



**Kauffman Economic Outlook** A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

SECOND QUARTER **2010**

**KAUFFMAN**

The Foundation of Entrepreneurship

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# Kauffman Economic Outlook

A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

*in partnership with Palgrave's Econolog.net*

Second Quarter, 2010

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Ewing Marion Kauffman Foundation

May 2010

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## INTRODUCTION

America’s top economics bloggers represent a diverse group of writers with wide-ranging intellectual and political vantage points on one of the most important issues of the day—the economy. As independent thinkers who are immersed in discourse through the innovation of blogging, these economics writers have a unique voice and perspective, and potentially profound influence. The Kauffman Foundation is tapping their insights in a series of surveys called Kauffman Economic Outlook: A Quarterly Survey of Leading Economics Bloggers.

This paper reports the results of a survey conducted in mid-April 2010 by soliciting input from among the top 200 bloggers as ranked by Palgrave’s *Econolog.net*. Seventy-six bloggers responded to the second-quarter survey, compared to eighty-five respondents to the first-quarter survey. While most (around 70 percent) of the respondents participated in both, the survey results for the two quarters are not directly comparable.

Eight core questions and five topical questions were designed in coordination with a distinguished board of advisors, which includes:

Robert X. Cringely . . . . .	<i>I, Cringely</i>
Brad DeLong . . . . .	<i>Grasping Reality</i>
Laurie Harting . . . . .	<i>Palgrave’s Econolog</i>
Scott Jagow . . . . .	<i>Marketplace Scratch Pad</i>
Paul Kedrosky . . . . .	<i>Infectious Greed</i>
Lynne Kiesling . . . . .	<i>Knowledge Problem</i>
Donald Marron . . . . .	<i>DMarron.com</i>
Mark Perry . . . . .	<i>Carpe Diem</i>
Wade Roush . . . . .	<i>Xconomy.com</i>
Allison Schrager . . . . .	<i>Free Exchange</i>
Nick Schulz . . . . .	<i>Enterprise Blog</i>
Yves Smith . . . . .	<i>Naked Capitalism</i>
Alex Tabarrok . . . . .	<i>Marginal Revolution</i>
Mark Thoma . . . . .	<i>Economist’s View</i>

For this survey, five bloggers submitted questions of their own design: Mark Thoma (*Economist's View*), Ken Houghton (*Angry Bear*), Tyler Cowen (*Marginal Revolution*), Arnold Kling (*EconLog*), and Mark Perry (*Carpe Diem*).

The Kauffman Foundation is dedicated to the idea that entrepreneurship and innovation drive economic growth. Naturally, this new technology of blogging is a fascinating one, both for its effect on the economic research frontier, and also as an innovation in its own right. A survey of so many high-profile participants offers a unique opportunity for discussion. Because time constrained the number of ideas communicated, however, this survey should be viewed as just one way of summarizing some of the insights of the community of economics bloggers.

## KEY FINDINGS

### THE ECONOMY

Economics bloggers have a balanced outlook on the U.S. economy in this quarter, with 59 percent saying that conditions are mixed, and the rest evenly split between positive and negative views. For an economy in which growth is the norm, 36 percent of respondents think that the U.S. economy is worse than official statistics indicate, and only 14 percent believe it is better. Regardless, the consensus three-year projection sees moderate growth in all areas: Gross Domestic Product, employment, inflation, and budget deficits. Fastest growth is expected in real interest rates.

### POLICY RECOMMENDATIONS

Although the panel is largely non-partisan, a majority of top economics bloggers believe the government is “too involved in the economy.” The main policy recommendation (selected from a small set of choices) is to create a new visa for entrepreneurial immigrants. In contrast, only 6 percent favor higher taxes on investment. Opinion in favor of increased financial regulation was at 50 percent, in contrast to the mere 10 percent who are calling for more business regulation. Perhaps the already high level of business regulation is why conditions for small businesses in the U.S. are especially bleak this quarter.

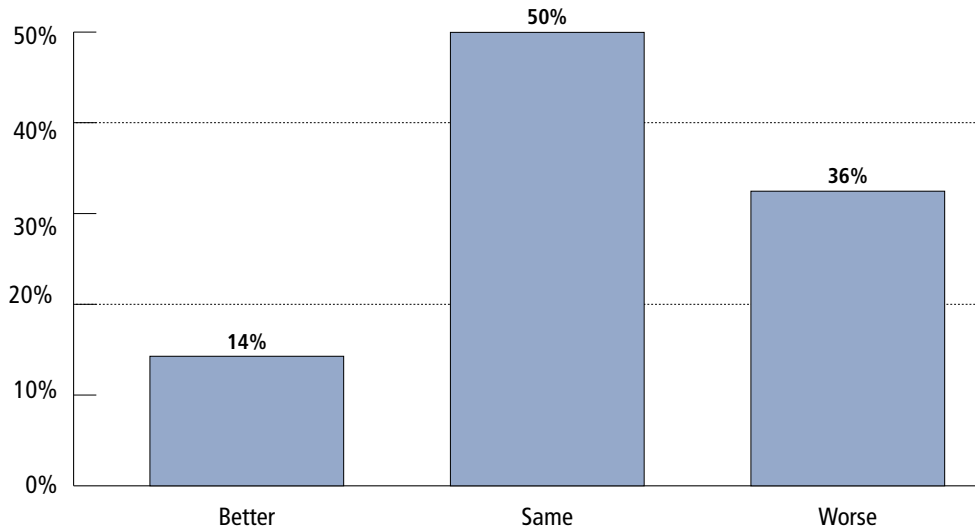
## SURVEY RESULTS

The Kauffman Economic Outlook includes core questions that will recur each quarter and one-time-only topical questions. Core questions focus on two areas, and are presented in the charts and tables below: the performance of the U.S. economy and policy assessments and recommendations. Finally, there are topical questions provided by economics bloggers themselves, which are not categorized.



## U.S. ECONOMIC POLICY

Is the U.S. economy doing better or worse than official government statistics show?

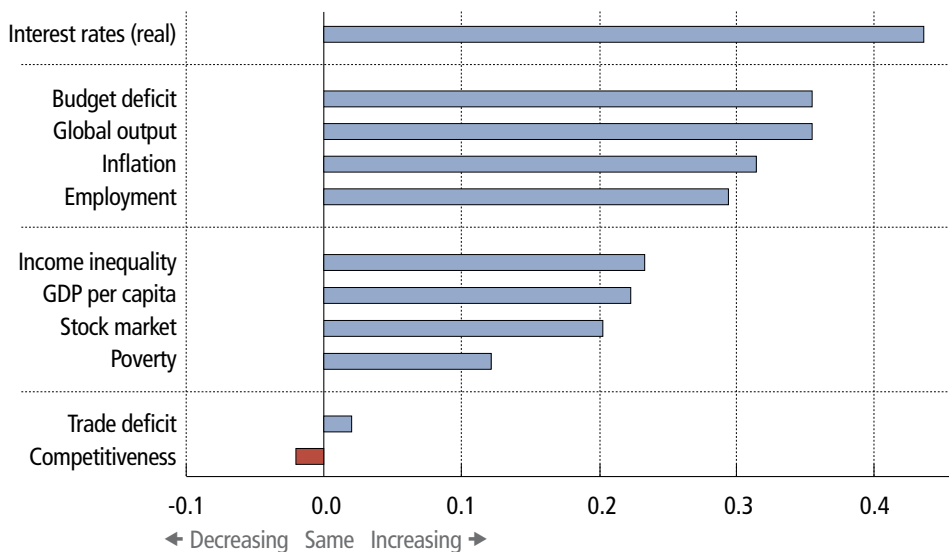


*Skepticism about official statistics remains the rule among economics bloggers. However, 14 percent of respondents think the economy is doing better than reported, double the number of optimists in Q1.*

*Kauffman Economic Outlook [second quarter, 2010]*

**What are the prospects for the following to increase over the next three years?**

Scale: -1.0 = decreasing strongly, 1.0 = increasing strongly

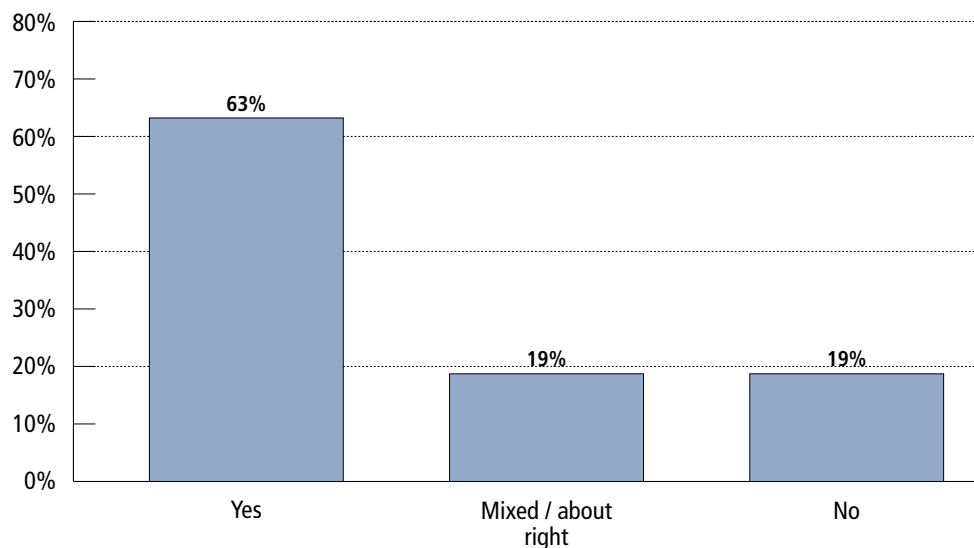


*Projecting three years ahead, interest rates are expected to rise faster than anything else, and the U.S. budget deficit is expected to grow at about the same rate as global output, U.S. inflation, and U.S. employment. A gloomy tone remains with expectations of higher poverty and inequality levels in the United States, no change to the trade deficit, and even a slight decline in U.S. competitiveness.*

*Kauffman Economic Outlook [second quarter, 2010]*

U.S. ECONOMIC POLICY

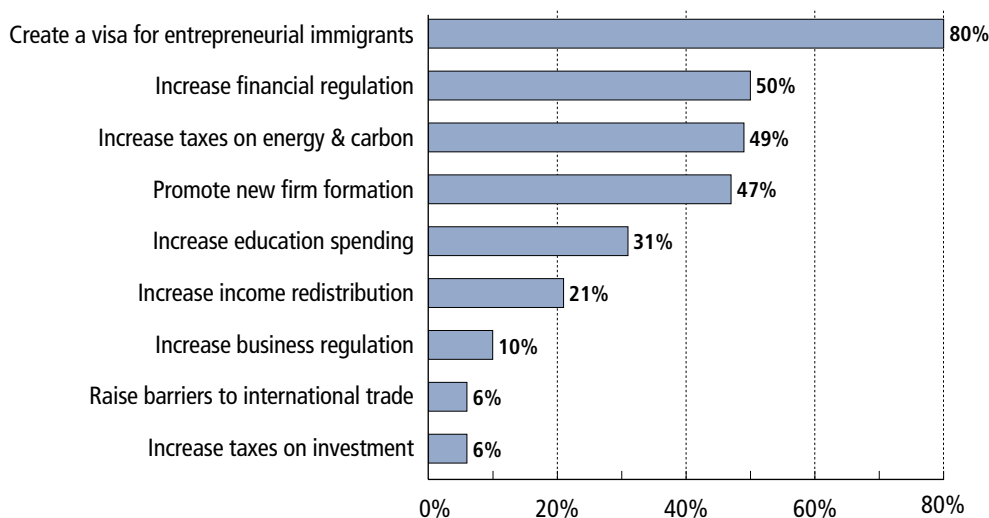
Is the U.S. federal government too involved in the U.S. economy?



A large majority (63 percent) of economics bloggers believe the U.S. government is too involved in the economy, three times more than those who hold the opposite view. This response is remarkable given the balanced and largely non-partisan identification of respondents.

Kauffman Economic Outlook [second quarter, 2010]

The U.S. federal government should ... (select one or more)

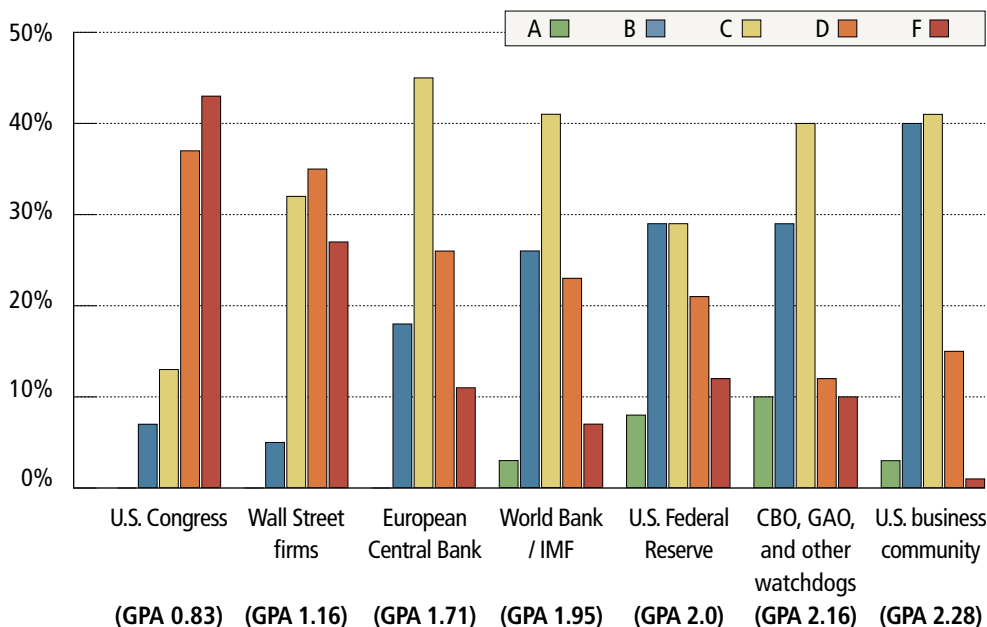


When asked to evaluate a variety of policy proposals, bloggers had strong feelings in favor of only one issue, and strong feelings against four others. Eighty percent of economics bloggers want Congress to “create a visa for entrepreneurial immigrants.” Fifty percent favor more financial regulation, compared to 10 percent in favor of increased business regulation. Only 6 percent favor increased trade barriers, and 94 percent are not in favor of higher taxes on investment.

Kauffman Economic Outlook [second quarter, 2010]

U.S. ECONOMIC POLICY

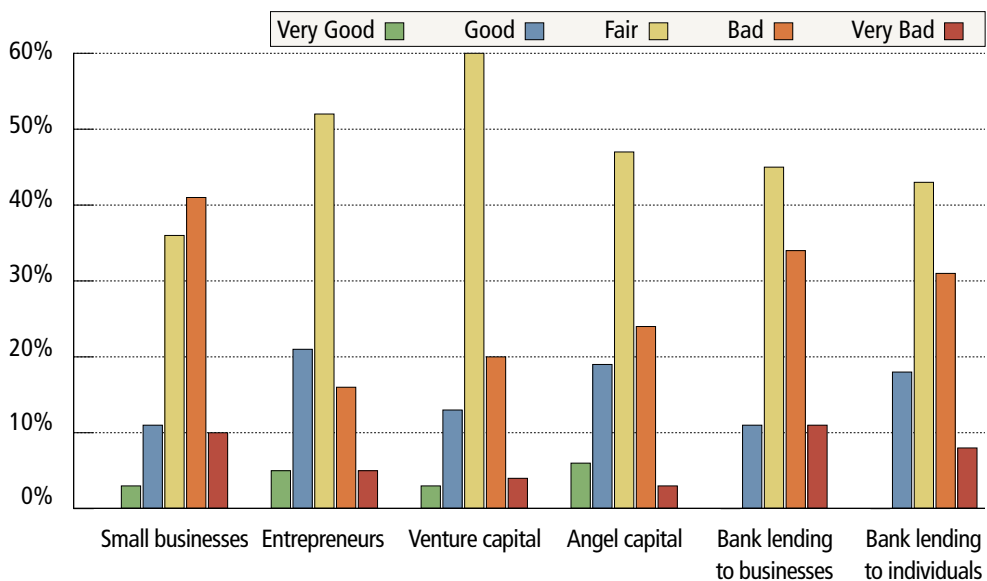
How do you grade the performance of the following organizations and institutions?  
(A = best, F = fail)



The only group rated less favorably than Wall Street firms among economics bloggers is the U.S. Congress. Both continue to get terrible grades, slightly improved from the first quarter (although from a new sample of respondents). In contrast, the Congressional Budget Office (CBO) and other watchdogs were not quite the star performers this quarter, perhaps because they have been in the media spotlight. The Federal Reserve gets better marks than the European Central Bank (ECB), a reversal from the last report.

Kauffman Economic Outlook [second quarter, 2010]

What is your sense of the conditions that exist for the following:



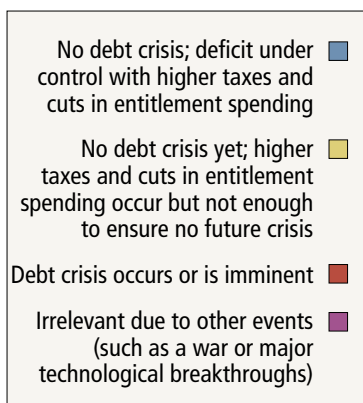
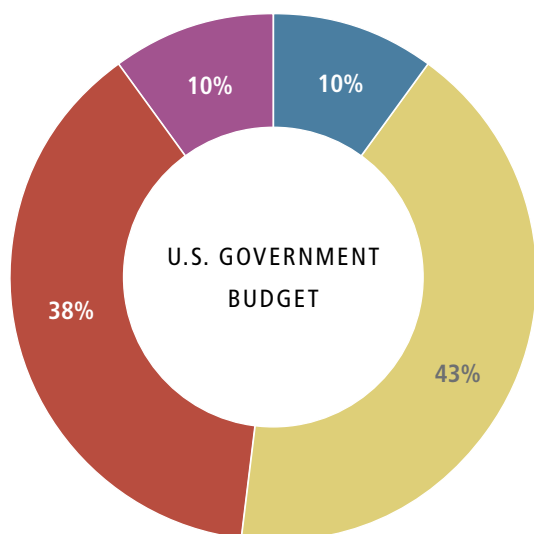
With few exceptions, business conditions right now are rated as "mostly fair, partly bad." Small business is the exception, as a bare majority rate conditions "bad" or "very bad." Bank lending also is rated negatively.

Kauffman Economic Outlook [second quarter, 2010]

## OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

What do you think is most likely to characterize the U.S. government budget in 15 years?

Question from *ARNOLD KLING (EconLog)*



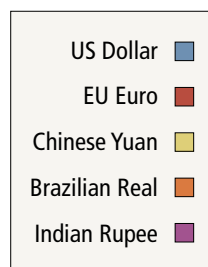
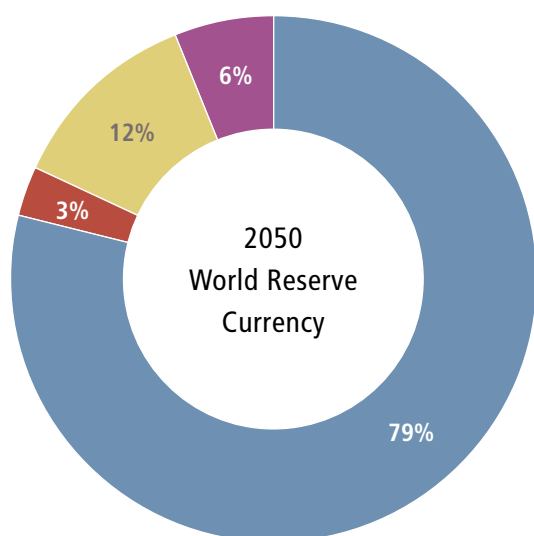
*The respondents are predominantly pessimistic about the prospects for putting the U.S. government on a sustainable fiscal path soon. Will President Obama's deficit commission prove them wrong?*

— Arnold Kling, EconLog

Kauffman Economic Outlook [second quarter, 2010]

What do you believe will be the World Reserve Currency in 2050?

Question from *KEN HOUGHTON (Angry Bear)*



*While 80 percent of the respondents seem to expect a U.S. debt crisis by 2050, at least 75 percent of those do not expect the dollar to lose its place as the world's reserve currency. Most economists surveyed appear to believe the interconnectedness of the world economy will limit any advantage of a reasonable, effective response by other economies to a U.S. debt crisis. Parallels to MAD (mutually assured destruction) are left as an exercise to the reader.*

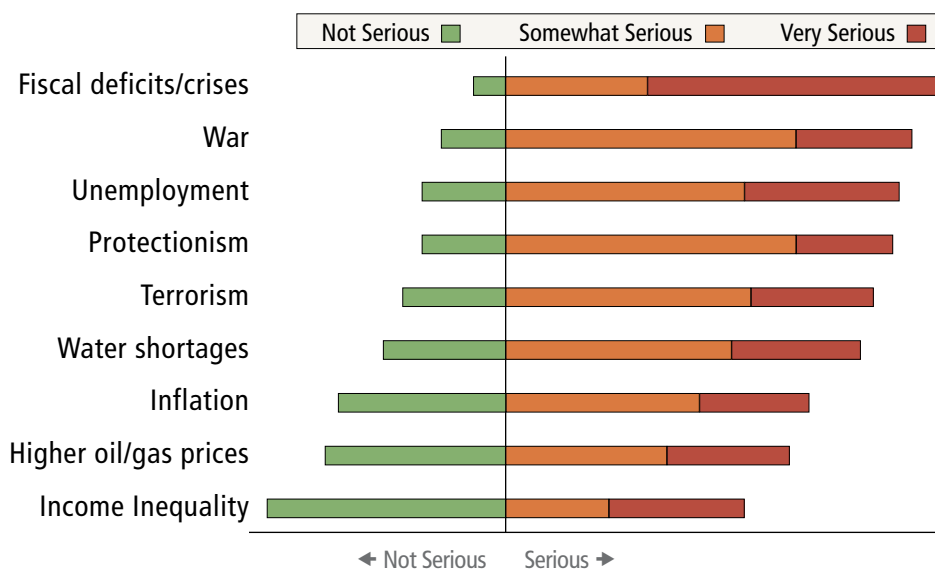
— Ken Houghton, Angry Bear

Kauffman Economic Outlook [second quarter, 2010]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Globally, how serious are each of these issues over the next ten years?

Question from MARK PERRY (Carpe Diem)



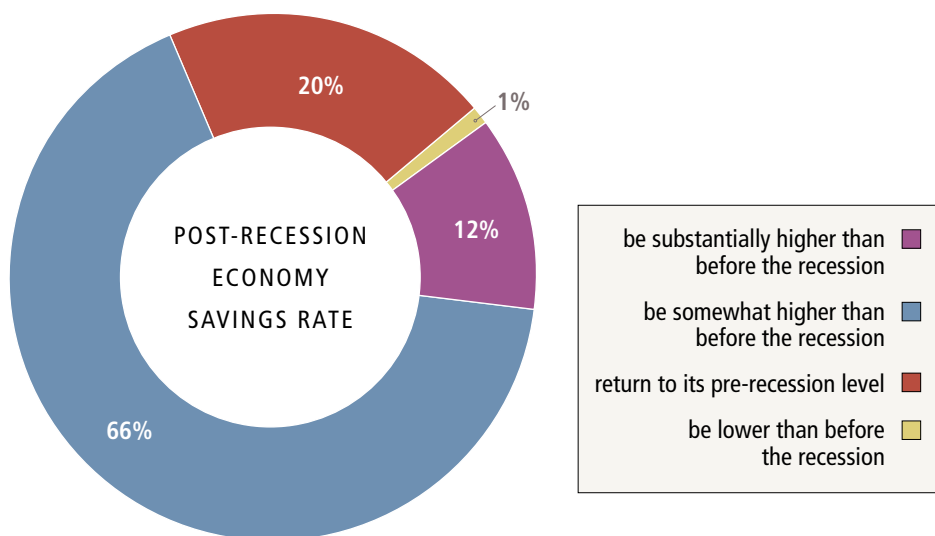
*It's not a surprise that economic bloggers consider fiscal deficits to be the most serious problem, a view shared by the American public: A recent Bloomberg poll reported that 70 percent of Americans think that chronically high budget deficits pose a serious threat to the economy. On the issue of income inequality, exactly half of the bloggers considered the issue of income inequality to be "not serious," while the other half think it is, mirroring a recent poll of the public by Pew. The results suggest that the bloggers' responses mirror the general public pretty closely.*

— Mark Perry, Carpe Diem

Kauffman Economic Outlook [second quarter, 2010]

In the post-recession economy, the savings rate will ...

Question from MARK THOMA (Economist's View)



*The results are about what I expected—I also think that saving will be higher and, hence, consumption will be lower—the question is what will replace the lost consumption. I don't expect net exports to grow enough to make up the difference, government will grow some, but that won't be enough either, so that leaves investment. But investment in what? That's the trillion dollar question.*

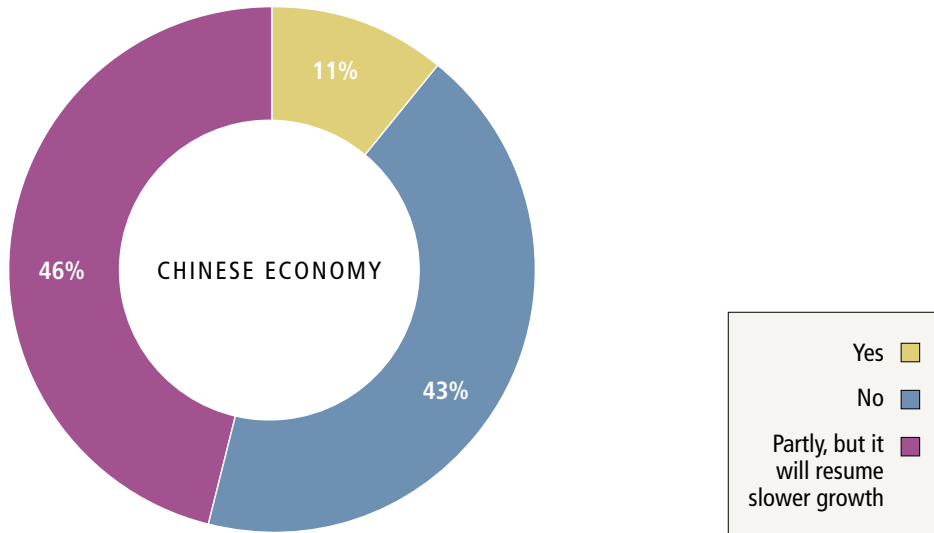
— Mark Thoma, Economist's View

Kauffman Economic Outlook [second quarter, 2010]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

**Will the Chinese economy crack up in the next five years?**

Question from TYLER COWEN (*Marginal Revolution*)



*Kauffman Economic Outlook [second quarter, 2010]*

## METHODOLOGY & PANEL SELECTION

Invitations were sent to more than 200 leading economic bloggers, most of whom were on the Palgrave's Econolog.net December 2009 rankings (its methodology is described at <http://econolog.net/stats.php>). Some blogs with multiple authors have more than one respondent in the panel. For example, both James Hamilton and Menzie Chinn, co-bloggers at Econbrowser, participated, as did Tyler Cowen and Alex Tabarrok, co-bloggers at Marginal Revolution. The panel includes a total of seventy-six respondents.

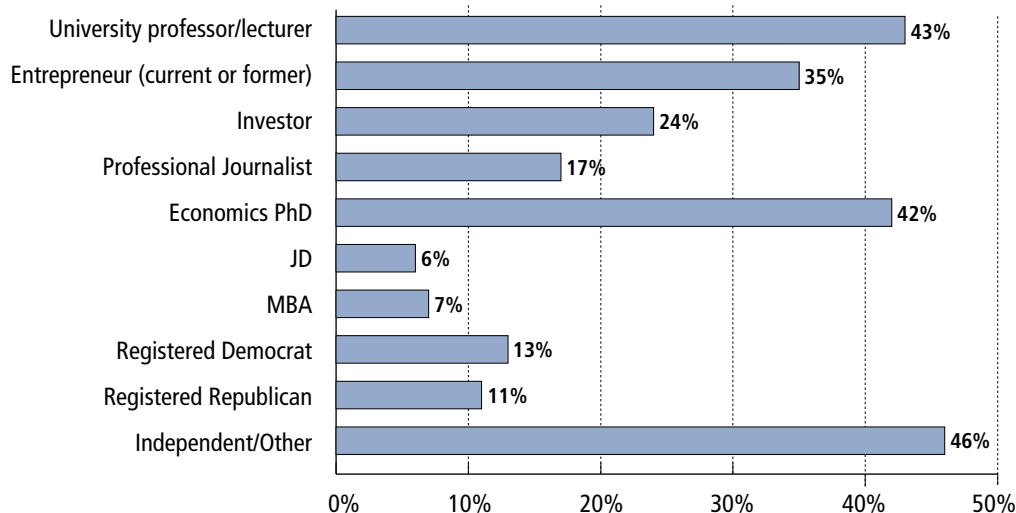
The panel from Q1 is not directly comparable to this quarter's panel. Fifty-one bloggers participated in both quarters, so comparisons between the results have a large margin of error.

The policy of the Kauffman Economic Outlook is that survey panelists and their blog names will be released (two prefer not to identify themselves), but all individual responses and comments will remain anonymous. A list of participants is included in the appendix.

Panelists were asked to describe their political affiliation, with the intent being to show whether the panel has an ideological bias. We find that among those who answered this question, nearly half consider themselves Independent, with only 13 percent Democrat and 11 percent Republican.

The last question asked economics bloggers to describe their occupations and backgrounds. These responses were not exclusive (meaning respondents could select one or more). More than two-fifths who provided information are university professors, one-third are former or current entrepreneurs, one-quarter are investors, and two-fifths have a PhD in economics.

Please describe yourself (check all that currently apply)



*Kauffman Economic Outlook [second quarter, 2010]*

## APPENDIX

### LIST OF RESPONDENTS

Individual responses will not be released, but names and/or blogs of the participants in the Kauffman Economic Outlook include:

Amol Agrawal, *Mostly Economics*  
Pedro H. Albuquerque, *Incentives Matter*  
David Altig, *Macroblog*  
Ryan Avent, *Free Exchange*  
Dean Baker, *Beat the Press*  
King Banaian, *SCSU Scholars*  
Owen Barder, *Owen Abroad*  
David Beckworth, *Macro and Other Market Musings*  
Bryan Caplan, *EconLog*  
Paul Caron, *TaxProf*  
John B. Chilton, *The Emirates Economist*  
Menzie Chinn, *Econbrowser*  
Bill Conerly, *Businomics*  
Jeff Cornwall, *The Entrepreneurial Mind*  
Tyler Cowen, *Marginal Revolution*  
Bob Cringely, *I, Cringely*  
Brad DeLong, *Brad DeLong*  
Atanu Dey, *Atanu Dey*  
Art Diamond, *Art Diamond*  
Daniel Drezner, *Drezner at Foreign Policy*  
Rob Elliott, *Globalisation and the Environment*  
Dale Franks, *QandO*  
Daniel Gross, *Moneybox*  
James Hamilton, *EconBrowser*  
Steve Horowitz, *Coordination Problem*  
Ken Houghton, *Angry Bear*  
Tim Iacono, *The Mess That Greenspan Made*  
Scott Jagow, *Marketplace Scratch Pad*  
Tim Kane, *Growthology.org*  
Stephen Karlson, *Cold Springs Shops*  
Paul Kedrosky, *Infectious Greed*

## APPENDIX

### LIST OF RESPONDENTS (continued)

Lynne Kiesling, *Knowledge Problem*  
Arnold Kling, *EconLog*  
Drea Knufken, *Business Pundit*  
Richard Langlois, *Organizations and Markets*  
Andrew Leigh, *Andrew Leigh*  
Bob Litan, *Growthology.org*  
Angie Littwin, *Credit Slips*  
Steve Malanga, *Real Clear Markets*  
Michael Mandel, *Mandel on Innovation and Growth*  
Geoffrey Manne, *Truth on the Market*  
Donald Marron, *DMarron.com*  
Nathan Martin, *Economic Edge*  
Chris Masse, *MidasOracle.org*  
Eldon Mast, *The Good News Economist*  
Megan McArdle, *Asymmetrical Information*  
Jeff Miller, *A Dash of Insight*  
Danny Morris, *Common Tragedies*  
Craig Newmark, *Newmark's Door*  
Matt Nolan, *The Visible Hand in Economics*  
Michael Panzer, *Financial Armageddon*  
Mark Perry, *Carpe Diem*  
James Picerno, *The Capital Spectator*  
Virginia Postrel, *Dynamist*  
E.J. Reedy, *Data Maven at Kauffman.org*  
Russ Roberts, *EconTalk*  
Andy Roth, *Club for Growth*  
Wade Roush, *Wade Roush*  
Thom Ruhe, *e360 at Entrepreneurship.org*  
Felix Salmon, *Felix Salmon*  
Andrew Samwick, *Capital Gains and Games*  
Frederic Sautet, *Coordination Problem*  
Allison Schrager, *Free Exchange*

## APPENDIX

### LIST OF RESPONDENTS (continued)

Nick Schulz, *Enterprise Blog*  
Mike Shedlock, *Global Economic Trend Analysis*  
Yves Smith, *Naked Capitalism*  
Daniel Sokol, *Antitrust & Competition Policy*  
Dane Stangler, *Growthology.org*  
Irwin Stelzer, *Hudson Institute*  
Alex Tabarrok, *Marginal Revolution*  
Mark Thoma, *Economist's View*  
David Tufte, *voluntaryXchange*  
Claus Vistesen, *Alpha.Sources*  
Steve Waldman, *Interfluidity*  
Glen Whitman, *Agoraphila*  
David Zetland, *Aguanomics*  
Anonymous, *Fistful of Euros*

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