

The AIER Fellowship Programs

Most of AIER's educational efforts are carried out through the sale and distribution of its publications to the general public. However, for many years the Institute also has sponsored a variety of fellowship programs that provide direct training and financial support to advanced students of economics. In the pages that follow we have summarized the history of AIER's fellowship programs and provided a progress report on our education efforts to date.

Early History

In order to "aid in the development of economic scientists," in 1946 the Institute established a competitive two-year graduate fellowship designed to train students while in residence here at Great Barrington. World War II had interrupted the formal education of a great number of students. And while many possessed the enthusiasm and intellectual capacity for graduate training, at war's end many also were understandably deficient in subjects crucial to any advanced program of study in economics. Thus, the Institute's earliest fellowship programs offered students a wide range of relatively remedial tutorials before they proceeded to advanced courses in economics: basic instruction in English composition, semantics, logic, and economics.

Only after they had completed a first-year "refresher" curriculum in these subjects did they receive advanced instruction in money and banking, business-cycle analysis, American economic history, the development of political and economic thought, and the evolution of modern scientific method—topics that today form the core curriculum of the Institute's summer program.

Given the relative dearth of developed graduate programs in economics, this early program met with some success. It was, however, soon interrupted by the onset of the Korean War. Again, the formal education of many young men was interrupted, and for a time, graduate applications dropped to the point that no qualified students could be found for the program.

In response to this unavoidable setback, the fellowship program was reorganized in the mid-1950s under the administration of the Interfoundation Committee for Economic Scholarships, which drew support from five participating organizations: AIER, the Economic Education Institute, the Economic Education League, the John C. Lincoln Foundation, and the Robert Schalkenbach Foundation. The Interfoundation Committee was formed to award scholar-

ships to promising *undergraduates* who showed interest in economic subjects. Some 200 undergraduate scholars were accepted into the program each year, and each was encouraged, but not required, to elect a college curriculum consistent with the requirements necessary for advanced study in economics. AIER hoped that as these students progressed academically, they would form a substantial pool of applicants for AIER's graduate fellowship program.

However, as events turned a rapid expansion of the graduate fellowship program did not occur. During the late 1950s and early 1960s, only a few highly qualified students continued to enter the graduate fellowship program each year. In effect, the program became a casualty of vastly expanded Government spending on academic research programs. An abundance of Federal support via research grants and scholarships and private scholarship endowments such as the Fulbright Scholarship (and the National Merit Scholarship program for undergraduates) placed the Institute's program at a severe competitive disadvantage. Understandably, many graduate students of the highest caliber were attracted to the prestigious universities that offered the most grant money for research projects in their field of interest.

A period of considerable uncertainty for the fellowship program followed. In part as a result of the attractiveness of the National Merit program, the Interfoundation Committee's undergraduate scholarship program was discontinued and AIER's summer fellowship program was broadened to include both graduate students and a small number of distinguished undergraduates. Even so, in some years during the late 1960s and 1970s, no fellowships whatsoever were awarded.

As we describe in the final section of this bulletin, in recent years the fellowship program has enjoyed considerable success. But its early experiences would seem to provide a textbook illustration of some of the unintended consequences of Government funding of "scientific" research: namely, distortion of the intellectual marketplace in ways detrimental to genuinely independent research and education.

Government-Funded Research and Education: A Booby Trap?

For many years public sentiment apparently has favored the expansion of Government spending on research and education on a wide variety of human problems. However, the complex relationship of behavioral scientists in particular to

the Government has yet to be explored adequately. Often, the assumptions underlying popular beliefs about Government-sponsored science seem naive or inconsistent.

Although most people apparently assume that scientific considerations “automatically” outweigh political considerations in the exchange of money for results, history plainly suggests the opposite. Even the briefest reflection on some of the official “scientific” findings in Nazi Germany reveals the extent to which unbiased inquiry can be subverted by the political process. Seemingly, the more extreme the politics, the more extreme the distortions of scientific procedure.

And as unfortunate as the case may be, even under a relatively benign regime, scientifically warranted assertions (and policy recommendations based on those assertions) may be so unpalatable to politicians that they will not provide the financial support desired or needed. The lure of large amounts of Federal money, for example, may lead behavioral scientists into a situation in which they cannot function as scientists but can function only as special pleaders for the politicians in power (or politicians they hope will come to power and provide them with patronage). The current “scientific” debate over any number of environmental and health issues— from global warming to AIDS—seems a case in point.

Governments recognize how important the work of behavioral scientists has become. For example: the Communist party in the now-defunct Soviet Union took great pains to control the work of behavioral scientists in order to ensure that it served the interests of those in power. In the United States in recent years, each political party in office has used some behavioral scientists in ways evidently intended to further the retention of power.

Many people today seem so impressed with the benign aspects of democratic or republican forms of Government that they forget the lessons of history. The first democratic Government in Europe following the French Revolution, which was inspired in part by the success of the American Revolution, beheaded Lavoisier, the father of modern chemistry. On the other hand, much early scientific work in the 17th and 18th centuries was made possible because benevolent despots in various European countries chose to defy some religious leaders and protect a few scientists as well as support their inquiries. More recently, economic advisers to American Presidents have endorsed economic action so unsound that it directly contradicted their own previously expressed views and the views of most of their peers.

In our view, an important lesson to be learned from the experiences of history is that scientists should not expect to be assured of unrestricted freedom of inquiry and discussion as the servants of Government, of any organization funded by Government, or of any vested interests having special privileges or positions of power that those interests desire to defend and perpetuate. Behavioral scientists should be especially wary of becoming the tool of agencies that may inhibit full freedom of inquiry and discussion, because, of the three major fields of science—physical, physiological, and behavioral—the last deals heavily with controversial matters of consequence to one or another vested interest.¹

¹ See E.C. Harwood and R. Handy, “Would Government Support be a “Booby Trap” for Behavioral Scientists?,” *The American Journal of Economics and Society*, Vol. 30, April 1971, pp. 130-31.

The apparent fact is that no government of any form yet devised has demonstrated that it can be trusted to allow scientists full freedom of inquiry and discussion. It has been AIER’s view that this major difficulty confronting behavioral scientists might be solved if an important group of them could derive the principal support for their continuing research and education from many thousands of citizens rather than from the Government or from powerful private entities that may have special-interest agendas of their own.

Development of AIER’s Procedures of Inquiry

Even the most independent research and education program has little hope of yielding useful results if it is devoted to “bad” science. Therefore, a major component of the Institute’s ongoing research, and especially of its summer fellowship program, is attention to useful procedures of inquiry. A primary requirement of participants in the summer fellowship program is that they study procedures of inquiry with a view toward developing a critical facility—especially with respect to a number of procedures that enjoy current popularity with professional economists but that in our view are seriously flawed.

In this latter respect, E. C. Harwood, AIER’s founder, some 50 years ago wrote the following about the relationship of economic conclusions to the methods of inquiry used by economists. His words are just as pertinent today:

“That economists frequently do not agree has become so commonplace that some economists no longer seem to be troubled by the suggestion that such a state of affairs is scandalous. That many economists do agree on certain analyses and conclusions is equally scandalous from the viewpoint of modern science, however, because that agreement rests on methods of inquiry that have been found unreliable and have been discarded by capable scientists. That a few conclusions on which some economists agree do have adequate scientific bases emphasizes by contrast the more fundamental disagreement among economists regarding the methods of inquiry that can be expected to yield useful results.”²

During subsequent years, we have developed and refined our views about procedures of inquiry. Among their key aspects, as presently evolved, are the following:

(1) An emphasis on the importance of firm “naming”³ in economic inquiry. Such naming, although *firm* in the sense that much terminology in developed fields is firm, is not *final*. As inquiry progresses, improvement in naming is to be expected, just as occurred with the name “atom” in physics. Much of the conventional work in economics is plunged almost immediately into a semantic swamp by the use of naming that is inconsistent, incoherent, and frequently based on ancient epistemological ideas that have

² E.C. Harwood, *Reconstruction of Economics*, first edition, Great Barrington, AIER, 1955, p. 7. (With minor changes, the article quoted appeared earlier in *The American Journal of Economics and Sociology*, January 1954.)

³ In their book *Knowing and the Known*, Boston, Beacon Press, 1949, John Dewey and Arthur F. Bentley show in great detail the difficulties besetting the behavioral sciences because of acute terminological confusion. That book, now out-of-print in the original edition, has been reprinted in its entirety in Rollo Handy and E.C. Harwood, *Useful Procedures of Inquiry*, Great Barrington, AIER, 1999.

been long outmoded.⁴

(2) An emphasis on the entire pertinent transactional field, rather than on presumed separate and interacting “reals” making up that field. The “reality” of the various aspects and phases of the transaction generally depends on the field itself. For example, borrowing cannot exist without lending, and vice versa. Concentration on too limited an area of transaction is associated with much of the inquiry conducted by conventional economists. For example, Keynesian economists have tended to emphasize the volume of current consumption to the exclusion or minimization of its effects on future production and consumption.

(3) An emphasis on the fundamental importance of continuous testing of the conjectures (often called hypotheses) that are developed about what happens under specified circumstances by careful observation of available data and events. Conventional economic inquiry often proceeds by the development of elaborate conjectures far in advance of any significant testing of them or of their underlying “assumptions” against observed facts. Conventional economic inquiry relies on logical consistency, initial plausibility, assumed truisms, etc., and has resulted in elaborate “theories” or “models” in which the developers have great confidence. Unfortunately, the predictions based on such models often have been conspicuously inaccurate.

The facts and notions with which we begin an inquiry also may turn out to be inaccurate, requiring that assertions following therefrom must be carefully qualified. Inquiry, then, neither begins with certainty nor attempts to achieve certainty. Rather, the objective is the development of warranted (but not final or certain) assertions adequate to solve the problem at hand.

We also eschew the general procedure of inquiry employed among academic economists who place great emphasis on the deductive and mathematical elaboration of a few “axioms.” Such models should be tested against the facts, but in practice the major emphasis is placed on the “internal” deductive and mathematical elaboration.

To summarize, we long have maintained that the “quest for certainty,” whether through deduction, revelation, intuition, or any other means, has not been a reliable source of useful solutions to human problems. That policy recommendations based on the results of such procedures often have proved disastrous supports this view. A major difficulty for economics today is that *a priori* beliefs, which pose a major obstacle to scientific inquiry, still are being celebrated by some as useful, and it would seem that too little genuine progress has been made by economists during the past couple of decades toward developing procedures of inquiry that meet the requirements of a genuinely scientific approach. If such procedures are to gain wider acceptance, it would seem imperative that students of economics be introduced to them at the outset of their studies.

The Summer Fellowship Today

AIER currently awards about a dozen Summer Fellowships each year to college and university students in economics. Summer Fellows come to the Institute for an intensive

⁴ On this issue, see our *Economic Education Bulletin* for June 2001 entitled “How Do You Know That You Know Anything?”

four-week period of study near the beginning of their graduate careers. Those who demonstrate exceptional potential during that program are awarded Fellowships In Absentia for the succeeding academic year, including full or partial payment of tuition or a monthly stipend for all or part of the academic year. As students progress toward the Ph.D., additional in-absentia awards may be made on the basis of performance.

Since students not only attend seminars at the Institute but also share office space in the E.C. Harwood Library and take meals together with the staff, the summer program provides both formal and informal opportunities for the Institute staff and visiting senior fellows to exchange with students views they may not otherwise encounter.

The program’s structure is always subject to revision, but in recent years usually has involved several major topic areas, including the methodology of economists, monetary economics, business-cycle analysis, and property rights, as well as a number of lectures presented by Visiting Research Fellows who bring expertise in a wide variety of fields related to AIER’s research interests. In keeping with AIER’s insistence that the pursuit of inquiry be grounded in observation, the summer program provides students with the chance to observe working economists in a practical environment that contrasts sharply with some purely academic settings. Here they are exposed to any variety of questions that confront “real world” analysis but that are often ignored by academic economists.

The program has achieved marked success in attracting distinguished graduate students and visiting senior fellows. U.S. colleges and universities represented in the Institute’s Fellowship Program have included, among others: Brown, Case Western Reserve, Columbia, Cornell, Duke, George Mason, Harvard, Indiana University, Johns Hopkins, MIT, Notre Dame, Penn, Princeton, Stanford, Syracuse, University of California, University of Chicago, University of Illinois, University of Michigan, Vanderbilt, and Yale.

From its earliest years, the Fellowship Program has included international students and has been enhanced by the participation of students from Europe, Latin America, and Asia, representing institutions as diverse as Cambridge, Oxford, the London School of Economics, Rotterdam University (the Netherlands), the University of St. Gall (Switzerland), the University of Milan, the University of the Philippines, the University of Lima (Peru), Australian National University, and Fudan University (China).

Guest speakers have included a number of luminaries, among them: Richard A. Posner, Judge, U.S. Court of Appeals for the Seventh Court and Senior Lecturer, University of Chicago Law School; Congressman Ron Paul; author George Gilder; Professor C. Lowell Harriss of Columbia University; economist Anna Schwartz, National Bureau of Economic Research; Professor Edward Kane of Boston College; lawyer Scott Bullock, Institute for Justice; Professor Richard Timberlake, Jr., of the University of Georgia, and Richard M. Salsman of InterMarket Forecasting.

The Visiting Research Fellowship

The Institute’s educational efforts began a new phase in 1997, when AIER began to sponsor a Visiting Research Fellowship program. Unlike the Summer Fellowship program,

which is designed for graduate students and college seniors, the Visiting Research Fellowship is offered to distinguished economic scholars. These scholars are invited to spend part of the summer, and sometimes longer, at the Institute pursuing their chosen course of research.

The field of research includes money, banking, and credit; public and personal finance; economic and monetary history; the role of government in society; the methodology of economics; and the role of individual freedom, private property, and free enterprise in economic progress. Fellows are expected to present their research findings to AIER's research staff, other Visiting Research Fellows, and Summer Fellows, and to communicate their research findings to the general public through AIER's publications, the monthly *Economic Education Bulletin* and the bimonthly *Research Reports*. Our hope is that visiting scholars will produce research that is useful not only to themselves and fellow economists, but to our readers at large.

Outlook

In short, the AIER fellowship programs today show the promise of fulfilling the hopes of AIER's founder. As with all educational ventures, success will depend upon a variety of interrelated conditions. Above all, it will depend on the quality of the programs' faculty and students and of their "product"—*i.e.* research findings and professional training that can be usefully applied to actual human problems.

Experience suggests that, to a considerable extent, achieving this result may depend in turn on a political environment that provides incentives for (or at least tolerates) unbiased inquiry. Given the demand for increased Government funding for research on any variety of actual and imagined problems—and the apparent popular appetite for prescribed results—the maintenance of a climate favorable to genuinely independent

inquiry into those problems is by no means assured.

The Institute's Bylaws require that all of its programs, including the fellowship programs, remain independent of any special interest or concentration of wealth, whether Government agencies, private lobbies, corporate foundations, and the like. Unlike those of virtually any other organization with similar purposes, the Institute's educational programs operate without benefit of either government or substantial private institutional support. At bottom, the success of our fellowship programs (and all our other activities) depends upon the support of thousands of individuals who may benefit from our research and who value our efforts to promote independent scientific inquiry and education. In short, our existence depends on the generosity of readers of this bulletin and other Institute publications.

Fellowship Programs at AIER

For more information about our fellowship programs and an application, please direct inquiries to:

Assistant to the Director
American Institute for Economic Research
Great Barrington, Massachusetts 01230

Telephone: (413) 528-1216
E-mail: fellowship@aier.org

For more about our educational programs, please visit our website, www.aier.org.

Economic Education Bulletin (ISSN 0424-2769) (USPS 167-360) is published once a month at Great Barrington, Massachusetts, by American Institute for Economic Research, a scientific and educational organization with no stockholders, chartered under Chapter 180 of the General Laws of Massachusetts. Periodical postage paid at Great Barrington, Massachusetts. Printed in the United States of America. Subscription: \$25 per year. POSTMASTER: Send address changes to *Economic Education Bulletin*, American Institute for Economic Research, Great Barrington, Massachusetts 01230.