



Eric Bartelsman is professor of economics at the Vrije Universiteit in Amsterdam and general director of the Tinbergen Institute. During his education at MIT and Columbia University he enjoyed taking classes with more than a handful of future Nobel laureates. He started his career in policy-research positions at the Federal Reserve Board in Washington DC, and subsequently in the Netherlands at CPB and the Ministry of Economic Affairs. Since his return to academia, he has frequently been a research visitor at policy institutions. His interests are in the area of productivity growth, both from a micro and macro vantage point, and have led to well-cited publications in top journals.



Esther-Mirjam Sent is professor of economic theory and policy at Radboud University. She is also a member of the Dutch senate. As such, she is devoted to building bridges between academia and policy. At the same time, she experiences challenges in these endeavours. She obtained her PhD in economics at Stanford University for a thesis in which the future Nobel laureate Thomas Sargent featured prominently, under the supervision of Nobel laureate Kenneth Arrow. Also, she obtained prizes for the best dissertation and the best book, received several teaching awards, and has been the recipient of three media awards.

Reflections of the moderators

*A Conversation between
Eric Bartelsman and Esther-Mirjam Sent
in memory of Jan Tinbergen*

Both Eric Bartelsman and Esther-Mirjam Sent have experience traveling between academia and policy making, following the spirit of Jan Tinbergen. Both of them have spent a significant part of their education and career in the United States. They are grateful for the opportunity they were given by the KVS to arrange, conduct and publish the interviews in this volume. In the process, they mostly saw their conversation partners on screen. Now they drop the looking glass and reflect together upon the rich content of the interviews about the state of economics and economic policy, both here and there.

Sent: “Yes, it has been interesting doing this project via skype. I hope we can put it all together during this conversation. Many, many interesting topics have been discussed with the laureates and policy makers, as well as during the round table.”

Bartelsman: “It has been like taking a sip of water from a fire hose. Who do you think were the more impressive, the policy makers or the academics?”

Nobel laureates meet policy makers

Sent: “That is a tough one. I was impressed by the desire on both parts to build bridges. In my conversation between Koolmees and Deaton, they were asking one another questions. And Deaton closed with the request to Koolmees to become a policy maker in the United States.”

Bartelsman: “The regard that the conversation partners had for the problems and challenges facing the other was evident. The empathy shown on both sides provides a great foundation for a bridge. Also, the policy counter parts seemed very well versed, at least on the surface, in some of the details of academic economics.”

Sent: “As far as the academics were concerned, though, policy makers were not always listening to the right academics. For Stiglitz, the Chicago School had been selling a right-wing political agenda under the guise of economics. But then again, it is always easy to criticize the other economists for being wrong. When confronted with the thin line between academia and advocacy in his own work, Stiglitz gave a big smile that is not included in the text.”

Bartelsman: “Luckily, we have two Chicago economists participating. Heckman started in the field of economics out of a desire to do something about segregation and inequality. He has gone far into the rabbit hole of econometrics, but has emerged with a very strong body of evidence, which is now slowly steering policy. In his evidence-based narrative, inequality cannot be corrected with tax policy alone. Early interventions into family and education are required to give children the full set of tools needed to grow up into participating adults. Hansen is predisposed towards light policy intervention, yet works hard to build a framework to improve the quality of policy making when faced with uncertainty.”

Motivated by inequality

Sent: “Indeed, I found it fascinating to learn more about the reasons the Nobel laureates started studying economics. They were all concerned about matters such as inequality and poverty, and felt they could make a difference with their contributions. In that sense not much has changed since the time Tinbergen started, for he was inspired by similar matters.”

Bartelsman: “I hope our students are similarly motivated.”

Sent: “We had young participants at our round table who certainly did not desire an ivory-tower position. Moreover, they suggested ways in which the ties between academia and policy could be strengthened. And Deaton also has some recommendations for these young economists: write a popular book, publish op-ed pieces and never give up.”

Role of data

Sent: “The role of data was stressed multiple times during the conversations. The OECD thinks that populism can be partly understood by considering the fact that we were not looking at the right data. That is why it is working closely with Stiglitz to gather new data. And Deaton made surprising discoveries when investigating the rise of deaths of white males in the United States, which he calls ‘deaths of despair’.

Here, again, we see the spirit of Tinbergen in the importance of drawing lessons from data.”

Bartelsman: “The role of data came up in my conversations as well. At the time that Pissarides was working on labour flows for his search and matching models, he had to piece together bits and bobs of data. Now, thirty years later, statistical agencies are publishing full sets of worker-flow accounts.

The big data ‘hype’ as Heckman calls it, may be a worry. He cites Tinbergen in the first issue of *Econometrica*, warning about data without theory. Also, he gives a stark warning about the trap of thinking that the number of observations can help to determine causality. Also, Hansen warns Praet, former chief economist of the ECB, of thinking that it is straightforward to properly use the granular transactions data that now are available.”

Tinbergen Rule

Sent: “Of course Tinbergen is well-known for the so-called ‘Tinbergen rule’. This is the idea that, if you have a big econometric model, you need the same number of instruments as goals. At the time, it was attacked by Keynes. He felt that Tinbergen did not have an eye for econometric difficulties due to uncertainty.

During my conversations, the general consensus seemed to be that the rule is still relevant for analytical purposes. However, the rising complexity and the insights on non-stationarity call the application into question. Did you touch upon such matters in your conversations?”

Bartelsman: “Absolutely. For the econometricians, it is just a point about the full rank of a system. But, complexity and a large variety of policy goals make it almost moot. At CPB, many partial models are used to analyse specific policy areas in depth.”

Institutions and politics

Bartelsman: “At a more macro level, the realities of political economy make the discussion about instruments and targets moot. While the ECB is independent, and has a host of conventional and not so conventional instruments to affect financial markets and investment spending, the fiscal policy authorities are hamstrung by EU rules and their own debt position. Going forward, this sets a gloomy picture for the future, when next downturn comes. What did you learn about the future during your conversations? Is there any optimism?”

Sent: “Optimism is a ‘moral duty’, as Deaton and I learned from Koolmees. He, in turn, had learnt this from Immanuel Kant. And I believe there is so much to be optimistic about when it comes to the situation of the Netherlands. Gurría gave a disturbing overview of the situation in a large part of the world. Deaton was distressed about the economic, political and social situation in the United States. This is not to say that we can be complacent, but the conversations did teach me to count my blessings. Did such comparisons show up in your interviews?”

Bartelsman: “Well, at present the situation of using academic theory and evidence for policy is very different in the US. The Chicago economists are just as horrified as Stiglitz is. In the Netherlands, there certainly is a broad-based desire to use policy for the better, and to make sure that evidence is used. Policy errors can ruin the lives of millions of people, but doing nothing can be even worse. Pissarides and Wiebes were very much in agreement

that harnessing the new technologies to better the lives of everyone in the next generation could be done through a concerted effort of the government. They may disagree a bit about how to make sure that growth is inclusive. Pissarides for instance seemed quite intrigued by the fact that in the Netherlands redistribution goes rather smoothly.”

Sent: “I think our policy making landscape is important here. Indeed, we have to be grateful to Tinbergen for his role in the design, as the first director of the CPB Netherlands Bureau for Economic Policy Analysis. The bureau of statistics plays an important role in gathering the data, the planning agencies in analysing these and the advisory committees in formulating policy recommendations. This helps to discipline politicians, which is much needed. And I say this as a politician myself. Did you touch on differences in these institutional settings? Perhaps in the interview with Van Geest?”

Bartelsman: “Van Geest proved herself a worthy successor of Tinbergen, in the eyes of Heckman. I think there is still tension in the process of feeding policy makers with ideas. Hansen clearly states that managers in policy research environments need to create a system that best makes use of the knowledge and creativity of the highly educated staff. Otherwise, you get ‘policy-based evidence, rather than evidence-based policy’, as Deaton laments. Praet promises that much has changed in this regard in the central banking world in the past decades. Still, Hansen makes it clear that it is the researcher’s responsibility to leave if he is requested to present any findings that back the boss’s ideology, rather than providing evidence for answering the question to satisfaction.”

More interaction

Sent: “That is good. Additional challenges also became clear at the round table we organised. The incentives in academia do not necessarily encourage contributing to policy making. The assessments of policy proposals are not always very rigorous. Ministries might focus more on incorporating existing insights. Indeed, I find that many policy proposals still rely on outdated assumptions about incentivizing people. There should be more room for experimenting in policy making, in line with the insights of the most recent

Nobel laureates meet policy makers

Nobel laureates Duflo, Banerjee and Kremer. Should I embark upon a next set of interviews, they would be high on my list. But back to the present conversations, if you were to lift out one recommendation from the round table, which would it be?”

Bartelsman: “Fund one- or two-year visiting positions at policy research institutions or even at strategy departments within ministries. These positions would have to fit the life-cycle of academics and further their careers. One could think of a similar set-up to the three ‘individual investigator’ grants from the Netherlands science foundation NWO (*Veni, Vidi, Vici*), with a similar degree of prestige. Spending a year or two in a high-pressure policy environment will generate enough research ideas for many years for an academic. Furthermore, having the best scholars working alongside policy staff would generate a culture in which academic evidence always gets included in the policy proposals and laws.”

Sent: “I am not sure I am as optimistic as you are about the willingness of politicians on this matter, even if optimism is a moral duty. As Deaton says, there is a lot of policy-based-evidence, instead of evidence-based-policy. At the same time, being an economist is challenging, since it requires navigating carefully between high uncertainty and high stakes. Tinbergen helped us to face this challenge and these conversations have taught me that his insights are still relevant today.”