COMMENTARY

Don Paarlberg's Viewpoint

Ten Gentle Suggestions for People Who Use Economic Counsel

In the previous issue I shared with CHOICES readers "My 10 Commandments for Economists Who Counsel Politicians." In this issue I'd like to suggest 10 companion precepts for those who depend on economic advice.

I. Ask for Advice. Most issues have an economic dimension. Some top decision makers have sufficient economic perception of their own and don't need economic counsel. But not all. For most big decisions outside economic appraisal is helpful. Volunteered counsel can occasionally be useful, but it is often uneven, biased and shallow.

If you ask, be ready to listen. If you know ahead of time what decision you are going to make, you have no need for an adviser.

II. Go to the Right Place. Much economic advice is biased; it serves the purpose of the adviser more than the need of the principal. There are two criteria for selecting an adviser: (1) That the adviser be a competent economist, and (2) that he or she has no vested interest. The second is more important than the first.

Don't go to economists for political advice or for counsel on ethical issues. Ask for the economic input, which is within their competence.

III. Specify the Subject. Unless there is a clear indication as to the substance of the counsel sought, the response may be wide of the mark. "Tell me the effect of the $50,000 payment limitation on program participation" is better than "give me a paper on payment limits."

IV. Specify a Due Date. Give as much lead time as you reasonably can. Tell your advisers when a paper is due, or they are likely to keep refining it indefinitely. They will be reluctant to let it go until they are satisfied with it. But the one to be satisfied is the principal, not the adviser. The amount of time that can be spent in refinement is prodigious. The principle of diminishing returns operates in report writing as well as in fertilizer application.

V. Insist on Good Communication. There are four media by which advice can be given: the English language, graphics, tabular presentation, and the mathematical form. Each has its uses. Most principals prefer to receive information in English, in tabular form, or in simple graphics. Many modern economists have been trained to present their material in mathematical fashion. As the principal, you should insist that the communication be in a form suitable to you. Any worthy economic thought can be conveyed in the English language.

The principal should insist that the report be brief, addressing the main point, without the numerous qualifications that economists like to use for self-protection. President Truman, incensed by his economic adviser's frequent use of the phase "on the other hand," said he needed a one-armed economist.

VI. Blend Economic Counsel With Other Advice. Even if the economic input is flawless, it may not be decisive. Political, ethical, or sociological criteria may be more important. In making a decision, the principal should blend the various disciplines; this task should not be delegated to an adviser who knows one discipline only.

VII. Accept Responsibility. The decision maker should accept responsibility for the decision. It does not suffice to say "I got bad economic advice." The principal is responsible for selecting the adviser and for having followed or ignored the counsel. If the thing turns out well, both parties can be happy. If it turns out badly, the adviser is responsible for offering the counsel and the principal is responsible for using it.

VIII. Keep Score. A principal should do a rough appraisal, after the fact, of the quality of advice given. "Forgive and forget" may be morally commendable, but it is not the proper attitude to take for wrong advice. True, economic appraisal can never be 100 percent correct over any extended period, but if the counselor repeatedly comes forward with bad advice, the relationship should be terminated. If you are uncomfortable with the counsel, ask for a second opinion, as you would with a major medical problem.

IX. Keep the Adviser in a Subordinate Position. Never hire any adviser—or speech writer—who wants your job. Insofar as possible, keep the relationship anonymous. This protects you, the principal, by avoiding the perception that you are just a puppet. It protects your adviser by helping him or her survive a bad experience.

X. Recognize a Job Well Done. A note or a word of commendation—privately expressed—is both good manners and good business. Better still, an advancement or a raise in pay will be visible recognition for good work and will assure a greater effort in the future. Advisers can make you or break you; treat them with respect. C

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