

Dear Professors Zimmer and Rosenbaum,

I write to express a number of concerns about the Milton Friedman Institute. Some of these are more particular and relate to the ideological and intellectual ambitions of the Institute; some are more abstract and relate to the structure and situation of universities. Let me start with the former.

Like many in the interpretive social sciences and humanistic disciplines, I have misgivings about the hegemonic claims made by economists of a certain stripe and others in related fields--participants in the school of law and economics, for example--on behalf of modes of quantitative analysis and econometric modeling in arenas where alternate systems of valuation exist and, indeed, are used by the actors themselves. These misgivings amount to more than merely ideological and political concerns. Rather, they speak directly to the question, what the disciplinary and intellectual parameters of an institute for "economics and society" ought to be. Should the members of such an Institute, people on the inside rather than those without, ask what the limits are upon the use of economic theory as a tool for analyzing society and suggesting and evaluating policy solutions for them? My own sense is that the answer to this question is Yes.

So speaking, I might seem to express little more than an outsider's misgivings about the contemporary reach of what were in origin discipline-specific modes of analysis. This is not so. Rather than substantiate that claim directly, however, allow me to suggest that an immanent critique of the Chicago School from the standpoint of contemporary economics would also urge that the Institute should exhibit and instantiate a more capacious view of economic theory and the social-scientific study of societies.

Economics in recent years has wrestled with two questions above all: what are the limits upon the economic rationality of human agents, and how and to what degree do complex institutional constraints--in the form of laws of contract and systems of regulation, as well as a broad range of demographic and information-technological criteria, for example--impinge upon the effectiveness of econometric modeling and heuristic and predicative value of macroeconomic theory of the previous generation.

These questions have obviously been provoked by historical developments and new understandings of humans and society that have spurred debate and action in the public sphere and provoked reflection across a broad range of disciplines, not simply in economics. At issue are the nature, import and meaning of globalization; the relationship of extra-national institutions, both corporate and governmental, to local, micro- and macro-regional markets and the forms of understanding developed to study them; and the suitability and adaptability of models of agency and theories of politics to the new technological and jural-political realities of the age. Can classical theories of democracy and republicanism, for example, find useful expression in contemporary states?

Recent Nobel Prizes in economics might be taken as bell-wethers of this change in disciplinary orientation in the thirty-two years since Milton Friedman won his Prize. Apart from more purely technical achievements (e.g., those of Engle and Granger

concerning time series and volatility), dominant concerns have been new understandings of the perceptions and capacities of human agents, whether oriented to problems of culture and politics (e.g., Amartya Sen on decision rules) or decision making under less than ideal information conditions (e.g., the very different work of George Akerlof, Daniel McFadden, Michael Spence, Edmund Phelps and Joseph Stiglitz), as well as the suitability of older economic models to the new forms of information- and market-volatility of this globalized age (see, e.g., the work of Finn Kydland and Edward Prescott).

In light of these developments, the 'Proposal to Establish The Milton Friedman Institute' would seem to take for granted precisely what much of the rest of the world of *economics* regards as open to question, namely, whether the units of analysis and structural postulates in traditional economics--"the incentives of individuals and the essential role of markets in allocating goods and services"--are well enough theorized to serve aggressively and monolithically as the basis for policy design and analysis. At a fundamental level, these achievements, and their recognition by the Sveriges Riksbank, also suggest that the Institute as now conceived risks institutionalizing at Chicago a perspective on the discipline regarded as outmoded and outdated in the rest of the field.

All this raises a number of questions for you and the leaders of the University, and after a fashion for the Economics Department as well. Should the foundation of the Milton Friedman Institute serve to entrench, even to ossify, a single vision of the discipline of economics at the University of Chicago? Or does it provide an opportunity to develop a more capacious view of the field? Can such an institute become a meeting ground, outside the Economics Department, wherein all those who study "economics and society" can meet in a shared institutional and intellectual space?

Let me turn now to another respect in which I believe the long-term interests of the University urge modification of the current plan for the Institute.

The prestige of the modern university rests in very large measure upon the instantiation in its practices and procedures of various principles that we might cluster under a rubric like freedom of inquiry. To that end, at all stages of our professional lives we construct firewalls to forestall the effects of bias and influence of prejudice upon research. Scholarly journals subject submissions to blind reading and peer review; committees outside departments review departmental personnel decisions; practices of citation and acknowledgment require the divulging of all sources of influence and funding in the course of research. These last are important because the social utility of the institution is correctly perceived to lie very largely in its willingness and capacity to subject to open-ended and unbiased inquiry all manner of received wisdom.

The approved 'Proposal to Establish The Milton Friedman Institute' seems to me to place under duress those features of the University and so to risk the good name of the University in ways that are imprudent. I speak here of its structures of governance and relation to its donors and not narrowly of its intellectual agenda; and I refer in particular to two documents, the Institute's own description of the Milton Friedman Society

(<http://mfi.uchicago.edu/society.shtml>) and the letter that you and Provost Robsenbaum sent to Robert Kendrick and Bruce Lincoln last week. The objects of my critique are therefore the Institute's description of "Milton Friedman Institute Founders" as "a highly selective group of contributors who will have special access to the people and work of the Institute" and your own assurance to Bob and Bruce that the Institute "went through the full process for institutes and centers that do not have appointive powers or offer independent degree programs." I take these in order.

The Institute's charter documents do not speculate what forms the Founders' "special access to the people and work of the Institute" might take, but they raise the disturbing image of monied interests influencing the direction of notionally disinterested research and urging its conclusion in specific policy recommendations.

These are not fanciful concerns. The repeated and astonishing revelations across the last two years of corruption in medical and pharmaceutical research at the most prestigious universities are but the most highly publicized of similar cases. These threaten to undermine not simply the prestige of specific researchers and universities, but the academy writ large. And if popular estimation of the social utility of universities fails, how long will it be before this shift provides another argument against the tax-exempt status of educational institutions and their endowments? If our research is for sale, it is not in the public benefit.

In other words, while one might crudely suggest that the foundation of the Friedman Institute was a shrewd, even inevitable move on the part of the University to capitalize upon Friedman's fame and influence in the wider world in order to further its own goals, I suggest to you that what is in fact taking place should be described differently: that a narrow range of ideologically-motivated interests are purchasing the imprimatur of the University, not once, but the right and power of its systematic usage. If that diagnosis is correct, then this action may well diminish freedom of inquiry on campus and compromise the standing of the University.

What is more, I am deeply concerned by your response, that the Institute will not grant degrees, nor will anyone hold tenure in it. That claim would seem to be made in order to bracket the Institute (and other institutes and centers) from the sort of scrutiny regarding intellectual rigor and rationale to which departments and Committees are regularly subjected. Up to a point, that is appropriate: institutes and centers and Committees can be brought into being to organize intellectual energy outside specific disciplinary configurations and similarly can be disbanded once the conversation moves on. (The entrenchment of interest naturally urges somewhat sadly against such disbandments, but that is a different problem.)

What concerns me is rather the following problem, that in bracketing the Institute from the scrutiny regularly directed to degrees and appointments, we are also bracketing them from scrutiny as regards bias, prejudice and influence. In other words, we should beware lest we unwittingly permit institutes and centers to become sites where the principles by which the University organizes its life are eroded, and interests from outside are allowed

to intrude. Heightened caution is in order because there is such abundant evidence that when monied interests drive what questions are asked, those interests will inevitably shape what answers are published and not rarely what answers are reached.

In other words, it is all fine and good to say that institutes and centers should be bracketed from certain kinds of scrutiny. The question is, are there other forms of scrutiny to which they should be particularly subjected, given that they permit, indeed, invite forms of extra-academic influence and interaction specific to their structures and missions.

I recognize that neither the University nor you personally can now withdraw approval of The Milton Friedman Institute, nor do I think it would be advantageous to do so. But I do think that the Institute's structures of governance should be so designed as to permit and even encourage as catholic a view of economic and social analysis to flourish there as possible. Others have suggested to me that the Institute should have on its board significant representation of voices from outside the self-designated Chicago School. I endorse this proposal.

A more immediately realizable and influential suggestion might be to appoint a search committee for the Institute's Director on which such voices are present. A founding director can influence the nature of institutions in many ways. It is a momentous choice, and an appropriately diverse search committee would be a meaningful gesture for the present and future.

yours,

Clifford Ando