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THE RESPONSIBILITY OF THE ECONOMETRICIAN

By RAGNAR FRISCH

If we try to place current economic events and current practical economic endeavours into a greater perspective so as to bring out the underlying tendencies, we become aware of the fact that something of real significance from the econometric viewpoint is taking place. The *econometric attitude* will gradually come into its own not only in theory but in practice as well. And what we witness to-day is only a very small thing as compared with what is coming. We may predict that the science of which we try to be the humble and devoted servants will in the future life of the nations be an important factor in eliminating maladjustments between fundamental economic sectors and assure a smooth and progressive utilization of resources. In countries based on more or less free enterprise the most conspicuous of present maladjustments is the devastating controversies between labor and capital. And in a country with a centrally planned economy the corresponding big issue—if the country is to live up to the democratic standard of producing not only by the people but also for the people—will be to find means of recording the tastes of its population and letting these tastes influence the course of its production in an appropriate way. Both problems call upon econometrics.

I have, of course, always believed in the practical possibilities of econometrics, but facts from my own country after the war have revealed to me that this development may proceed rather more rapidly than I originally suspected. No doubt a similar situation exists in other countries.

After the liberation the demand for trained economists in Norway has been overwhelming. This applies in particular to Government work where the economists are needed for reporting and planning. But to a considerable extent it also applies to political organizations, industrial groups, trade unions, newspapers, etc. In all these places there is now a keen desire to use economists to a much larger extent than before. One wants men with a knowledge of the characteristic features of the economic and social structure of their country and with a fundamental theoretical knowledge along modern lines. Above all one feels the need of men who understand how the big economic issues, employment, investment, labor, living costs, fiscal policies, etc., *gear into each other*. This, of course, is essentially a quantitative problem. It is the

type of problem that the econometrician would speak of as belonging to *general macroeconomics*.

As an example of the paramount practical importance of this new attitude towards the main economic problems I may mention the fact that the Norwegian trade unions (which form one unified organization, not several competing organizations as in the U. S.) have adopted a policy of solving the labor problem *without strikes* during the period of reconstruction, and as a means for this end have gone in for the construction of a new living-price index of a much enlarged scope. It is to be based on very extensive collections of household budgets which will be gathered quarterly (or possibly monthly) from their membership and worked up and analyzed according to the best scientific principles. The work will be done at the University Institute of Economics under my direction. At present more than 100 students are working as assistants to bring the first data into shape and do the necessary computations. Neither the desire of the trade unions to avoid strikes nor their interest in a living-price index is, taken by itself, particularly significant, but the fact that they want to use enlarged and improved computations *as a means of* avoiding strikes, one could almost say as an alternative to strikes, is indeed significant. It seems to open a new era. Also on the part of the employers there is a considerable willingness to let decisions be influenced by objective computations that indicate the underlying facts and relations.

Men who can handle general macroeconomic problems cannot be produced at short notice. It takes years to educate and train them. The number of really useful men is, of course, also limited by the fact that not only technical qualifications are needed but also such human qualities as power of initiative, energy, administrative ability, etc., and these qualities are not to be found everywhere. When liberation came to Norway we were fortunate in having a group of highly qualified young economists who could be used in some of the most important posts. But the group was all too small. The stock was rapidly exhausted, and as it could not be replenished at short notice, there is now a great unsatisfied demand. And the load of work put on those in office is more than can be endured for any length of time. To some extent this is, of course, due to the extraordinary situation created by the needs of reconstruction. But most of the demand for economists—the demand for really first-rate men—is of a permanent character and new tasks will undoubtedly be added as time goes on.

The fact that these highly qualified “quantitative” economists are now so much in demand for practical work certainly gives occasion for rejoicing. And no one can enjoy this more than the academic teachers who have done their best to prepare these men for their tasks. But

from another angle the situation is very alarming: None of the young economists in our country now has time to engage in free research work. Need this cause any concern? one may ask. Are not our needs at present "practical economics" in preference to "research economics"? This kind of reasoning reminds me of the child from the city when he saw country life for the first time; he did not want the kind of milk they drew from the cow, only the kind they bought at the store. If organized free research activity is not kept up continually, the source of regeneration will rapidly dry up and it will soon become impossible to turn out the kind of men that has now proved to be so useful in practical economic work.

Thus we are confronted with the problem of increasing the output of economists and of econometricians in particular, and of giving them the fullest possible opportunity of doing free research work. I should like to mention some aspects of this.

The specific characteristic of free research—in econometrics as in other fields—is that the investigator gets an opportunity to follow out *in tranquillity* the avenues of approach suggested by his intuition and imagination and to select himself the kind of theory and the kind of data which appear to him to be the most promising. This does not mean, of course, that he gets lost in unrealistic constructions. His request for freedom applies more to the *manner* in which the problems are to be studied, than to the *object* of the research. He wants most decidedly to be inspired by the burning practical problems of the day; this realistic orientation is indeed an essential characteristic of econometrics. But it is inevitable that the realism that the free research worker stands for—and in particular the kind of realism that is needed in the study of the most general aspects of economic macrodynamics—will to some extent differ from what is considered the right kind of realism in certain "very practical" quarters. If one attempts to unite all, or a large group of economic factors, into a single system of explanation, the judgment on what is "important" and "realistic" must, of course, be different from what it will be when some specific economic factor is considered from a narrow angle.

A real understanding of the economic phenomena from this general viewpoint can hardly be obtained otherwise than by personally engaging in free research work *at least for some time*. In this connection I have found it very significant that nearly all the young Norwegian economists who are now in important practical work for the Government or otherwise, have gone through such a training period. Quite a number of them have done it by working—after their University examinations—for one or more years on econometric problems at the University Institute of Economics in Oslo and subsequently for one or

more years abroad. I suppose that similar experiences have been found elsewhere.

Thus, the maintenance of large organizations where young economists can be trained in free research work in general economics and in particular in that type of economics which we designate as econometrics, appears as essential *even from a very short-run consideration of what is "useful" to a country*. I will not hesitate to say that our whole economic and social future will to a large extent depend on how extensively and how effectively we shall succeed in organizing this kind of research.

It should be stated explicitly that such an increase in the number of men devoted to econometrics is desirable only on the condition of *quality*. Econometrics is a powerful tool, but also a dangerous one. There are so many chances of abusing it, of doing more harm than good with it, that it should only be put into the hands of really first-rate men. Others should be absolutely discouraged from taking up econometrics. But on the condition of quality there is practically no limit to the number of men which the field can absorb.

The whole situation thus imposes a great responsibility on the econometrician. And it also puts a heavy responsibility on the authorities—state or otherwise—who are to direct funds into this kind of research.

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