



Kauffman Economic Outlook A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

FIRST QUARTER 2012

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

First Quarter, 2012

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INTRODUCTION

This paper reports the results of a survey of top economics bloggers. The survey was conducted in mid-January 2012 by soliciting input from top economics bloggers as ranked by Palgrave's Econolog.net. While many (around 50 percent) of the respondents have participated in all quarterly surveys, the results across quarters are not directly comparable.

Core questions that recur each quarter and topical questions submitted by participating bloggers were designed in coordination with a distinguished board of advisors, which includes:

Robert X. Cringely*I, Cringely*
 Laurie Harting*Palgrave's Econolog*
 Paul Kedrosky*Infectious Greed*
 Lynne Kiesling*Knowledge Problem*
 Donald Marron*DMarron.com*
 Mark Perry*Carpe Diem*
 Wade Roush*Xconomy.com*
 Allison Schrager*Free Exchange*
 Nick Schulz*Enterprise Blog*
 Yves Smith*Naked Capitalism*
 Alex Tabarrok*Marginal Revolution*
 Mark Thoma*Economist's View*

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

KEY FINDINGS

THE ECONOMY

Economics bloggers have a negative but slightly improving outlook on the U.S. economy for the first quarter of 2012, with 14 percent who believe overall conditions are “strong and growing” and “strong with uncertain growth.” A total of 86 percent still believe the economy is “mixed” or “facing recession.” For an economy in which growth is the norm, 32 percent of respondents think the U.S. economy is worse than official statistics indicate, and only 9 percent believe it is better. When asked to describe the economy using five adjectives, “uncertain” remains the most frequently used term.

POLICY RECOMMENDATIONS

Although the panel is largely non-partisan, it remains that an almost two-thirds majority of top economics bloggers believes the government is too involved in the economy. The top policy recommendation (selected from a small set of choices) is for the government to “support the approval of the Keystone XL Pipeline” with 77 percent support.

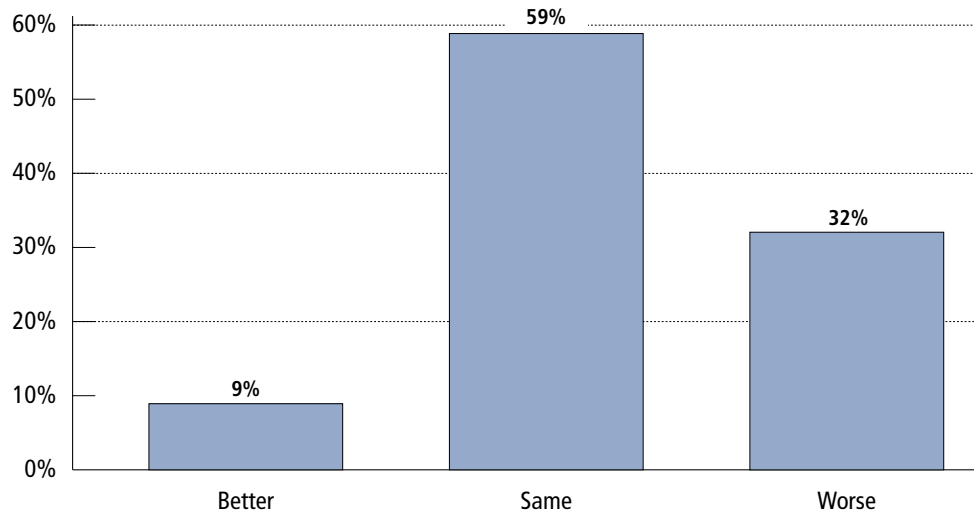
More than 70 percent of the participants again support approval of the idea to open up more domestic areas to oil and gas exploration and drilling, and opinion is split evenly on whether the top marginal income tax should be raised.

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

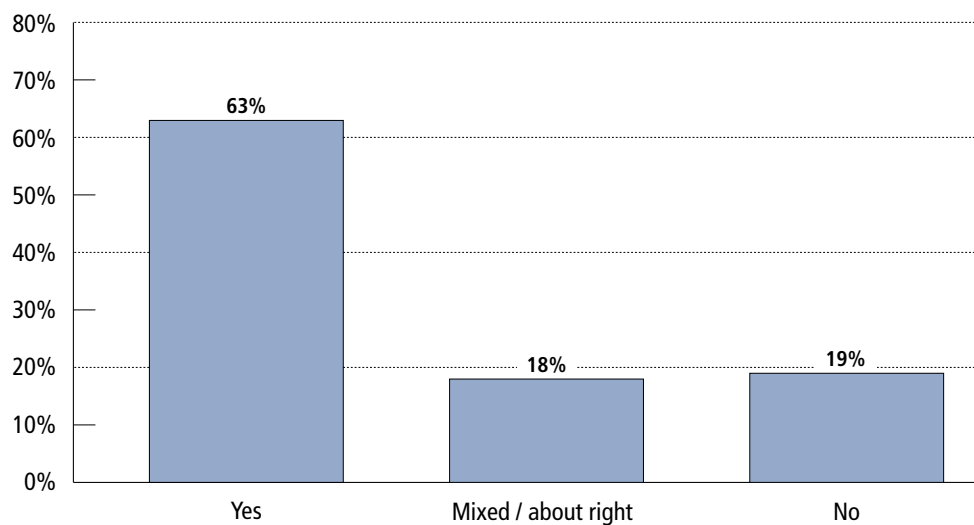
Is the U.S. economy doing better or worse than official government statistics show?



Skepticism about official statistics remains the rule among economics bloggers. Regardless, 9 percent of our panel think the U.S. economy is doing better than official statistics indicate.

[Kauffman Economic Outlook—2012 Q1]

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



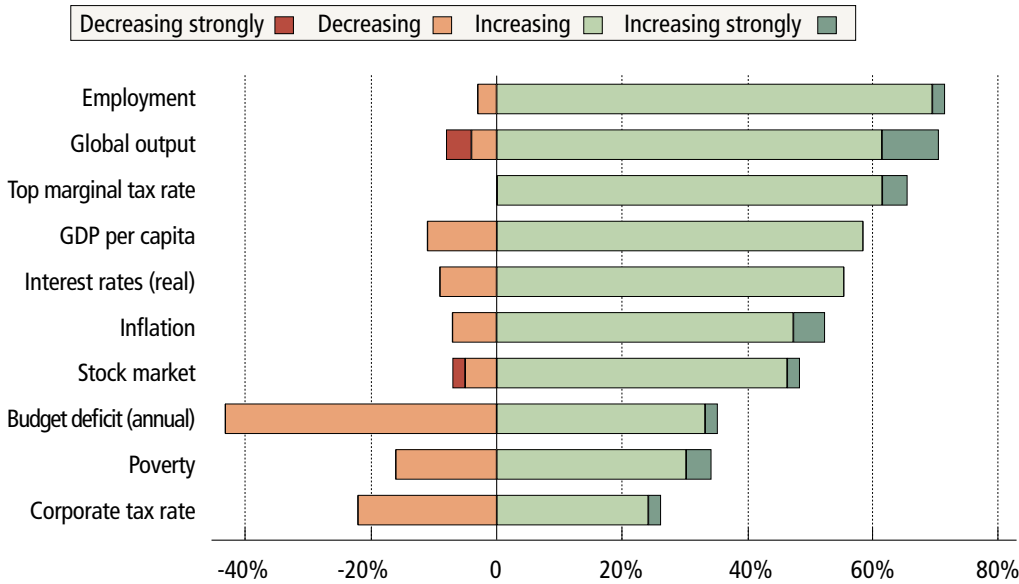
A large majority (63 percent) of economics bloggers believe the U.S. government is too involved in the economy, compared to 19 percent who think it is not.

This response is noteworthy given the balanced and largely non-partisan identification of respondents.

[Kauffman Economic Outlook—2012 Q1]

U.S. ECONOMIC POLICY

What are the prospects for the following over the next three years?
(In the United States unless stated otherwise)



Projecting three years ahead, economics bloggers expect employment and global output to rise faster than anything else. A significant difference from the previous reports is that only about 33 percent of respondents anticipate poverty to increase in the United States. Opinion remains split about expectations of higher inflation and interest rates, with less than 9 percent believing that those categories are decreasing. And expectations of a higher top marginal tax rate continue to be a surprise.

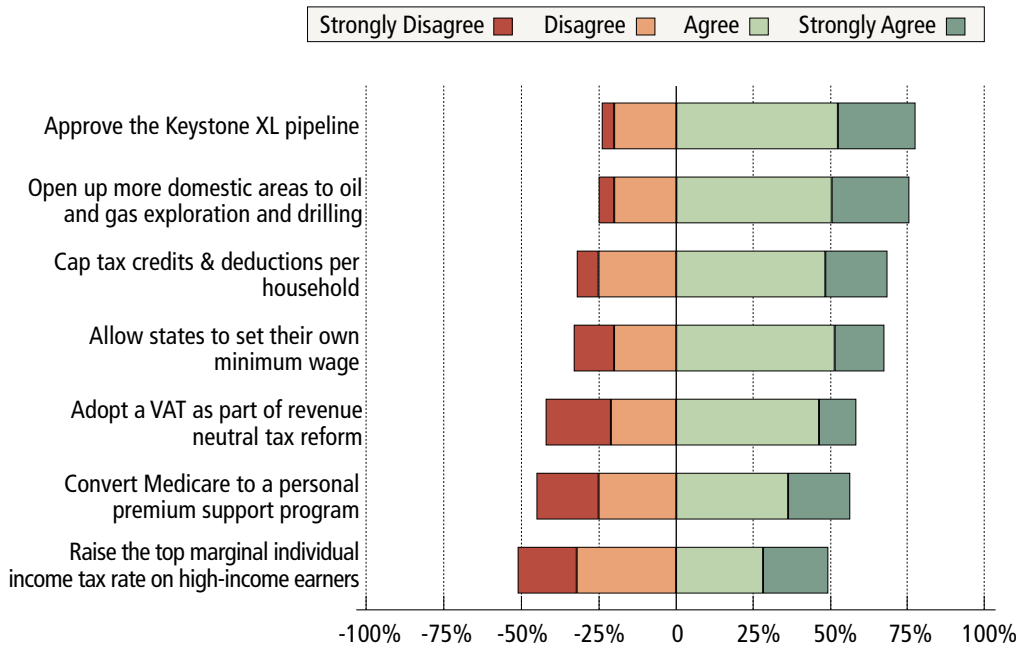
[Kauffman Economic Outlook—2012 Q1]

	Decreasing strongly	Decreasing	About the same	Increasing	Increasing strongly
Employment	0%	3%	26%	69%	2%
Global output	4%	4%	23%	61%	9%
Top marginal tax rate	0%	0%	36%	61%	4%
GDP per capita	0%	11%	32%	58%	0%
Interest rates (real)	0%	9%	36%	55%	0%
Inflation	0%	7%	40%	47%	5%
Stock market	2%	5%	46%	46%	2%
Budget deficit (annual)	0%	43%	22%	33%	2%
Poverty	0%	16%	51%	30%	4%
Corporate tax rate	0%	22%	53%	24%	2%

[Kauffman Economic Outlook—2012 Q1]

U.S. ECONOMIC POLICY

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



When asked to evaluate a variety of policy proposals, the top recommendation was to approve the Keystone XL pipeline with 77 percent in agreement (25 percent agreeing strongly). Seventy-five percent also favor opening up more domestic areas to oil and gas exploration and drilling.

New recommendations for policy this quarter include support for flexibility that allows states to set their own minimum wage (67 percent). On tax policy, bloggers support a revenue-neutral adoption of a value-added tax (58 percent) and capping deductions (68 percent), but are split on raising the top marginal income tax rate.

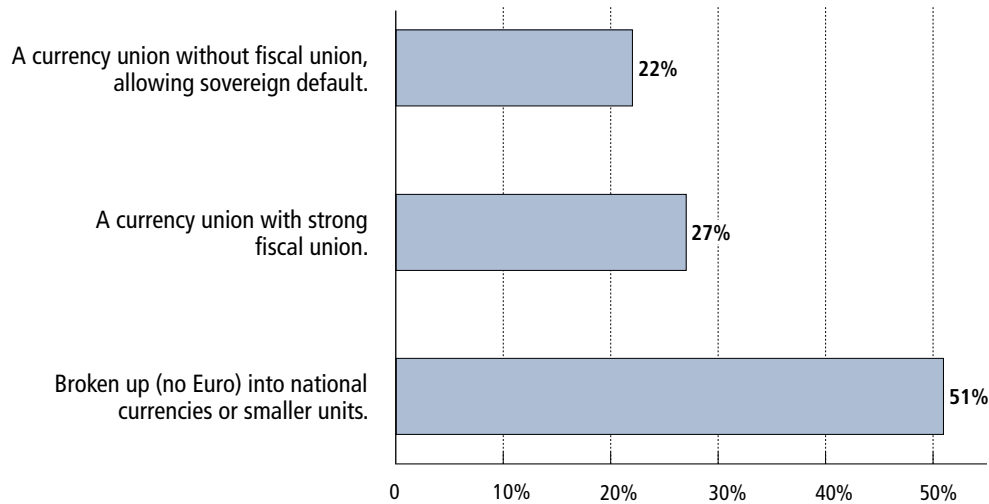
[Kauffman Economic Outlook—2012 Q1]

	Strongly Disagree	Disagree	Agree	Strongly Agree
Approve the Keystone XL pipeline	4%	20%	52%	25%
Open up more domestic areas to oil and gas exploration and drilling	5%	20%	50%	25%
Cap tax credits & deductions per household	7%	25%	48%	20%
Allow states to set their own minimum wage	13%	20%	51%	16%
Adopt a VAT as part of revenue neutral tax reform	21%	21%	46%	12%
Convert Medicare to a personal premium support program	20%	25%	36%	20%
Raise the top marginal individual income tax rate on high-income earners	19%	32%	28%	21%

[Kauffman Economic Outlook—2012 Q1]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

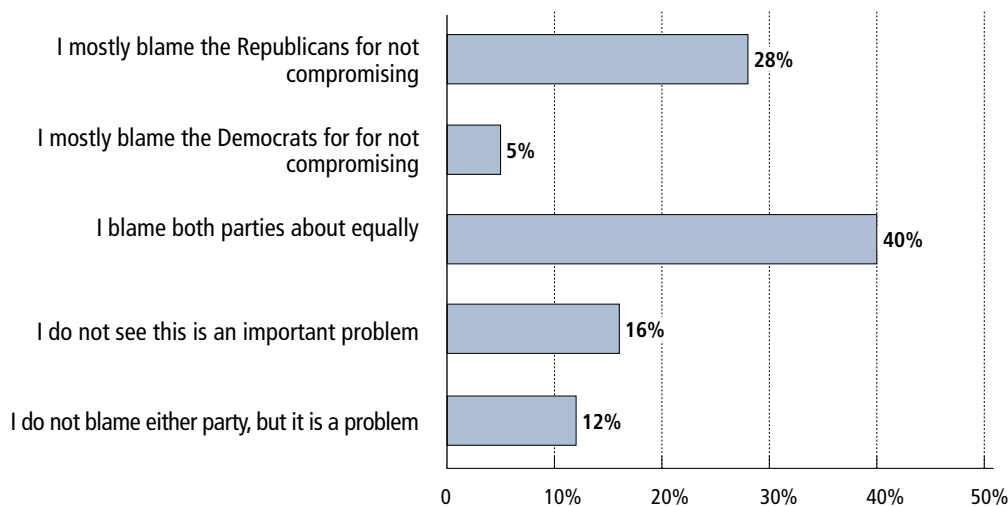
John Cochrane (The Grumpy Economist @ johnhcochrane.blogspot.com) asked:
Should the Eurozone become: 1) A currency union without fiscal union, allowing sovereign default; 2) A currency union with strong fiscal union; or 3) Broken up (no Euro) into national currencies or smaller units?



More than 50 percent of economics bloggers favor breaking up the Euro into national currencies or smaller units. Just one-quarter of respondents think a strong fiscal union is wise.

[Kauffman Economic Outlook—2012 Q1]

Arnold Kling (EconLog) asked:
How do you regard political gridlock on the U.S. budget?



Who is to blame for political gridlock? More bloggers blame Republicans than Democrats, but the majority opinion did not blame either party, or blamed them equally. Meanwhile, 16 percent of participants think gridlock is not a problem.

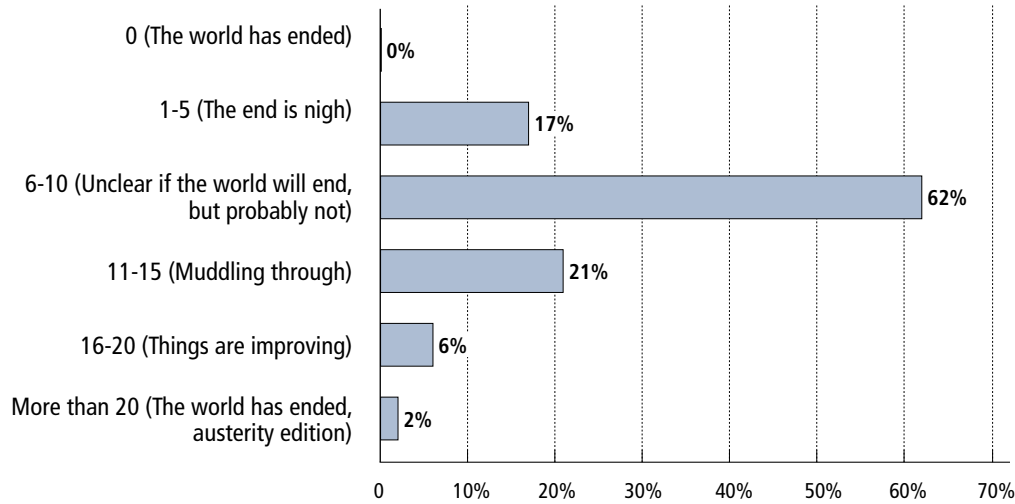
[Kauffman Economic Outlook—2012 Q1]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

FT Alphaville asked:

Right now there are 12* countries with an AAA rating from both S&P and Moody's. How many will there be at the end of 2015?

*This number has declined recently and may change again before publication.

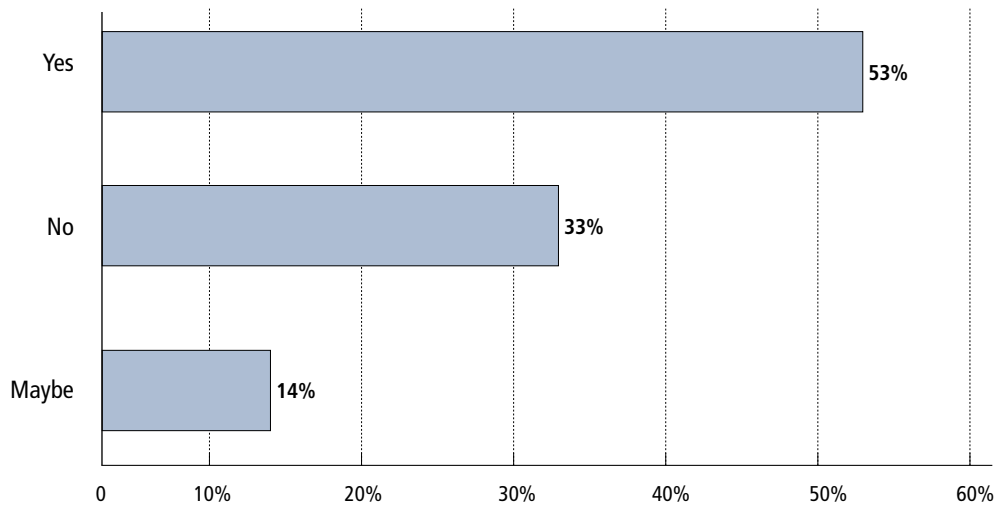


There were six possible answers to this question, but a majority of bloggers believe that six to ten countries will maintain their AAA ratings from both S&P and Moody's by the end of 2015. Only one blogger thought "the world [will] end," and that was due to excess austerity.

[Kauffman Economic Outlook—2012 Q1]

Craig Newmark (Newmark's Door) asked:

Does the U.S. economy need higher inflation now?

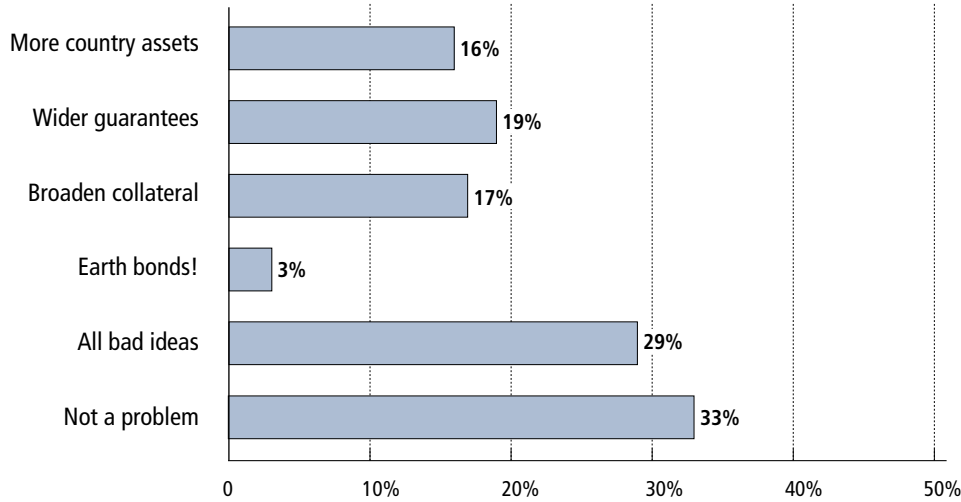


Overall, 53 percent of participants support higher inflation. Another 14 percent say maybe. This suggests that bloggers generally think the Fed's dovish stance is fine, or perhaps too hawkish.

[Kauffman Economic Outlook—2012 Q1]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

FT Alphaville asked:
The world has a shortage of safe assets, a problem that has impeded normal monetary policy transmission mechanisms, especially in Europe. Which of these solutions to the problem would you support?



[Kauffman Economic Outlook—2012 Q1]

Bloggers offered tepid support for any of the solutions laid out by FT Alphaville. In fact, one-third of bloggers dispute the premise that there is a global shortage of safe assets. The full text of solutions is:

More country assets: *The treasuries of every remaining AAA sovereign should start pumping out safe assets immediately (in the form of government debt).*

Wider guarantees: *Governments or central banks should guarantee a wider range of debt (feel free to assume accompanying stricter regulation).*

Broaden collateral: *Central banks should continue to diversify the range of acceptable collateral for temporary liquidity ops until they're approving everything but Silvio Berlusconi's black book.*

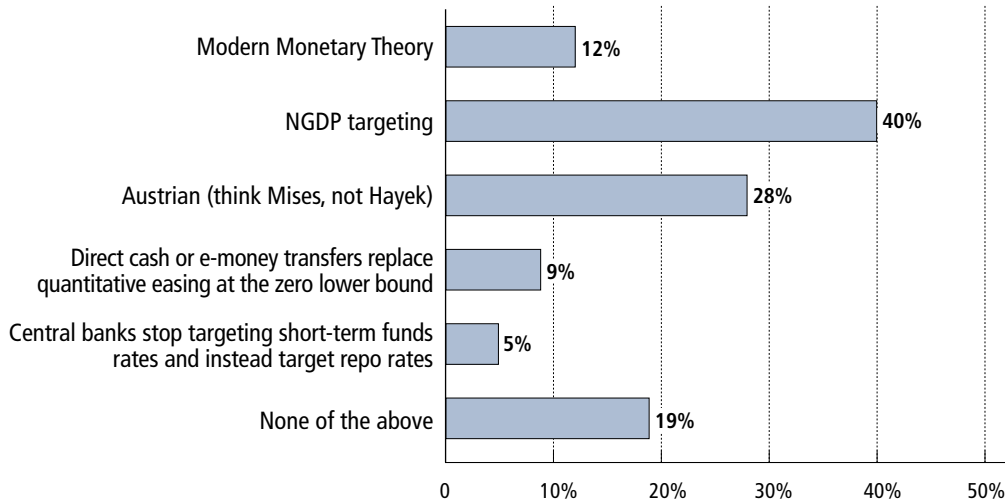
Earth bonds!: *Earth bonds!*

All bad ideas: *The world needs more safe assets, but none of these ideas is any good.*

Not a problem: *I disagree with the original premise. The world doesn't need any more safe assets. Weirdo.*

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

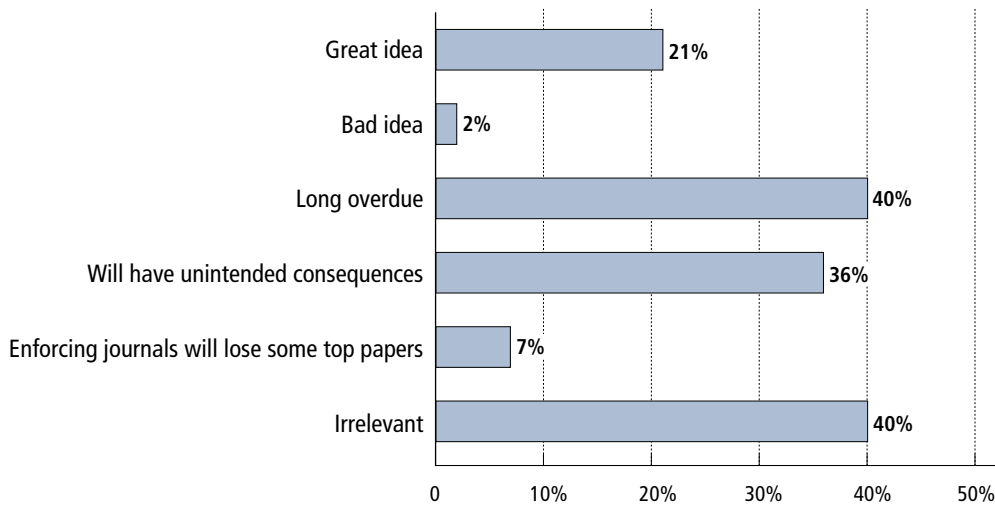
FT Alphaville asked:
Which of the following fringe-ish ideas or schools of thought would you like to see become accepted practice for monetary policymakers?



The majority support NGDP targeting, with 40 percent of participants agreeing. Only three participants feel central banks should stop targeting short-term funds rates and instead target repo rates.

[Kauffman Economic Outlook—2012 Q1]

Tyler Cowen (Marginal Revolution) asked:
What do you think of the new ethics code for economists?

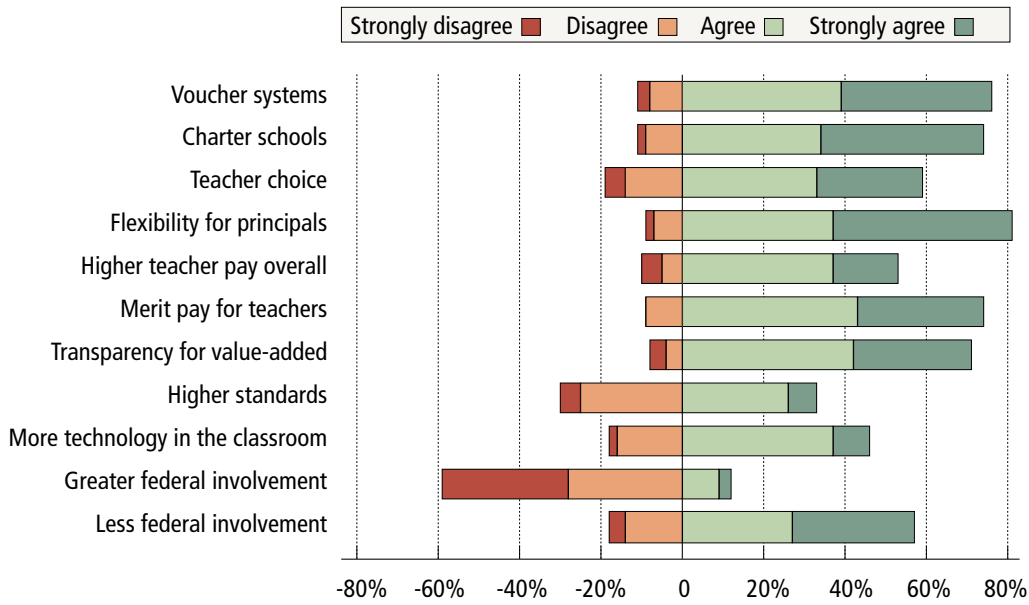


Bloggers are divided, with many (40 percent) believing it is long overdue, another 40 percent believing it is irrelevant, and 36 percent believing it will have unintended consequences.

[Kauffman Economic Outlook—2012 Q1]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Craig Newmark (Newmark’s Door) asked:
What changes to U.S. K-12 education would be most desirable?



This seemingly simple question had a complicated set of answers with a rich amount of information as a result. Five changes had more than 70 percent support (and each of them had roughly 10 percent opposition), the strongest being “more flexibility for principals to hire and fire” (81 percent agree, half of those strongly agree). The opposite of flexibility has been the thrust of education reform in recent decades, the imposition of “higher standards, monitored by more and stricter high-stakes testing,” which polled only 33 percent support versus 33 percent opposition. The idea with the most disagreement actually had negative numbers that were double the next lowest, and that was “greater federal involvement” (11 percent agree, 59 percent disagree).

[Kauffman Economic Outlook—2012 Q1]

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Voucher systems	3%	8%	12%	39%	37%
Charter schools	2%	9%	16%	34%	40%
Teacher choice	5%	14%	22%	33%	26%
Flexibility for principals	2%	7%	11%	37%	44%
Higher teacher pay overall	5%	5%	37%	37%	16%
Merit pay for teachers	0%	9%	17%	43%	31%
Transparency for value-added	4%	4%	22%	42%	29%
Higher standards	5%	25%	37%	26%	7%
More technology in the classroom	2%	16%	37%	37%	9%
Greater federal involvement	31%	28%	29%	9%	3%
Less federal involvement	4%	14%	25%	27%	30%

[Kauffman Economic Outlook—2012 Q1]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Robert Cringely (I, Cringely) and Tim Kane (Kauffman) Haiku Challenge:
The Euro is troubled, so what is its fate in 2012 and/or what should policymakers do?

*Euro resembles badly made movie
Its producers keep claiming movie a hit
Time they accept it flopped.*

~ AMOL AGRAWAL

*By now we know to
Expect the unexpected
To ruin your day.*

~ RYAN AVENT

*Can't bail forever
This year we might discover
The can does kick back.*

~ ARNOLD KLING

*Common currency
Is not the source of problems
Debt is the culprit.*

~ PEDRO ALBUQUERQUE

*Euro troubles prove
Federalism is key
To secure freedom.*

~ WILL FRANKLIN

*Euro, Kroner, Franc,
Makes no difference to me
Long as gold glistens.*

~ ROBERT CRINGELY

*Europe's Recessing
The ECB has no clue
Austerity Bites.*

~ DANIEL GROSS

*Euro-zone crumbling now
Silently, in the background
Surface is a veil.*

~ DAVID TUFTE

*Greece will soon default
The Eurozone will crumble
Let's all go shopping!*

~ FELIX SALMON

*Haughty Albion
Because she made the right choice
She must be punished.*

~ SCOTT SUMNER

*NGDP it
Nominal incomes restored
Safe assets return.*

~ DAVID BECKWORTH

*On this Continent
All European Unions
Always end in blood.*

~ ANDREW SAMWICK

*Poor little Euro
a useful means of exchange
with no fiscal role.*

~ DAVID ZETLAND

*Run the Euro press
Beg America for help
Beg China for help.*

~ MICHAEL RIZZO

*Saint Germanicus
Gave no gifts to young Euro
Christmas without snow.*

~ TIM KANE

*Surprise everyone
Reintroduce the Deutschmark
Inflate the Euro.*

~ ELI DOURADO

*The most painful part
Of the Euro's coming end?
Krugman being right.*

~ JOSHUA BARRO

*Twelve years later
Returned to the beginning
Germany loses again.*

~ KENNETH HOUGHTON

*Welfare states' debt due
Ratings downgrades, states default
Euro muddles through.*

~ ARTHUR DIAMOND

*When the task is great,
take but one step at a time
Compromise builds strength.*

~ JEFF MILLER

*You may disappear
or appear in great numbers
debt must come undone.*

~ STEVE WALDMAN

METHODOLOGY & PANEL SELECTION

Invitations were sent to nearly 200 top economics bloggers, most of whom were on the Palgrave's Econolog.net December 2010 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.com, are participants, as are Tyler Cowen and Alex Tabarrok, co-bloggers at Marginalrevolution.com. The panel includes fifty-eight respondents.

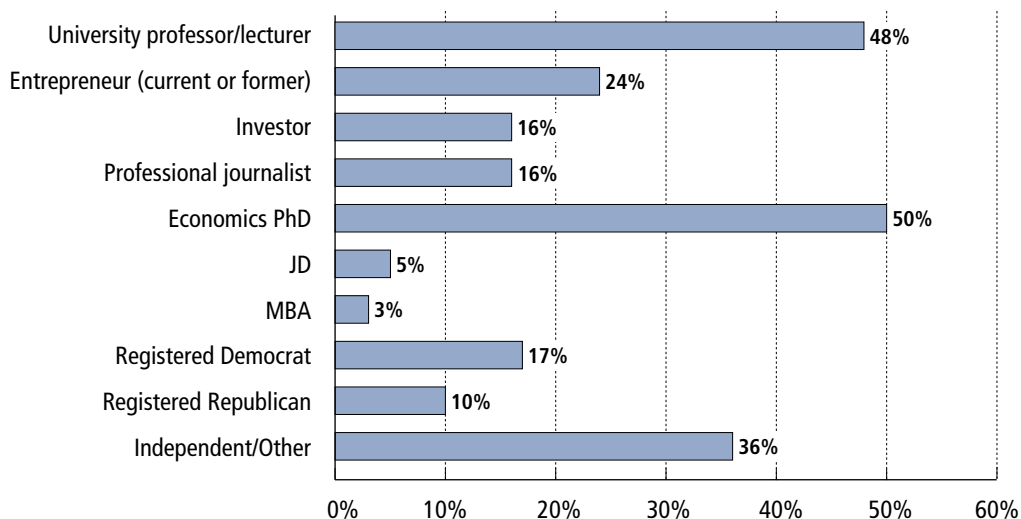
The panels from previous quarters are not directly comparable to this quarter's panel. Roughly half of all bloggers participated in both quarters, so comparisons between the results have a large margin of error.

The policy of the Kauffman Economic Outlook is that survey panelists and their blog names will be released, 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, 36 percent consider themselves Independent/Other, with 17 percent Democrat and 10 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). Nearly half are university professors, about one-fourth are former or current entrepreneurs, and nearly half have PhDs in economics.

Please describe yourself (check all that currently apply)



[Kauffman Economic Outlook—2012 Q1]

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 Albuquerque, *Incentives Matter*
Ryan Avent, *Free Exchange*
Dean Baker, *Beat the Press*
Joshua Barro, *Josh Barro (Forbes)*
David Beckworth, *Macro and Other Market Musings*
Bill Black, *New Economic Perspectives*
Bryan Caplan, *EconLog*
Aaron Carroll, *The Incidental Economist*
Menzie Chinn, *EconBrowser*
Tyler Cowen, *Marginal Revolution*
Robert Cringely, *I, Cringely*
Steven Davidoff, *The Deal Professor, The New York Times DealBook*
Atanu Dey, *Atanu Dey on India's Development*
Arthur Diamond, *artdiamondblog.com*
Eli Dourado, *Eli Dourado*
Eric Falkenstein, *Falkenblog*
Will Franklin, *WILLisms*
Daniel Gross, *Contrary Indicator, Yahoo! Finance*
James Hamilton, *EconBrowser*
Kenneth Houghton, *Angry Bear*
Tim Iacono, *The Mess That Greenspan Made*
Tim Kane, *Growthology.org*
Stephen Karlson, *Cold Spring Shops*
Lynne Kiesling, *Knowledge Problem*
Peter Klein, *Organizations and Markets*
Arnold Kling, *EconLog*
Drea Knufken, *Business Pundit*
Michael Mandel, *Mandel on Innovation and Growth*
Geoffrey Manne, *Truth on the Market*
Donald Marron, *dmarron.com*
Chris F. Masse, *MidasOracle.org*
Megan McArdle, *Asymmetrical Information*

APPENDIX

LIST OF RESPONDENTS (continued)

Jeff Miller, *A Dash of Insight*
William Mitchell, *Bill Mitchell—billy blog*
Russell Nelson, *The Angry Economist*
Matt Nolan, *The Visible Hand in Economics*
Mark Perry, *Carpe Diem*
James Picerno, *The Capital Spectator*
Michael Rizzo, *The Unbroken Window*
Russ Roberts, *Cafe Hayek*
Wade Roush, *Xconomy.com*
Felix Salmon, *Felix Salmon*
Andrew Samwick, *Andrew Samwick's Blog*
Allison Schrager, *Free Exchange*
Rajiv Sethi, *Rajiv Sethi*
Mike Shedlock, *Mish's Global Economic Trend Analysis*
Karl Smith, *Modeled Behavior*
Daniel Sokol, *Antitrust & Competition Policy Blog*
Scott Sumner, *The Money Illusion*
Mark Thoma, *Economist's View*
David Tufte, *voluntaryXchange*
Mike Veseth, *The Wine Economist*
Claus Vistesén, *Alpha.Sources*
Steve Waldman, *Interfluidity*
John Whitehead, *Environmental Economics*
Glen Whitman, *Agoraphilia*
David Zetland, *Aguanomics.com*

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