Economic Bullshit Detectors

From The Grumpy Economist, a review/ commentary by John Cochrane on an essay by Russ Roberts on Economic Humility

> *In sum, I think economics provides an excellent set of bullshit detectors. This is my stock answer about my own professional expertise. I may not know what makes the economy grow, or how monetary policy works. But I now with great detail exactly why the ten stories in front of us are all wrong, and typically logically incoherent. That is useful knowledge.*
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> *Economics and economic history also teach us humility: No economist in 1900 could have figured out what farmers, horse-shoers, ice deliverers, street-sweepers, and so forth would do when those jobs disappeared. The people involved did. Knowledge of our own ignorance is useful. Contemplating the railroad in 1830, no economist could have anticipated the whole new industries and patterns of economic activity that it would bring – that cows would be shipped from Kansas to Chicago, and give rise to its fabled meat-packing industry. So, in a dynamic economy, all the horse-drivers, stagecoach manufacturers, canal boat drivers, canal diggers, and so forth put out of work by the railroad, and their children, were not, in the end, immiserized.*
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> *Also, many of the "facts" aren't quite facts, and really are always up for review. If we start teaching lessons of history, for example, the old chestnut that stimulus is proved by the rise in output from WWII spending – never mind the failure of output to collapse after WWII ended, the end of Roosevelt's war on capital, the failure of hundreds of other stimulus programs or the minor fact of a war – or how the New Deal saved us in the Great Depression, will get passed on along with valuable nuggets such as dreary repetition of experience on the effects of rent controls.*

Many historical issues are no less settled than the current issues that Russ talks about!

Finally, PhD training really is vocational training to do research, not to advise public policy. The market test is pretty clear – to do research, you don't need a broad based understanding of economic history. When a research project needs a particular history, it's easy enough to learn that.