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The Journal of Economic Perspectives and the Marketplace of Ideas: A View from the Founding

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I welcome the opportunity to join in the celebration of the twenty-fifth birthday of the *Journal of Economic Perspectives.* It is wonderful to see how this "baby," which I, along with Carl Shapiro and Timothy Taylor, nurtured through its formative years—from 1984 (three years before the first issue in 1987) until I left to serve in the Council of Economic Advisers in 1993—has grown up and become an established part of the economics profession.

Some of the little and big questions we asked at the founding have now been answered. We spent what seemed, back then, like an inordinate amount of time choosing not just the title, but the colors and design of the journal. For academics whose focus is on content and exposition, this seemed a distraction. We worried: what would it look like on the bookshelf? We wanted a modern, breezy look—but one that would also have staying power. Were our colors too reminiscent of the 1980s television hit "Miami Vice"? Would our style seem, in a few years, as old-fashioned as the covers of nineteenth-century journals—dating us and our ideas? Evidently not, for a succession of editors have chosen to keep the cover and layout essentially unchanged. The format that we established then—symposia (many focusing on policy), articles, and features—has also persisted.

So too, we were worried about whether a journal with an emphasis on good writing (as opposed to jargon) could find a place in the profession and be not only read for amusement but also widely cited. Again, the answer is "yes." While sharing some skepticism about the value of citations as a metric of impact, a quick look through Google Scholar reveals many *JEP* papers with more than 1,000 citations. (Not that we had expected to excel in that distorted measure, since we had

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anticipated that our articles would have more influence indirectly, through shaping *perspectives.)* We wanted something that had a greater depth of economic analysis than that provided by the general press, but was less embedded in the dictates of the models and jargon of the sub-disciplines. And I think we succeeded.

In founding the journal, we had many objectives, hopes, and ambitions. We were concerned about the increasing specialization within the economics profession. Individuals in different specialties, or sub-specialties, or sub-sub-specialties, had increasing difficulty talking to each other. They didn't share a language or a body of knowledge. Recognizing the need for a common medium of expression, we sought to have complex and sometimes arcane or highly mathematical ideas translated into plain English, or at least that dialect of the language known as "Economese"—and in a way that was not only informative but engaging. Especially because of Timothy Taylor's hard work and mastery of language, I believe the journal has succeeded in that goal.

We were worried too about a growing distance between economics and policy. We were not seeking to be a policy journal. We were deeply rooted in economic theory and empirics. But I believed that at least a portion of economic research should be related to ideas that were, or should or would be, part of the national and global policy debates. That's why we chose as our initial board of editors a diverse group, including some committed to abstract theory, but also a disproportionate number of young scholars who seemed interested in policy. (Of the initial group of 14 editors and associate editors, three became chairmen of the Council of Economic Advisers and one a member, three became chief economists of the World Bank, one became a central bank governor and another a vice-governor, two became chief economists of the IMF, and one became U.S. Secretary of Treasury—allowing for double counting of a few that held more than one position.) Our first symposium, on tax reform, reflected this commitment to policy. That we did not fully resolve all the disputes over tax policy should be obvious from the ongoing debates. But to do that was beyond our ambition.

Indeed, we began with an explicit commitment to present a diversity of viewpoints, hence the word "perspectives" in the title. As editors, we were committed to publishing ideas with which we disagreed—not that we believed they contained errors in analysis so much as we may have felt they were based on hidden or unpersuasive assumptions, or gave too much weight to some evidence, too little to others. We believed strongly in "letting a hundred flowers bloom"—a free market for ideas. Our job as editors was simply to make sure that the argument was presented as clearly as it could be. Secretly, I hoped that clarity of exposition would suffice to undermine certain of the ideas that I thought were foolish. Sometimes that was the case, but not always. When there are widely shared assumptions, it is hard to change opinions. Even dramatic events, like the Great Recession of 2008, have left many economists still wedded to macroeconomic models that seem so out of touch with what is going on.

We were lucky with timing in the founding of the journal. The American Economic Association was flush with money at that time. There was unhappiness on the part of some members of the Association with the directions in which the profession was going, as reflected in its existing journals. When I proposed the journal, it was quickly realized that it could simultaneously serve multiple functions: it would be a journal that was more accessible to more of the members of the Association, and it might help bridge some of the divides (between theory and policy, and across different sub-disciplines) in the profession.

It is not easy to manage a journal, and it has become increasingly difficult. The supply of papers has increased super-exponentially (not necessarily in tandem with the supply of new ideas), and the editors of journals like the *American Economic Review* are inundated with submissions. While the editors shape the journals—and thereby, to some extent, the profession—by their selections, much of their energy goes to separating the wheat from the chaff, just sifting through the papers and trying to make what they believe is a fair and informed decision. We wanted to take a more proactive role, for instance in identifying authors with a gift for exposition and in anticipating what might be the ideas at the center of the profession in the future.

There was another reason for our approach. One of our concerns, as noted, was to provide a closer link between policy and theory. But policy issues change quickly—much faster than the pace of the standard academic journal. We wanted a structure that enabled us to target policy issues while they were still the subject of debate. For instance, we entered the fray on the economics of transition quickly after the collapse of the Berlin Wall with a Fall 1991 symposium. While our focus was on the economics profession itself (in shaping, for instance, the research agenda), the fact that we made our articles accessible meant that they were able to have a greater impact on policymakers and play a more important role in public discourse.

This goal forced us to make an unpleasant decision: we would solicit papers. I say unpleasant, because I would have preferred more openness. Indeed, the allegedly more open journals were already being accused of being closed, giving preferential treatment to friends and colleagues. That was why we put such stress on having a diverse group of associate editors, giving them responsibility for soliciting articles, and on our commitment to publish articles with which we disagreed. Still, we worried about accusations of elitism, and not surprisingly, charges were levied. Of the 11 articles in the first issue, somewhat less than 50 percent were from the elite universities (say the top ten), while a quick perusal of the most recent issues suggests the percentage has crept up to something more like two-thirds.

Making the journal one where the editors solicited papers gave us time to think more deeply about what it was we should publish and to work harder to make sure that the papers did what we wanted them to do and were accessible. Our approach ensured that the average paper quality was higher and that the papers came out more quickly. I don't think any economics journal had such intense editorial intervention—we rewrote large fractions of many of the papers, and reshaped many more. In the end, I think the approach worked well, enabling the journal to become (by many accounts) the most successful new entrant in the world of academic journals in decades.

But at the same time, this approach put a special burden on us—one that I hoped our successors as editors would take on board. We had to take care to make sure that the journal didn't just reflect our own perspectives, our own views about where the economics profession should be directing its attentions, our own judgments of what was important and what was not. Thus, even more important than a diversity of backgrounds is a diversity of perspectives. This, I thought, was especially important in a field known for having certain orthodoxies—orthodoxies that dominate for a while and then fade, making the profession sometimes look less like a science than it would pretend to be. A case in point is the well-known and widely documented belief within the profession as the economy entered the Great Depression that markets were self-correcting and government intervention would be a mistake. Another is the monetarist fad a half-century later.

We worked hard to challenge these orthodoxies, with some success—and to challenge them *before* it became the fad to do so. In the first issue of Summer 1987, for instance, we published Gavin Wright's wonderful piece on "The Economic Revolution in the American South," where he argues that imposing national wage norms and labor standards on the South played a pivotal role in its transformation out of backwardness. The recognition that minimum wages might not have the adverse effects that economists had widely presumed was, of course, given further impetus in later work by Alan Krueger (editor of this journal from 1996 to 2002) and David Card.

The rational choice model had long been the basis of standard economic analysis. My own work on the economics of information had shown that many of the results of the standard model were not valid *even with rational expectations,* so long as there were, say, important information asymmetries. My own work had uncovered a large number of phenomena that were hard to reconcile with the rational choice model plus rational expectations and even information asymmetries. From its inaugural Summer 1987 issue, the journal explored both these anomalies and the problems posed for the underlying theoretical structures (the former in a special section we had regularly on "Anomalies," edited and often written by Richard Thaler, and the latter in an article by Mark Machina titled "Choice under Uncertainty: Problems Solved and Unsolved").

One of the goals we set out for ourselves in the foreword published in the first issue of the journal was to disseminate developments within economics more rapidly. This posed a challenge: separating what might be a short-run fad (an intellectual bubble) from what might be a transformative idea. In retrospect, I think we did reasonably well. The critique of standard theory that we advanced in our anomalies section evolved into an important strand in modern economics: behavioral economics. We would like to think that perhaps the attention we gave it played a role in its quick rise in prominence.

Other ideas would take longer: we featured a symposium on bubbles in the Spring 1990 issue. If only policymakers had paid more attention, instead of claiming (based on "rational and efficient markets") that bubbles can't occur! So too, in our symposium on the economies in transition, in the Fall 1991 issue, Peter Murrell provided perspectives that I wished our policymakers had listened to more closely. He questioned basing that transition on "neoclassical economics," anticipating the problems that would be posed by shock therapy—the enormous decline in GDP experienced by the transition countries following the standard model—when moving toward market economy was supposed to bring unprecedented prosperity. His paper also anticipated the long-term problems in establishing a rule of law in Russia, problems that I believe were worsened by the misguided policies of the first decade of transition.

Staying ahead of the game—anticipating where the meanderings of the economics profession will lead—is no easy task. Who would have anticipated, for instance, that the conventional wisdom on capital controls would change so quickly and dramatically, with the IMF now supporting their imposition, at least under certain circumstances (and with a much broader set) than was the case even a short while ago? But as far back as a dozen years ago, there was a large body of nonmainstream thought and research—much of it solidly grounded in theory and empirics (not necessarily the "standard theory" with infinitely-lived individuals with complete risk markets and no information imperfections)—pointing out that capital controls sometimes make sense. It is important that the journal be a "big tent," even when the editors subscribe (or not) to the effervescent conventional wisdom.

By the same token, the relationship between inequality and fluctuations is, once again, becoming the subject of attention. Obviously, representative agent models in which distribution plays no role are unable to shed light on this issue, but there have been alternative macroeconomic traditions that have stressed these issues. This is a big deal. I played a role in organizing a UN Commission of Experts on Reforms of the International Monetary and Financial System, which called attention to this and other issues in *The Stiglitz Report: Reforming the International Monetary and Financial Systems in the Wake of the Global Crisis* (New Press 2010). The *Journal of Economic Perspectives* should be calling attention to this kind of issue, one hopes before it becomes painfully obvious to everyone else.

We never shied away from controversy at the journal, but we did try to ensure that the discussion was balanced. In the tax symposium in the first issue of Summer 1987, we included voices from Buchanan to Musgrave and Pechman, with important contributions from then-emerging young scholars such as Auerbach, Rubinfeld, Courant, and Poterba. By the time that symposium was commissioned, it was already clear that the supply-side advocates of Reagan's tax changes had been proven wrong. But we wanted to dig deeper, to look more closely at what had actually happened, for instance, to labor supply or savings. And we wanted to see what, in retrospect, the advocates of those reforms had to say. In rereading this symposium (as in the case of so many of the others in those early years), it is striking how relevant the issues addressed are to what is happening today; and I can't help but feel that current policy debates might be improved if more attention were paid to these earlier analyses.

We knew that it would be hard to maintain that balance, and there are reasons for concern in this area. In the Fall 2010 symposium on "Macroeconomics after the

Financial Crisis," insufficient attention was paid to the voices of macroeconomists critical of the reigning paradigm *before* the crisis (say in the tradition of Hyman Minsky, or those who had explored debt-deflation models, financial instability models, and models with greater emphasis on credit and credit interlinkages). In the journal's Winter 1993 symposium titled "Keynesian Economics Today," attention had been given to some of these alternative perspectives, including the debt-deflation approach—where more wage and price flexibility could exacerbate unemployment (a paper I wrote with Bruce Greenwald)—and an approach focusing on wage and price rigidities (a paper by David Romer).

In the Winter 2011 symposium on "Financial Regulation after the Crisis," again the voices of those who had called for more and better regulation *before the crisis* were either absent or underrepresented. As another example: only one article in that symposium is devoted to consumer protection, arguably one of the most significant parts of the Dodd–Frank financial reform bill. While that article firmly sets the need for consumer protection within a behavioral economics context, it gives short shrift to the predatory and (sometimes borderline) fraudulent and deceptive practices that have marked the financial sector. While it is, perhaps, unfair to pick on the lacuna in any single article, perspectives on whether markets work or not, and if so, why they fail, are reflected in the attention paid to one problem versus another, and the arguments *not* noted. Does the reluctance of banks to restructure arise out of the difficulties of identifying strategic defaulters (an issue noted in the paper)? Or from the fact that, given deficiencies in accounting standards, with restructuring, losses have to be recognized, with consequent implications for capital adequacy? Or because of conflicts of interest between holders of first and second mortgages and service providers (another issue not mentioned)? The fact that there were such deficiencies in risk analysis on the part of so-called experts raises questions about the ability of the financially unsophisticated to manage risk, so while the paper's discussions of financial literacy were interesting and welcome, the problems go beyond "literacy." At the end, the article devotes a couple of pages to the dangers of regulatory interventions.

It might have been good to have an article from a law and economics scholar—perhaps even Elizabeth Warren, viewed as the initiator of the idea, someone aware of the dangers of regulation, but even more aware of the dangers of underregulation. The perspectives of non-American regulators, who have taken somewhat different views than their American counterparts, might be informative: for example, in the United Kingdom alone, there is Adair Turner, former head of their Financial Service Authority regulatory agency, who has clearly articulated the view that the losses from underregulation outweigh, by orders of magnitude, the costs of regulation; Mervyn King, head of the Bank of England, who has warned strongly of the dangers of too-big-to-fail banks; and Andy Haldane, Executive Director for Financial Stability at the Bank of England, who has detailed the risks of financial systems that are too intertwined.

When we initiated the journal, we did not necessarily expect any single article to be balanced—indeed, the notion of the *Journal of Economic Perspectives* was that different articles would take different perspectives—but that the *collection* of articles would be balanced. We wanted articles with a viewpoint, and we wanted a clash of viewpoints. We wanted microeconomic perspectives to be balanced with macroeconomic perspectives—for example, some kinds of mortgage systems may not only be less exploitive of uninformed consumers, but may have performed better systemically, across countries, and over time, perhaps partly because they are less exploitive.

The explosion of research in economics, the imperial successes of economics in making inroads into neighboring disciplines, and the increasing awareness of the limitations of the standard economics paradigm makes the importance of the journal even greater today than it was a quarter–century ago. Today, there is interesting work going on, for instance, in economic anthropology—work, for instance, viewing central bankers through the eyes of a cultural anthropologist—or on the border of sociology and economics, exploring how social constructions like race and caste arise and affect behavior. Given the scarcity of time, most economists simply can't explore this exciting terrain, and the *Journal of Economic Perspectives*, breaking down the boundaries not only within but across disciplines, can help make these ideas acceptable.

Economists often think of their task as making markets work, or at least work better. The *Journal of Economic Perspectives* has helped make the marketplace of ideas work much better. It is not an easy task. It is a task which is becoming increasingly difficult. The journal is to be congratulated on the enormous success it has attained.