

Editor's Note

Author(s): Ragnar Frisch

Reviewed work(s):

Source: *Econometrica*, Vol. 1, No. 1 (Jan., 1933), pp. 1-4

Published by: [The Econometric Society](#)

Stable URL: <http://www.jstor.org/stable/1912224>

Accessed: 13/08/2012 08:27

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <http://www.jstor.org/page/info/about/policies/terms.jsp>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.



The Econometric Society is collaborating with JSTOR to digitize, preserve and extend access to *Econometrica*.

EDITORIAL

TWO YEARS have now elapsed since the founding of the Econometric Society. Although the Society has purposely given little publicity to its affairs during these years of organization, inquiries and suggestions have come from many quarters manifesting a readiness for, and a keen expectation of, something along the lines now followed by the Econometric Society. A source of potential energy, much larger than originally anticipated by the founders of the Society, seems to exist, only waiting to be released and directed into econometric work.

This is the reason why the Society has decided to establish its own journal. *ECONOMETRICA* will be its name. It will appear quarterly; this is the first issue.

A word of explanation regarding the term econometrics may be in order. Its definition is implied in the statement of the scope of the Society, in Section I of the Constitution, which reads: "The Econometric Society is an international society for the advancement of economic theory in its relation to statistics and mathematics. The Society shall operate as a completely disinterested, scientific organization without political, social, financial, or nationalistic bias. Its main object shall be to promote studies that aim at a unification of the theoretical-quantitative and the empirical-quantitative approach to economic problems and that are penetrated by constructive and rigorous thinking similar to that which has come to dominate in the natural sciences. Any activity which promises ultimately to further such unification of theoretical and factual studies in economics shall be within the sphere of interest of the Society."

This emphasis on the quantitative aspect of economic problems has a profound significance. Economic life is a complex network of relationships operating in all directions. Therefore, so long as we confine ourselves to statements in general terms about one economic factor having an "effect" on some other factor, almost any sort of relationship may be selected, postulated as a law, and "explained" by a plausible argument.

Thus, there exist a real danger of advancing statements and conclusions which—although true as tendencies in a very restricted sense—are nevertheless thoroughly inadequate, or even misleading if offered as an explanation of the situation. To use an extreme illustration, they may be just as deceptive as to say that when a man tries to row a boat forward, the boat will be driven backward because of the pressure exerted by his feet. The rowboat situation is not, of course, explained by finding out *that* there exists a pressure in one direction or another, but

only by comparing the relative *magnitudes* of a number of pressures and counter-pressures. It is this comparison of magnitudes that gives a real significance to the analysis. Many, if not most, of the situations we have to face in economics are of just this sort. The full usefulness of a large and important group of our economic analyses will come, therefore, only as we succeed in formulating the discussions in quantitative terms.

But there are several aspects of the quantitative approach to economics, and no single one of these aspects, taken by itself, should be confounded with econometrics. Thus, econometrics is by no means the same as economic statistics. Nor is it identical with what we call general economic theory, although a considerable portion of this theory has a definitely quantitative character. Nor should econometrics be taken as synonymous with the application of mathematics to economics. Experience has shown that each of these three view-points, that of statistics, economic theory, and mathematics, is a necessary, but not by itself a sufficient, condition for a real understanding of the quantitative relations in modern economic life. It is the *unification* of all three that is powerful. And it is this unification that constitutes econometrics.

This unification is more necessary today than at any previous stage in economics. Statistical information is currently accumulating at an unprecedented rate. But no amount of statistical information, however complete and exact, can by itself explain economic phenomena. If we are not to get lost in the overwhelming, bewildering mass of statistical data that are now becoming available, we need the guidance and help of a powerful theoretical framework. Without this no significant interpretation and coordination of our observations will be possible.

The theoretical structure that shall help us out in this situation must, however, be more precise, more realistic, and, in many respects, more complex, than any heretofore available. Theory, in formulating its abstract quantitative notions, must be inspired to a larger extent by the technique of observation. And fresh statistical and other factual studies must be the healthy element of disturbance that constantly threatens and disquiets the theorist and prevents him from coming to rest on some inherited, obsolete set of assumptions.

This mutual penetration of quantitative economic theory and statistical observation is the essence of econometrics. And therein lies the need for mathematics, both in the formulation of the principles of economic theory, and in the technique of handling the statistical data. Mathematics is certainly not a magic procedure which in itself can solve the riddles of modern economic life, as is believed by some enthusiasts. But, when combined with a thorough understanding of the economic

significance of the phenomena, it is an extremely helpful *tool*. Indeed, this tool is indispensable in a great many cases. Many of the essential things in the new setting of the problems are so complex that it is impossible to discuss them safely and consistently without the use of mathematics.

To stimulate work in the directions here indicated is the purpose of the Econometric Society and its journal *ECONOMETRICA*. *ECONOMETRICA* will report on research, teaching, scientific meetings, and other activities of econometric interest in the various countries. It will publish original papers that are significant, directly or indirectly, as contributions towards the development of econometrics. The history of our subject will also receive attention. No effort will be made, however, to preempt all the important econometric contributions for the columns of this journal. On the contrary, *ECONOMETRICA* will encourage, and probably from time to time report on, econometric papers in all the leading economic journals of the world. The general policy will be to make *ECONOMETRICA* a *clearing house* for econometric work.

As time goes on, some form of cooperation may perhaps develop. *ECONOMETRICA* may, for instance, be ready to take over for publication papers that are so mathematical as to be unsuitable for publication in certain other economic journals. Indeed, it will be an editorial principle of *ECONOMETRICA* that no paper shall be rejected solely on the ground of being too mathematical. This applies no matter how highly involved the mathematical apparatus may be.

This is not, of course, to say that a paper will be rendered acceptable to *ECONOMETRICA* merely by its employment of mathematical symbols. The policy of *ECONOMETRICA* will be as heartily to denounce futile playing with mathematical symbols in economics as to encourage their constructive use. And a considerable portion of the material appearing in *ECONOMETRICA* will probably be entirely non-mathematical.

In statistical and other numerical work presented in *ECONOMETRICA* the original raw data will, as a rule, be published, unless their volume is excessive. This is important in order to stimulate criticism, control, and further studies. The aim will be to present this kind of paper in a condensed form. Brief, precise descriptions of (1) the theoretical setting, (2) the data, (3) the method, and (4) the results, are the essentials.

At one time we considered organizing in *ECONOMETRICA* an extensive work on abstracts of econometric articles and books. However, it was found that this would to some extent overlap the work done by other economic journals, and that *ECONOMETRICA* would do a greater service in organizing *surveys* of the significant developments within the main fields that are of interest to the econometrician. Each year there will appear in *ECONOMETRICA* four such surveys, one for each of the

following fields: (1) general economic theory (including pure economics), which will appear as a regular feature in the January issue, (2) business cycle theory, in the April issue, (3) statistical technique, in the July issue, (4) statistical information, in the October issue.

All these surveys will be international in scope, but there will be no attempt to make them all-inclusive. On the contrary, they will be selective. Their aim will be to present to the reader an appraisal of the really significant developments in the fields in question, thus being a useful guide for those who are interested in these fields, without having, perhaps, the time to follow the literature closely. There will be one responsible author for each survey, who will seek, when necessary, the cooperation of specialists. The names of the authors of the first four surveys will be found in the Section on Announcements at the end of this issue.

Complete freedom of thought will rule in the columns of *ECONOMETRICA*, and candid discussion on the surveys or on other material appearing in its pages will always be welcome. To judge from the stimulating discussions that have taken place both at the European and the American meetings of the Society, there is no danger of inbreeding of thought amongst econometricians. It is true that those attending the meetings have shown a veritable enthusiasm for the common cause, econometrics. But, together with this community in general interest and attitude, there has been manifest a variety of ideas and a frankness in mutual criticism that guarantee the broadness and freshness of the future work. This vigorous spirit will, no doubt, be reflected in the columns of *ECONOMETRICA*.

ECONOMETRICA is presented to the public in the hope that it will be able to do its full share in the constructive work mapped out by the Econometric Society.

EDITOR