

Facts and Fiction in Econometrics

Bernt P. Stigum

The topic of my paper is facts and fiction in econometrics. I begin by discussing the facts. To me that means describing how we, the human beings, create social reality. Then I discuss the fiction, that is, the social construction of reality in economics and econometrics. Finally, I show how cooperating economic theorists and econometricians can gain insights into essential characteristics of the social reality in which we live. The aim of my paper is to fill an important lacuna in my formal account of economic theory-data confrontations (Stigum, 1995).

My formal account pays little attention to one troublesome question: What is the reference of the data we use in our empirical analysis? We conduct theory-data confrontations to gain insight into relations that exist in our social reality. The references of the variables in the theory universe are theoretical objects. It appears, therefore, that meaningful econometric work stands and falls with the references of the data in the data universe belonging to our social reality. The lacuna in my formal account of theory-data confrontations calls for an answer to the given question and for a discussion of the relevance of contemporary econometric research.

I fill the lacuna in my paper. First I demonstrate that the references of most variables in contemporary econometric data universes live and function in a socially constructed world of ideas. This world of ideas has little in common with our social reality. Then I show how cooperating economic theorists and econometricians, the references of their data notwithstanding, can learn about characteristic features of the workings of our social reality. The happy ending depends in each case on the cooperating scientists delineating the purport of pertinent economic theories and giving details of relevant bridge principles.

Correspondence:

Department of Economics
University of Oslo
Pb. 1097, Blindern
0317 Oslo
Norway
Tlf. 47-22 85 51 19;
Fax: 47-22 85 50 35;
b.p.stigum@econ.uio.no