Contents

List of Figures  page xi
List of Tables  xiii
Acknowledgments  xv

PART I INTRODUCTORY THEMES  1

1 Introduction  3
  1.1 Introduction  3
  1.2 Discussion  7
  1.3 Linear versus Cyclical Policy Goals  8
  1.4 Exogenous versus Endogenous Goals  10
  1.5 Transparency  12
  1.6 Sympathetic Bias  14
  1.7 Ideology  15
  1.8 Systems Gone Wrong  16
  1.9 Some Possible Remedies  18
  1.10 Concluding Thoughts  24

PART II THE DISCUSSION TRADITION  27

2 On “Strongly Fortified Minds”: Self-Restraint and Cooperation in the Discussion Tradition  29
  2.1 Introduction  29
  2.2 Discussion, the Self, and Trade: Adam Smith  30
  2.3 Discussion and Learning: J. S. Mill  33
  2.4 Fair Play and Language  37
  2.5 Discussion and Cooperation: Experimental Evidence  39
  2.6 Conclusion  44
## Table of Contents

### 3 The Knightian Moment

- **3.1 Introduction** 46
- **3.2 Frank Knight’s Disciple, George Stigler** 50
- **3.3 Free-Market Experts and Ordinary People** 52
- **3.4 Milton Friedman’s Consumption Function** 56
- **3.5 The Thomas Jefferson Center Proposal to the Ford Foundation** 61
- **3.6 Conclusion** 66

### 4 The Rise of New Welfare Economics: An End to Discussion?

- **4.1 Introduction** 68
- **4.2 Lionel Robbins and Goal Endogeneity** 70
- **4.3 New Welfare Economics** 80
- **4.4 Conclusion** 84

### PART III WHEN LINEAR MODELS FAIL: TWO CASES

### 5 Experts and Eugenics: “Science” Privileges a Social Goal

- **5.1 Introduction** 91
- **5.2 Experts on Ends: Human Happiness versus Progress** 94
- **5.3 Charles Bradlaugh, Annie Besant, and Charles Darwin: Competing Experts** 97
- **5.4 Expert Advice Cascades: Economists Change Course** 103
- **5.5 Experts Who Pick Results to Support the Ends** 105
- **5.6 Conclusion** 107

### 6 Expert Judgment and Soviet Growth

- **6.1 Introduction** 110
- **6.2 Soviet Growth in US Economics Textbooks** 114
- **6.3 Poor Forecasts: Ideology or Model Failure?** 128
- **6.4 A Second-Best Test** 132
- **6.5 Conclusion** 134

### PART IV AN END TO DISCUSSION: SECRECY AND THE TEMPTATION TO BIAS

### 7 Experts and the Philosopher’s Stone: John Law’s Secret Financial Alchemy

- **7.1 Introduction** 139
- **7.2 John Law and the Mississippi Bubble** 141
## Contents

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.3</td>
<td>The Hidden: Alchemy in the <em>Great Mirror of Folly</em></td>
<td>144</td>
</tr>
<tr>
<td>7.4</td>
<td>Uncovering the Fraud: Desiderius Erasmus on Alchemy in the <em>Great Mirror of Folly</em></td>
<td>149</td>
</tr>
<tr>
<td>7.5</td>
<td>Conclusion</td>
<td>155</td>
</tr>
<tr>
<td>8</td>
<td>The Consequence of Suppressing Discussion: Imprudence with Biased Experts</td>
<td>157</td>
</tr>
<tr>
<td>8.1</td>
<td>Introduction</td>
<td>157</td>
</tr>
<tr>
<td>8.2</td>
<td>The Early Criticism of Rating Agencies in Regulation</td>
<td>161</td>
</tr>
<tr>
<td>8.3</td>
<td>Gilbert Harold’s Prudent Estimator of Investment Quality</td>
<td>162</td>
</tr>
<tr>
<td>8.4</td>
<td>The Corporate Bond Study Responds to a Critic</td>
<td>167</td>
</tr>
<tr>
<td>8.5</td>
<td>The Corporate Bond Project of the National Bureau of Economic Research</td>
<td>174</td>
</tr>
<tr>
<td>8.6</td>
<td>Conclusion</td>
<td>176</td>
</tr>
<tr>
<td>PART V</td>
<td>GETTING THE BEST FROM EXPERTS</td>
<td>179</td>
</tr>
<tr>
<td>9</td>
<td>A Proposal for a Revised Code of Ethics for Experts</td>
<td>182</td>
</tr>
<tr>
<td>9.1</td>
<td>Introduction</td>
<td>182</td>
</tr>
<tr>
<td>9.2</td>
<td>The Expert Economist’s Dilemma, Historically Considered</td>
<td>184</td>
</tr>
<tr>
<td>9.3</td>
<td>Experts as Truth Seekers: A First-Best Option</td>
<td>188</td>
</tr>
<tr>
<td>9.4</td>
<td>Toward a (Partial) Solution to the Ethical Dilemmas of Expertise</td>
<td>190</td>
</tr>
<tr>
<td>9.5</td>
<td>Conclusion</td>
<td>193</td>
</tr>
<tr>
<td>10</td>
<td>Mitigating the Consequences of Factional Expertise</td>
<td>197</td>
</tr>
<tr>
<td>10.1</td>
<td>Introduction</td>
<td>197</td>
</tr>
<tr>
<td>10.2</td>
<td>Gordon Tullock and the “Racket”</td>
<td>199</td>
</tr>
<tr>
<td>10.3</td>
<td>Karl Popper on Scientific Faction</td>
<td>202</td>
</tr>
<tr>
<td>10.4</td>
<td>Bringing Out the Best of Expertise</td>
<td>204</td>
</tr>
<tr>
<td>10.5</td>
<td>Conclusion</td>
<td>207</td>
</tr>
<tr>
<td>11</td>
<td>Inducing Greater Transparency</td>
<td>210</td>
</tr>
<tr>
<td>11.1</td>
<td>Introduction</td>
<td>210</td>
</tr>
<tr>
<td>11.2</td>
<td>Clients and Experts: The Statisticians’ View</td>
<td>213</td>
</tr>
<tr>
<td>11.3</td>
<td>A Model of Sympathetic Expertise</td>
<td>214</td>
</tr>
<tr>
<td>11.4</td>
<td>Governance by Jury</td>
<td>220</td>
</tr>
<tr>
<td>11.5</td>
<td>Is Transparency Incentive Compatible?</td>
<td>222</td>
</tr>
<tr>
<td>11.6</td>
<td>Making Transparency Incentive Compatible?</td>
<td>226</td>
</tr>
<tr>
<td>11.7</td>
<td>Conclusion</td>
<td>229</td>
</tr>
</tbody>
</table>
# Contents

**PART VI CONCLUSION**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td><strong>Vox Populi?</strong></td>
<td>235</td>
</tr>
<tr>
<td></td>
<td>12.1 Returning to Discussion</td>
<td>235</td>
</tr>
<tr>
<td></td>
<td>12.2 A Radical Proposal</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td><strong>Bibliography</strong></td>
<td>243</td>
</tr>
<tr>
<td></td>
<td><strong>Index</strong></td>
<td>265</td>
</tr>
</tbody>
</table>