

BY DAVID A. PRICE

The Economist as Consultant

Nearly two-thirds of academic economists have taken on work as paid consultants at some point in their careers — and two in five have done so within the past five years. There’s an image popular in some quarters of economist consultants cashing in with six-figure paydays for the sake of funding their beach houses, their children’s private school tuition, and their skiing vacations in Gstaad. That probably does happen here and there, but survey evidence collected by economists Alison Del Rossi of St. Lawrence University and Joni Hersch of Vanderbilt Law School from more than 1,200 economists paints a quite different picture of how much money they make from consulting and why they consult.

Much economics consulting takes place in the context of litigation: An economist is paid to write an expert report in support of a litigant’s position on an economic issue and perhaps also to answer questions in a deposition or to testify. In Del Rossi and Hersch’s findings, published in 2020 in the journal *Economic Inquiry*, the types of consulting issues that economists reported they had worked on reflected this. Most heavily represented were labor and employment issues — 44.4 percent of respondents said they had consulted on such issues — followed by regulation (29 percent), personal injury (27.5 percent), energy or environmental issues (27 percent), and antitrust (25 percent).

Among economists who consult, their average hourly rate is \$267. Male economists have commanded more, at \$284 per hour compared to \$221 for female economists. Part of the reason, says Hersch, may be that consulting rates aren’t publicized within economics associations or elsewhere. “If you’re in the minority as a woman in an economics department, the way networks tend to form, it would be hard to get information on what other people are paid,” she says.

For the hypothetical economist who consulted full time, the \$267 hourly average would work out to more than \$500,000 per year. But of course, an academic economist who consulted full time wouldn’t be an academic economist. In reality, for those who had consulted, consulting work made up an average of just 9 percent of their earnings over the past five years.

Not only does consulting tend to make up a minor part of economists’ incomes, it comes with significant negatives, in Del Rossi’s and Hersch’s experiences. Del Rossi says she found that “there was little flexibility about when the work had to be done,” which made it “stressful” to fit in with other work responsibilities. Many survey respondents also cited the stressfulness of the process. (See table.)

Hersch, in her experience, found it “annoying” to wade through “spurious” objections of the other side. In a case

Most Academic Economists Are Open to Consulting

| Willingness to consult in future (percent) | |
|--|------|
| Yes | 54.6 |
| Maybe | 33.8 |
| No | 11.6 |
| Reasons not willing to consult in future (percent) | |
| No interest | 59.1 |
| No time | 56.7 |
| Too much travel | 7.1 |
| Unpredictable deadlines | 9.5 |
| Too stressful | 15.8 |
| Stress of trial | 4.7 |
| Lack self-confidence | 10.2 |
| Not enough experience | 9.5 |
| Fields/expertise not match | 26.8 |
| Dislike of the adversarial process | 13.4 |
| Ethical concerns | 18.9 |
| Do not need the money | 49.6 |

SOURCE: Alison F. Del Rossi and Joni Hersch, “Gender and the Consulting Academic Economist,” *Economic Inquiry*, July 2020, vol. 58, no. 3, pp. 1200–1216.

involving an alleged wrongful termination, she recalls, opposing counsel “argued that I needed tens of thousands of observations in order for a regression to be valid. How do you even answer a statement that stupid?”

Still, there are nonmonetary benefits to consulting. Among the benefits frequently cited by respondents to the survey were making a social contribution, obtaining access to data, encountering new research questions, and gaining material — war stories — for teaching. “Consulting questions make great teaching examples,” Hersch says. (For research that arises from consulting work, or which simply relates to the interests of a former consulting client, many economics journals require disclosure of the client relationship.)

Hersch recommends that junior faculty refrain from consulting, on the ground that their time is better spent elsewhere. But she says she favors “limited amounts after you get tenure, because it does have value to your teaching and to your research possibilities.”

“And I’m not ruling out money,” she adds. “We are economists, of course.” EF