession prior to Canterbury—it took it upon its own shoulders to decide when it was authorized to lie.[10]

3. If the profession accepts deception by central bankers as appropriate to promote the social good, it must then answer a range of difficult questions. First, are *other* economists licensed to deceive regarding their knowledge and expertise in order to promote good economic outcomes? It would seem that they would be. Economists operate in many arenas where it can be argued that deference to their judgments will promote social wellbeing. There do not seem to be compelling grounds for granting central bankers license to engage in prosocial lying while at the same time denying that license to other economists. But, then, is there no line to be drawn among economists and situations where prosocial lying is and is not appropriate? What about the economic professor who knows that society would be better off were all economists, including those in the seats of her advanced graduate course, to believe that only the predominant approach to economics is correct? Is she warranted in lying about the value of other approaches, dismissing them out of hand, so as to eliminate them from serious consideration and to ensure that her students not become confused by the contending claims of diverse perspectives? George Stigler thought so, as Colander and Freedman (2018, 210) recount: "One of the rationales provided by Stigler for dropping History of Thought from graduate education was the danger of

[9] Unless one presumes that agents have granted to economists the authority to lie to them when economists believe it is in their best interests to do so, as per the earlier discussion of justifications for prosocial lying. A problem is that the exercise of securing explicit permission to lie would undermine the persuasive force of the lies economists tell. Hence, central bank prosocial lying, if it is to be effective, must be obscured by the trappings of truth-telling. See Bok (1999, ch. 14) on the deep problems associated with implied consent for deception.
[10] The problem of cognitive bias is acute in this context. See Bok (1999, 26).

providing young minds with too many plausible alternatives. He required missionary soldiers, not ranks of puzzled philosophers:

> The young economist who reads some of the early controversies with care will surely learn one lesson, and he may learn two. The inevitable lesson is that after studying previous controversies one cannot become quite so engaged in the current controversies – one cannot become quite so convinced of either the correctness or the importance of one's new ideas. The more subtle lesson is that it does not pay to learn the first lesson: the temperate, restrained, utterly fair-minded treatment of one's own theories does a disservice to these theories as well as to one's professional status and salary. The scientist is loath to buy new models which have not been well advertised.

A second (related) question concerns the *forms* of permissible lies. In the case at hand I have discussed a situation where the central banker's deception takes the form, in part, of what amounts to an exaggeration of his knowledge and expertise and the capacities of the institution he leads so as to induce deference by others to bring about good social outcomes. As Bok (1999 20) warns us, deception regarding the level of uncertainty "is one of the main ways to gain power over the choices of those deceived"; I would add that it is perhaps the most common form of deception in economics. Bok warns against treating it more lightly than other forms of deception. Let's nonetheless imagine for the moment that it is somehow less pernicious. But if economists can deceive in *that* way, is it acceptable for them to deceive in *other* ways to bring about the very same social objectives? What about when an economic consultant exaggerates both the benefits of her preferred policy option and the deficiencies of the alternative proposals she opposes—when she games a cost-benefit analysis, say. Is *that* form of prosocial lying permissible if she believes it is the only means to ensure good economic decision-making? What if that consultant purposely excludes policy options so as to prevent the receiver of the advice from choosing poorly?

Deception can also take the form of *falsifying reports* or the *data* that academic and public and private sector economists generate; or mislead audiences concerning the dependability of the findings one reports, such as when an economist engages in extensive p-hacking but then fails to disclose the practice (Mayer 2016). Or when an experimental economist treats trials that contradict her hypothesis as "pilots" and records as actual trials only those that confirm her hypothesis (Roth 1994)? Are government economists in statistical agencies warranted in mis-reporting data concerning consumer confidence, job creation, inflation, unemployment, trade balances, and other indicators of economic flows and outcomes, were the practice feasible, if they had good reason to believe that doing so would promote some important social objective? Consider in this context the case of China, which is widely regarded as having routinely fabricated economic data so as to sustain foreign direct investment, popular support, and political stability—all of which may have been necessary for the success of its economic model and the dramatic reduction in poverty rates it has achieved over the past several decades. What if economists have very good reason to believe that those forms of deception are the best way to bring about good economic outcomes? Are those forms of deception, too, then legitimate? What would economists think about such behavior?

My speculation is that economists would be disturbed by the prospect of central bankers and government economists fabricating data, even if it is done to promote social betterment; just as they are disturbed to learn that an academic economist has falsified data or deceived in related ways. But the question we must then confront is this: *why are these kinds of lies illicit, when others are legitimate?* Where do we draw the line, if in fact there is a line to be drawn? Within the consequentialist ethics of standard economics, there is little to no ethical difference between these kinds of lies and the other lies that we considered a moment ago, provided they all achieve prosocial purposes. But then, on what grounds might economists approve of one kind of lie, but oppose the other?

What is at issue for economists making these judgments is not an ethical principle at all. What is at stake, I submit, is professional pride. When Bernanke lies about his grasp of the unknown and unknowable, economists are in on the deception. *Economists see "the wink."* To the degree that the deception succeeds, the profession as a whole is aggrandized by the lie. The profession is validated and empowered, and feels justified *in his deceiving laypersons*. But economists, I also submit, are intolerant of lies when *they themselves* are among those being duped. The distinction is this: *Economists demand that Bernanke recognize the agency of economists, even as they're prepared to sacrifice the agency of others.* Bok (1999, 23) gets at the double standard in terms economists should understand:

> They would prefer, in other words, a "free-rider" status, giving them the benefits of lying without the risks of being lied to. Some think of this free-rider status as for them alone. Others extend it to their friends, social group, or *profession* (emphasis added).

The foregoing discussion of the purposes, defense, and complexities of prosocial lying leads to an ethical fork in the road. One can argue that the case for economic exceptionalism fails, but then be prepared to confront the possibility of diminished social wellbeing that might result from truthfulness. That is the fork taken by the medical profession and other professions, like engineering, journalism, and the law. Each of those professions prohibits deception in most professional conduct. Alternatively, if one holds that the case for economics exceptionalism succeeds, then one faces another fork. One must either be prepared to accept that all prosocial lying is permissible in the profession—by all economists, and in all forms, when they have good reason to think that lying will generate better effects than truth-telling—or one must be prepared to draw an ethical line between permitted and prohibited forms and instances of prosocial lying. It is tempting to think, for instance, that the profession can at once benefit from but manage the problems associated with prosocial lying by reserving it for high-profile economists whose utterances have the widest impact, and perhaps only in moments of looming crisis. But the work of economists operating at the municipal level can affect the lives of many millions (more than the populations of small countries). Is an economic consultant for the city of Denver (with a metro-area population of 3 million) to be licensed to engage in prosocial lying, but a central banker in Iceland (population 365,000) to be required to speak truthfully because of the relative size of the populations they serve? It is difficult to specify the grounds for judging their conduct differently. Or is the line to be drawn between lies about one's expertise, confidence, and capacities on the one hand, and fabrication of one's data and lies about one's findings on the

other? Is the line to be drawn perhaps between those lies that do and do not deceive other economists? I am aware of no viable ethical standards that support the drawing of those lines.

V. Prosocial lying: Ersatz Economics and the Problem of Trust

In researching the book *The Economist's Oath* I interviewed many economists who worked outside of academia. I asked about the challenges they face in trying to do good work, which I defined for them simply as work with integrity—work they themselves believed in.

One theme that emerged with particular frequency is that economists are routinely pressed into doing work that they know is deeply deficient and even false. For instance, economists are sometimes expected to produce research and reports ex post to sustain policy decisions that are already taken. This is equally true in the public and private sectors. Here is one prominent example, reported in a paper by Allen (1977), which is consistent with what I learned from my respondents. A new member of the Council of Economic Advisors, which advises the US President, was instructed to produce (*in six hours*) an estimate of "the balance of payments impact of a West Coast dock strike" for government attorneys who would "seek a Taft-Hartley injunction in court the next morning." He continues:

> The legally specified basis for the injunction was demonstration of existence of a national emergency. So, first the Administration made the decision to claim a national emergency, in order to obtain the injunction, and then economists were to provide supportive data and analysis (Allen 1977, 52).

Is that sort of deception acceptable, if the complicit economists believes that preventing the strike would enhance social welfare? In this case the economist was pushed to produce what we should recognize as "ersatz" economic analysis. This is not terribly dissimilar to other forms of deception examined here. It would seem that ersatz economics could be easily justified on the same consequentialist grounds that economists are apt to use to judge other forms of professional deception.

But ersatz economics is particularly difficult to defend even on consequentialist grounds, provided one takes an expansive view of the consequences. A profession that is willing to do and accept ersatz science is not apt to retain the trust on which its authority depends.[11] When government economists, economic consultants with public and private sector clients, forensic

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[11] Does deceit always damage trust? The evidence is mixed. Lupoli et al. (2018) find that research subjects punish even those paternalistic lies that contribute to their welfare. Levine and Schweitzer (2015) report that prosocial deception can in fact enhance trust. In the kinds of situations they study, trust follows from the demonstration of good intentions. But the findings may not give us much insight for situations involving economic practice, where those affected by economists' behavior do not have the close interaction necessary to infer motivations: "In our studies, the motives and outcomes associated with deception were clear. In practice, however, both motives and the link between acts and outcomes may be difficult to gauge. In some cases, people may even attribute selfish motives to prosocial act" (103). They also correctly note that "it is also possible that prosocial lies have detrimental long-term consequences" (103).

economists, economists attached to political campaigns or ostensibly nonpartisan think tanks, or even academic economists produce work that is intended to deceive, work that those generating it themselves do not believe but take it to be good for others to believe, the profession cannot expect to retain the trust of those its lies are intended to serve.

In my interviews I found that economists at all these levels are often in positions where they are pressured or even inclined to generate ersatz economics, often for the public good. Several had stories to tell of their own compromises with the truth, and of the behavior of other economists. One effect is that economists do not always or even generally trust the findings of other economists. We see this in the allegations by Rodrik and Stiglitz discussed above, related claims by Freeman (2016), Mayer (2016), and many other economists who have called out their colleagues for deceptive practices. In my interviews respondents warned me never to trust a development industry economist; never to trust a government economist; and as one former member of the Council of Economic Advisors, told me, "Never trust an economic consultant." I should note that earlier in his career he himself had been an economic consultant. A D.C. think-tank economist warned me that those in her line of work were forced to "speak more loudly" on the issues than they otherwise would—exaggerating their findings and their confidence in them—so as to sustain the support of their funders, and to respond to the inflated claims of think tanks at the other end of the political spectrum. Candid conversations like these compel the conclusion that deception of various sorts is routine rather than exceptional in the profession.

Here we arrive at the most difficult hurdle that the defense of economic exceptionalism must overcome if it is to be sustained. A profession that tolerates deception—prosocial or otherwise—confronts the risk of the loss of trust. The acceptance of prosocial lying in a profession risks its own delegitimization, even in the eyes of its practitioners. In a profession like economics whose interventions almost always benefit some while harming others, there is good reason to expect that the losers are likely to come to dismiss all economic pronouncements as deceptive. We might conclude, simply, that a profession that tolerates deception deserves the distrust it earns, and that it should suffer the consequences. But trust is an essential contributor to a profession's ability to promote social wellbeing. A profession that loses trust loses efficacy (Hardwig 1994). Moreover, its deceptive practices can contribute to a popular narrative that is more broadly hostile to expertise.

VI. Conclusion

We have surveyed here some of the issues associated with prosocial lying in economics. It might be hoped that the discussion would generate a clear bright line between legitimate and illegitimate deception. I do not offer that bright line. The goal has been more modest. Having provided what is, essentially, a paternalistic case for prosocial lying, I have attempted to reveal some of its associated risks and damage. I conclude with four chief concerns. The first is that when the economist lies for the presumed good of others, she presumes she can know just what it is all those others value, or should value. But if in the clinical setting it is now widely understood that even a family physician who knows the patient intimately cannot know sufficiently well the values and goals of her patient, it is entirely implausible for the economist to ascertain the values and goals of the many thousands (or millions) that her work affects. Second, when she induces behaviors through deception, she denies those she coerces their autonomy. And deception of this

sort short-circuits learning or other reforms that might allow for more honest expert-layperson communication in the future. Third, having tolerated deception of various sorts, the profession has forfeited trust among its members. Economists tend to accept findings that they find attractive, and discount the rest—alleging illicit motives or incompetence of those who offer unwanted findings.[12] Finally, a tolerance for lying, prosocial or not, undermines trust in the profession among non-economists.

In her comprehensive book *Lying* the ethicist Sissela Bok describes the danger in a manner that parallels general equilibrium analysis, and which should therefore resonate with economists:

> the most serious miscalculation people make when weighing lies is to evaluate the costs and benefits of a particular lie in an isolated case, and then to favor lies if the benefits seem to outweigh the costs. In so doing, they risk blinding themselves to the effects that such lying can have on their integrity and self-respect, and to the jeopardy in which they place others (Bok 1999, xix).

There is little doubt that lying might allow an economist to achieve some immediate prosocial objective. The benefit is immediate and tangible—the cost, deferred, distant and intangible. The threat to trust is all the greater when lying is tolerated and even normalized within a profession, and when it becomes a regular rather than an exceptional feature of that profession's practice. Unfortunately, the loss of trust harms not just the profession that has lost trust, but also (and perhaps even primarily) the public that may indeed need the services that the profession can uniquely provide. Moreover, a practice of deception in economics may in turn be contributing to the broader loss of trust in expertise that is a central feature of the illiberal turn in contemporary politics, a central pillar of which is a deep rejection of expertise. In a world of recurrent and even escalating crises, such as the current COVID pandemic and climate change, the rejection of expertise is proving to be catastrophic.

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[12] One example will have to suffice. In response to the new empirical findings in the 1990s that suggested that raising the minimum wage sometimes increases employment, James Buchanan had this to say:

> … no self-respecting economist would claim that increases in the minimum wage increase employment. Such a claim, if seriously advanced, becomes equivalent to a denial that there is even minimal scientific content in economics, and that, in consequence, economists can do nothing but write as advocates for ideological interests. *Fortunately, only a handful of economists are willing to throw over the teaching of two centuries; we have not yet become a bevy of camp-following whores* (1996; emphasis added).

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