Association *for* Heterodox Economics

The Clerk
Science and Technology Committee
House of Commons
7 Millbank
London SW1P 3JA

Monday, March 7th

Science and Technology Committee Enquiry into Peer Review

Dear Madam/Sir

I am replying on behalf of the Association for Heterodox Economics (AHE) to your request for evidence on the operation and effectiveness of the peer review process used to examine and validate scientific results and papers prior to publication. We are responding specifically on the peer review process as it operates in economics.

The AHE, now in its thirteenth year, represents around 400 practicing economists worldwide and its regular annual conferences now regularly attract over 100 scholarly papers. This year we have introduced our own process of scholarly review for conference papers. We act as a conduit for the views of a wide range of economists both in the UK and outside, particularly those who are critical of, or dissent from, the views of the economics mainstream. We prepared submissions to consultations organised by the Research Assessment Exercise (RAE) in 2009 and to the consultation organised by the UK Quality Assurance Authority (QAA) around the Subject Benchmark Statement for economics.

We think that public policy needs specifically to address the problems of the peer review system in economics with the following objectives:

(1) to protect against the narrowing of received economic truth to a single trend or small range of trends of thought to the exclusion of legitimate critical and dissenting views

(2) to provide due place to critical and dissenting judgement, without discriminating so as to define such judgements, as *de facto* inferior by virtue of the fact that these views are either unpopular with the mainstream, or not widely subscribed to

(3) to render the peer review process transparent, and objective and subject to external constraints and judgement, in order to guard against 'group think' arising from the systematic confusion of quality with conformity to which economics is peculiarly prone

(4) to take prudent precautions against distortion by conflicts of interest.

To this end we propose a number of changes to the peer review system as it operates in economics. These changes are:

(1) A standard of acceptability in the peer review procedures of journals is required, covering journals in which publication is taken as a criterion for allocating UK research funds. There are a number of ways this could be achieved. The simplest is to establish an independent body to draw up these standards and oversee their implementation, in consultation with bodies internal and external to the profession, including private and public users of economic ideas.

   a. The standard should include published guidelines on acceptable peer review procedures

b. The standards should be taken into account in determining the allocation of research funding. In general, the aim should be that funding is allocated the basis of publications in journals in conformity with the standard

c. The standard should include a code of publication ethics in economics, drawing on the ethical standards set by professions such as the Medical and legal professions and drawing also on the guidelines offered by the Press commission for published magazines, particularly concerning accuracy, fair representation, and right of reply.

(2) Journals should issue clear, transparent, and public criteria for selection of articles. These should be objective, in the specific sense that an independent observer can verify whether the criteria have been applied. A common core of the criteria should repose on a code of publication ethics common to the profession, for example as specified in (1)(c) above.

(3) Where there is a contested range of theory or opinion, journals should recognise a clear public responsibility to ensure that their readers have access to the range of views involved.

a. Published articles themselves should be judged, among other criteria, on whether they take due account of opposing views.

b. Journals should recognise an editorial duty to take due account of views that dissent from those that they publish, or which are in line with their editorial line.

c. Journals should arrange for a right of appeal against improper application of selection criteria or non-conformance with standards

d. Journals should be required to seek out and publish views that significantly dissent from or criticise views that are heavily represented in their selection of articles, where a body of dissent of high academic quality exists.

e. Journals should provide protection against misrepresentation. These should include right of reply and a duty to publish corrections or retractions in the event that a published article is subsequently proven to contain significant misrepresentation. This is particularly important, since the preservation of an orthodox doctrine and the non-recognition of dissent is, in the main, rendered possible by the systematic misrepresentation or omission of opposing views

There is widespread concern that the process that produces economic ideas has proved defective, along with the professional competence of the country's leading economic advisors and experts, in the course of the recent economic crisis. We believe these concerns are legitimate and should be addressed. The peer review system as it operates in economics is, we believe, a significant contributory factor.

Peer review constitutes one aspect of a wider process that has produced what Colander et al (2009) term a 'Systemic Failure' of the economics profession. In our own submission to consultation on the Subject Benchmark Statement for Economics (Freeman 2010) we argued that that has arisen from the 'regulatory capture' of the economics profession, a view also expressed by Lord Adair Turner.

This phenomenon, well-known in economics, occurs when an institution plays the role of *regulating*, that is to say, forming judgments over what is fit for public purpose, and when a particular, private interest, affected by the outcome of these judgements, arranges systematically to influence these judgements so as to favour itself as against other private interests and thereby, ultimately, the public.

Regulatory capture is systemic: no one particular 'lever' may be indentified that can be pulled to create or dismantle it. We believe however that the peer review system is a fulcrum: it determines what the

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profession 'judges to be' good economics. Ultimately, the only test that is in practice applied, to determine whether a teacher should be appointed, a policy adopted, or research funds adopted, is publication in an economics journal.

Economics journals are stratified into 'Diamond List' or 'Elite' journals which narrow the field of ideas deemed legitimate to a narrow band of received ideas that constitute themselves as a doctrine or set of doctrines, stifling critical judgment and denying the public access to alternative ideas – most notably, those ideas that could have foreseen and perhaps avert the recent crisis. One prominent example of such a doctrine, now subject, quite justly, to withering criticism, is the so-called 'Efficient Markets Hypothesis' – a doctrine which was until recently considered the hallmark of good judgement in economics, and which led to the false conclusion that there could be no systemic failure of the financial markets. This doctrine is now rightly discredited. The problem to be addressed is, however, why this took place after, not before, the crisis, and why dissenting views were, until the crisis had been under way for more than a year, dismissed and unworthy of publication.

The restriction of economic doctrine to a single paradigm and a narrow range of ideas is thus the principal problem which the peer review process needs to address. This process was termed 'Group Think' by the IMF's independent audit commission, when it reported on the weaknesses of the International Monetary Fund (IAC 2011). It identified this phenomenon as the principal cause of the IMF's main failings.

In academic economics in particular, the peer review system interacts perniciously with the system for allocating research funds (Lee xxxx, Lee and Harvey), intensifying the tendency to 'group think'. Bodies that allocated research funds (RAE and now REF) are reliant, particularly in economics, on publication in 'quality' journals – those that conform to the mainstream and form part of the 'Diamond List'. This first of all stifles research which might draw conclusions counter to those published in the mainstream journals. Higher Education Institutions react to this logically and instrumentally: they determine their selection of research criteria and, also, decisions on who to promote and recruit, on the basis of publication record, or expected publication record, in mainstream journals. In consequence, University departments have become denuded of critical or dissenting scholars.

This creates a positive feedback loop. Since the scholars thus selected, have been chosen for conformity with current received doctrine, and since they make up the 'peer group' which judges what is to be published, academic economics is steadily reduced to a body of people that conform with a narrow range of dominant – and, as it has turned out, frequently wrong – theory.

A parallel cause for concern is the disproportionate impact of private or external funding from bodies with a significant interest in the outcome of economic research. It is particularly striking that, unlike the medical profession, economics has no requirement when peer reviewing journal articles to request or publish information on sources of funding or to exercise due diligence as to the risk of conflict of interest. The recent embarrassing resignation of the director of the London School of Economics emphasis the scale of this risk.

Similar concerns exist surrounding the procurement for a considerable fee, by the Icelandic Chamber of Commerce, of a clean bill of health for Iceland's financial institutions which was provided by the secretary of the Royal Economic Society, three months before these institutions collapsed. For this reason we believe it is an urgent matter to ensure that procedures are incorporated, in the peer review system, to protect against, and to publicly declare, conflict of interest – in line with publication standards in other disciplines.

Economics plays a specific role in society; it is the judgements of economists that are used to determine which economic policies are valid and which are not, whether applied by governments or by institutions with a public role such as banks, trade bodies, regulators of public services, or even credit rating agencies. For this reason, it plays a regulatory role. Its judgements, however, have frequently been unsound, as is now recognised in the wake of the recession that opened in 2008.

Yet, despite this highly influential and public role, economics is uniquely free from external scrutiny or requirements for conformity with publicly stated standards, or codes of conduct or ethics. Economics is unique amongst the professions – particularly those with a major influence on public policy affecting large numbers of people – in that it possesses no external constraints or process of verification. Its products are not scrutinised as are those of engineers or architects, for functionality – to apply the simple test, that is, of whether they work. Nor is there any independent professional body as with Medicine, Architects, Accountants, and so on. Finally, there is no code of conduct: there are no clearly-stated criteria as to what constitutes good or bad economics.

The Association for Heterodox Economics believes that a review of all practices in the economics profession is a matter of great urgency. There is no more important place to start than the process which determines what constitutes 'good economics' – its peer review process.

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For and on behalf of the Association for Heterodox Economics

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