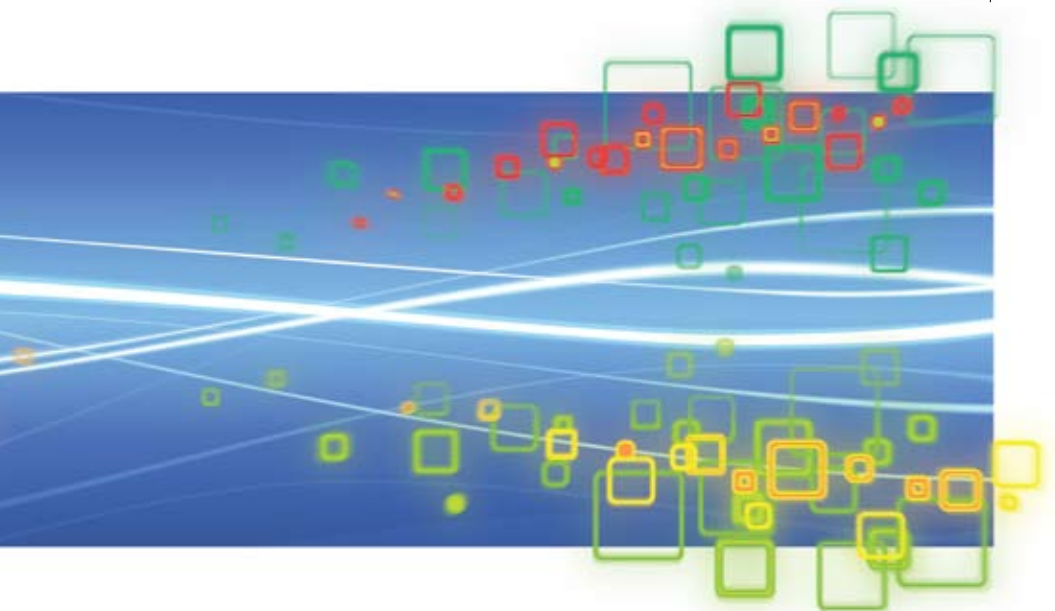


The Wisdom of Economics Bloggers

BLOGGER SURVEY SUMMARY



*THE COLLECTED ANSWERS TO
STIMULATING QUESTIONS
ASKED OF PARTICIPANTS AT THE
KAUFFMAN ECONOMICS BLOGGERS FORUM*

February 26–27, 2009
Kauffman Conference Center
Kansas City, Missouri

Edited by
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and CHARLES JOHNSON
growthology.org



The collected answers to
stimulating questions
asked of participants at the
Kauffman Economics Bloggers Forum

Economic growth is a process of innovation and technological change. In the wake of the Internet revolution of the 1990s, blogging emerged as a booming phenomenon that is manifestly creative and destructive. Blogging is entrepreneurial, to be sure, driven by individuals with either expertise or strong opinions, sometimes both. Once castigated as people in pajamas, the broad wave of bloggers has disrupted print media and even—perhaps ironically—the art and science of economics itself.

In the span of a few years, a rich and incredibly timely discussion, debate, even tutorial about the economy has emerged through blogging techniques that were unknown a decade ago and probably unimaginable by almost everyone two decades ago. Opinions and advice are available from the brightest minds—available to schoolchildren of today in ways that would have been the envy of Presidents and Kings of generations past.

The Kauffman Foundation is dedicated to the idea that entrepreneurship and innovation drive economic growth. Naturally, this new technology is a fascinating one, both for its effect on the economic research frontier, but also as an innovation in its own right.

On February 27, 2009, the Kauffman Foundation is hosting the first ever physical conference for economics bloggers at the Foundation headquarters in Kansas City, Missouri. Participants include famous independent bloggers such as Matthew Yglesias, Tyler Cowen, Mike “Mish” Shedlock, Robert X. Cringely, and Mark Thoma as well as distinguished economics journalists such as Amity Shlaes, Steve Malanga, Michael Mandel, Brian Carney, and keynote speaker David Warsh.

A forum of so many high-profile participants offers a unique opportunity for discussion, but time will constrain the number of ideas communicated. As a partial remedy, we asked each participant to write brief statements on a few of the topics in question. The document you are holding is a collection of the written responses from participants at the 2009 Kauffman Economics Bloggers Forum.



Contents

CONTRIBUTORS	1
THE QUESTIONS	
What is your blog's business model?	4
What has been the personal impact of your blogging? What have you learned through blogging (or other blogs) that surprised you?	7
What 1–3 blog posts have you written of which you are particularly proud? (links will be helpful) Which of those might never have been published otherwise if you were not blogging?	10
Traditional print media is in trouble, with revenue and readership losses in recent years attributed to the rise of digital alternatives like blogging. If print journalism is being destroyed, what exactly is being created?	13
Will news coverage become more entrepreneurial, and if so, how? What business models do you anticipate for blogging?	17
How do you think blogging influences public policy?	20
How has and will blogging change the nature of scholarly economic research?	23
What is the impact of blogging on academic publishing? How will (and should) the system of peer-reviewed journals change?	26
Is entrepreneurship being harmed by the current U.S. recession?	29
What will happen to the pace of technological innovation under different recessionary scenarios (i.e. continued credit freezing, depressed aggregate demand, trade ware, and much higher rates of unemployment)?	33
The Interesting Question We Didn't Ask	34



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MATTHEW REES is the founder of Geonomica (www.geonomica.com), a writing and consulting firm, and he publishes a weekly news summary focused on financial markets. He has served as a speechwriter at the White House, the U.S. Treasury, the Securities and Exchange Commission, and the Office of the U.S. Trade Representative. He has also worked for *The Wall Street Journal* and *The Economist*. (News summary available via email, upon request.)

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MATTHEW SCHREIBER has owned and operated OM III Capital Management since 1999, an investment advisory firm which provides financial advice to both individuals and foundations. Outside of work, he is involved in many charitable projects searching for new solutions concerning the education of disadvantaged and poverty stricken youth.

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YVES SMITH is a management consultant/corporate finance advisor with nearly 30 years experience in financial services and major corporate transactions (mergers, joint ventures, minority investments). Prior to establishing his own firm in 1989, Smith worked for Goldman Sachs (corporate finance), McKinsey, and Sumitomo Bank (head of mergers & acquisitions).

MARK A. THOMA is a member of the economics department at the University of Oregon, and his research is focused on how changes in Federal Reserve policy impact the macroeconomy. He arrived at the UO in 1988, was department head for five years, and currently runs the blog "Economist's View" along with his teaching, research, and service activities.

DAVID WARSH has covered economics for magazines and newspapers since the mid-1970s (*Forbes* and *The Boston Globe*). He left the *Globe* in 2002 and began writing online. He is the author of three books: *The Idea of Economic Complexity* (1984), *Economic Principals: Masters and Mavericks of Modern Economics* (1993), and *Knowledge and the Wealth of Nations: A Story of Economic Discovery* (2006).

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MATTHEW YGLESIAS is a fellow at the Center for American Progress. Previously, he has been an associate editor at *The Atlantic* and an assistant editor and staff writer at *The American Prospect*.



What is your blog's business model?

My blog is not-for-profit so far, and I consider it to be part of my teaching, research, and service obligations as a university professor at the University of Michigan-Flint.

~ MARK PERRY

I don't have any ads, and make no money at all from my blog.

~ MARK A. THOMA

I distribute it free of charge. And it's not quite a blog—more of a news summary.

~ MATTHEW R. REES

I get a salary from the Center for American Progress, and writing the blog is one of my job responsibilities.

~ MATTHEW YGLESIAS

We sell ads. It's how I have made my living since 1997.

~ ROBERT X. CRINGELY

I write for a blog for a newspaper, so the main purpose of the blog is to enhance the total Web site.

~ ALLISON SCHRAGER

Two blogs. The first, Dynamist.com is for publicity and participation in public debates. Very minor ad and Amazon revenue. The second, DeepGlamour, is for publicity and the opportunity to work out ideas and conduct interviews for book research. Ad and Amazon revenue split with partner.

~ VIRGINIA POSTREL

We are just starting our blog and do not expect to make any money from it.

~ GREGG GORDON

Small amount from ads, but the business model is to expect no revenue.

~ TYLER COWEN



After experimenting with various alternatives for three years, EconomicPrincipals in 2005 adopted what is, in effect, a public broadcasting model. (["It's Worth What You Pay For It"](#)). Underwriters/subscribers pay \$50 a year to receive an email "bulldog" edition of the weekly. Eighteen hours later, the same thing (often slightly improved by reader feedback) goes up on the Web, where more than 25,000 unique sites in 110+ countries access it each month. Subscribers number somewhere between 250 and 350 (it is hard to get a fix on the renewal rate, since some readers are slow to remit). Expenses run around \$5,000 a year. So the site earns somewhere between \$7,500 and \$12,500 annually—enough to get by, for now.

~ DAVID WARSH

My primary purpose in writing the blog is to help promote our Entrepreneurship Program at Belmont University. It has been very successful in this regard. I am part of the Forbes blog network and derive nominal ad revenues from it, but the blog is not intended as a source of revenue for me or our program.

~ JEFF CORNWALL

My blog started off as a "brochure" for my consulting practice, and still serves well in that capacity. I generate a lot of business because of it. However, it has now become a well-regarded media property in its own right, and I am making some money from it as well. Likely to go up, presumably.

~ SRAMANA MITRA

I started Knowledge Problem in June 2002, when I was director of economic policy at Reason Foundation, as an additional communication channel for policy and social change. I do not make any money from it.

~ LYNNE KIESLING



Business model? Surely you jest. That implies that most bloggers write for primarily financial reasons. I doubt that to be the case (if they do, they are sorely misguided, and should not be targeting a space like econ blogging, which is pretty competitive). Plus my understanding is the advice for making money in blogging is to have multiple blogs.

Having said that, I do make some money via advertising, Amazon commissions, and text links, and am at a level traffic and demographics wise where one could supposedly make a modest living solely from the blog (1.3 million page views/month). Despite having put some effort into pursuing various strategies, that does not seem to be true, at least in this ad environment. Ad rates and placements are down markedly, particularly in the categories that once paid top dollar.

I think the motivations for blogging are only indirectly financial. One could see it as a way to raise one's profile and have impact. So blogging could be an alternative to other forms of self-promotion (if one has a firm, paying for advertising, or writing articles and books, hiring a PR firm).

My case is a bit peculiar, because unlike investment managers, economists, and private equity investors, the synergies between blogging and my day job are close to nada. No one wants a blogger (seen as a close cousin to a journalist) acting as a management consultant (privity to confidential corporate information). And that's true in the other direction: the work I do as a consultant does not make for grist for blogging. The one benefit to my business is that I have a network of "blog buddies" that I can sometimes ask for help fill in knowledge gaps for new business pitch or a project ("Do you know anybody who knows about X that I could buy a drink?").

~ YVES SMITH



What has been the personal impact of your blogging? What have you learned through blogging (or other blogs) that surprised you?

It's been the main way I've learned over the last five years. It's hard to know where to start.

~ TYLER COWEN

Mostly that blogging is a huge time sink.

~ VIRGINIA POSTREL

It has taken much more of my time than I anticipated—I never expected it to have as many visitors as it does—and that has taken a toll both personally and professionally.

I have been surprised by how much demand there is out there for the economics/analysis of public policy, and for economics more generally. Economics is supposed to be boring, dismal, etc., but nevertheless people seem to find economics sites of interest.

~ MARK A. THOMA

That I don't need to be part of a large organization or write for a national publication to have impact. At the same time I am often disappointed at how little impact I really have.

~ ROBERT X. CRINGELY

I write anonymously, so there has not been a big personal impact. The process of seeing economic events unfold and quickly developing a view and commentary has enhanced my understanding of the economy. I am consistently surprised by the high quality of our commenters. I frequently learn from them.

~ ALLISON SHRAGER

A couple of years ago, I discussed the distinction between journalism and blogging [here](#). The biggest surprise has been the difficulty of persuading people that I am not a blogger although my writing appears online.

~ DAVID WARSH



My blog has significantly elevated my national exposure, which started with guest appearances on CNBC's Kudlow & Company program (now The Kudlow Report) after Larry Kudlow became a regular reader of my blog Carpe Diem. I have been surprised at the incredible amount of media attention I have received as a direct result of my blog—I receive almost daily requests from newspapers, TV programs, radio shows, etc. for media appearances.

~ MARK PERRY

I am amazed at the international interest in entrepreneurship as a driver of economies around the globe. I thought my blog might have local or regional interest, but I draw about 20–25 percent of my traffic from outside the U.S. The passion for free enterprise around the world is inspiring.

~ JEFF CORNWALL

Doing a weekly news summary forces me to stay on top of the news.

~ MATTHEW R. REES

The goal of my blog is to bring honor and glory to my employer, the Council on Foreign Relations.

~ AMITY SHLAES

I was looking for a platform to have a voice, make an impact. My blog has certainly delivered on that, and consequently, I have thoroughly enjoyed blogging.

What surprised me is the diversity of my readership. I get calls with consulting requests from places as far as China and Argentina, which I would never have imagined.

~ SRAMANA MITRA

I imagined that blogging would be a way to help me organize my own research interests by serving as an efficient way to keep track of interesting research as well as my notes. I imagined it would be a helpful way to write a book, with categories serving essentially as chapter groupings. So far, blogging has probably been more fun and more work than I anticipated. You definitely get the feeling that you need to feed the beast on a regular basis. The upside is meeting people who share similar interests, and learning quite a bit from the comments.

I have to say that reading Jim Hamilton's blog, Econbrowser, had a big impact on me. Jim was a professor of mine at UCSD, and having his current thoughts available to help understand current economic activity is very powerful. The military would call it a force multiplier. So I tend to think that consuming blogs is like an intelligence-awareness multiplier.

~ TIM KANE



I doubt I have had any impact. The blog may have played a tiny role in shaping how certain news stories were viewed, but there are plenty of other people with broadly similar perspectives to mine. I may be able to take credit for a particular interpretation by having been out early with it, but others would have (and do) come to similar views independently.

I am vastly better known as a blogger than I am in my professional life. That is rather amusing.

The comments subculture is an interesting phenomenon. I had wanted to have a high quality comments thread (frankly so that readers would come to the site not just for me but also for the byplay), and I often learn quite a lot from readers. They provide high quality links and useful observations (and don't hesitate to jump on me when I am off base). The regulars have distinct styles, areas of expertise, and pet issues, and readers come to recognize their strengths and weaknesses. They also do a good job of policing trolls, which saves me time and energy.

Interacting with the financial news and related discussions and papers by economists has sharpened my thinking and given me a useful knowledge base. It helps in first meetings with prospective clients. However, having to watch the financial meltdown up close and with frequency is often draining. Peak activity/traffic periods like September-October last year are exhausting. I also feel an obligation to my readership, and find I want to do more than is realistically possible.

~ YVES SMITH



What 1–3 blog posts have you written of which you are particularly proud? Which of those might never have been published otherwise if you were not blogging?

1. I wrote a whole slew of Harvard-Russia project pieces, of which [this 2002 piece](#) was the first; [this 2006 piece](#) the most pointed; and [this 2008 one](#) the most recent, were almost the only thorough coverage the matter received.
2. Standard (hearty) EP fare: [Milton Friedman](#), [Michael Jensen](#), [Martin Feldstein](#), [Richard Musgrave](#), [Edward Prescott](#), [Yochai Benkler](#), [Karl Case](#)
3. I have written more than a dozen weeklies about the news business over seven years, of which [this piece](#), about the ubiquity of micromotives in newsgathering, and [this one](#), about Dow Jones' business model, are representative.

~ DAVID WARSH

I've just started out. But the thing I enjoy about blogging is the freedom from AP-style editing. Writing for newspapers, especially Gannett style, is subjecting one's self to a tyranny of the weak. That is, one writes for the least common denominator even when that doesn't make sense because editors demand it. This deprives one of the chance to get to the second level on an issue, whether it is taxes or unemployment.

~ AMITY SHLAES

I wouldn't have published any of them. A few of my favorite posts are linked here: <http://www.marginalrevolution.com/marginalrevolution/2009/01/the-show-so-far.html>

~ TYLER COWEN

I don't mean to be coy but there are just too many to list. I have broken dozens of stories over the years.

~ ROBERT X. CRINGELY

I don't have anything in particular to point to in terms of best posts, but I can say that very little of what I do would have been seen by anybody without the blog. A recent example of a post I liked, and that would not have seen the light of day otherwise, is this: "[Bogus Arguments about the Burden of the Debt](#)"

~ MARK A. THOMA



A few of the topics that I have blogged about that have received the most attention have been: a) the multiple posts on UAW wages vs. foreign transplants wages and b) the "man-cession" or "male recession of 2008."

~ MARK PERRY

"The Risks of Viewing Your Career as a Noun." In this post I pondered entrepreneurship beyond its economic impact and looked at how it can define who we are in a way that is not always healthy. Although I wrote it three years ago I still have people mention this post to me.
<http://www.drjeffcornwall.com/2006/07/the-risks-of-viewing-your-care.html>

"Some Thoughts from a Walk." Some random thoughts about Schumpeter on a walk with my wife led to all kinds of links to other thoughts. This post really got me going on a long stream of posts dealing with free enterprise as an economic engine of change.

<http://www.drjeffcornwall.com/2006/07/some-thoughts-from-a-walk.html>

"Socialized Entrepreneurship: Lessons from Chile." This was the first time I used the term "socialized entrepreneurship," a term that has served me well ever since.

<http://www.drjeffcornwall.com/2006/05/socialized-entrepreneurship-le.html>

~ JEFF CORNWALL

[Web 3.0 = \(4C + P + VS\)](#)

[Bootstrapping—Weapon of Mass Reconstruction](#)

[An Open Letter To IIT Students](#)

None of them would have been published if I were not blogging. My Forbes column came as a result of the blog, so now, they'd probably all be published. But earlier, none.

~ SRAMANA MITRA

[The Bad Bank Assets Proposal: Even Worse Than You Imagined](http://www.nakedcapitalism.com/2009/02/bad-bank-assets-proposal-worse-than-you.html) <http://www.nakedcapitalism.com/2009/02/bad-bank-assets-proposal-worse-than-you.html>

[Why You Should Hate the Treasury Bailout Proposal](http://www.nakedcapitalism.com/2008/09/why-you-should-hate-treasury-bailout.html) <http://www.nakedcapitalism.com/2008/09/why-you-should-hate-treasury-bailout.html>

[On What the Fed Hath Wrought \(So Far\)](http://www.nakedcapitalism.com/2007/08/on-what-fed-hath-wrought-so-far.html) <http://www.nakedcapitalism.com/2007/08/on-what-fed-hath-wrought-so-far.html>

None of them would have been. They were all news driven. They would not have fit into any conventional print media production cycle (save perhaps broadcast were I a commentator. But I could not have done anything this specific or colorful on TV).

~ YVES SMITH



1. My post on the use of experimental economics in testing policy change:

http://knowledgeproblem.com/2002/10/08/experimental_ec/

This post was written in extensive collaboration with Vernon Smith, and I posted it and sent it to my 300+ person contact list a day before Vernon won the Nobel Prize. Included on my contact list were some members of *The Wall Street Journal* editorial board, which led to my writing the Journal's post-Nobel commentary on October 10, 2002. I also later published an extended version of this post in *The Electricity Journal*.

2. Hayek on order: cosmos and taxis:

http://knowledgeproblem.com/2003/12/04/hayek_on_order/

I'm particularly proud of this post because in it I discuss some of the most fundamental ideas from Hayek that inspire my philosophy and my particular perspective on institutional design and regulation, particularly in the context of technological change. Another thing I like about this post is that it builds off of another post, which is a hallmark characteristic of the dynamic benefits of a blog network.

Although this never got published, it did form the intellectual foundation for my book *Deregulation, Innovation and Market Liberalization, Electricity regulation in a continually evolving environment* (Routledge, 2008).

3. Residential demand response is alive and living in Chicago:

http://knowledgeproblem.com/2004/03/02/residential_dem/

This post was the clearest early articulation of the application of my economic policy ideas about retail choice and decentralized coordination in the electricity industry. It led to a lot of buzz in the electricity policy community, and was the beginning of some very fruitful and productive professional relationships that I appreciate to this day.

Although it was never published on its own, its ideas were included in my book *Deregulation, Innovation and Market Liberalization, Electricity regulation in a continually evolving environment* (Routledge, 2008), as well as in a chapter on retail pricing that I wrote for *Electric Choices*, Andrew Kleit, ed. (Independent Institute, 2006).

~LYNNE KIESLING



Traditional print media is in trouble, with revenue and readership losses in recent years attributed to the rise of digital alternatives like blogging. If print journalism is being destroyed, what exactly is being created?

Chaos.

~ TYLER COWEN

There will continue to be print journalism, but it may be significantly downscaled in volume. At some point, I have confidence in new business models emerging, though I am not sufficiently clairvoyant to know which ones will prevail.

~ ROBERT E. LITAN

I think of it more as a shift in means of distribution more than being destroyed. Certainly print journalism will change significantly but some will survive by creating new business models (just as I think traditional scholarly publishers will survive in a modified form).

~ GREGG GORDON

Ultimately a new core of professional bloggers, but before then we'll have lots and lots of crappy reporting and writing.

~ ROBERT X. CRINGELY

A digital alternative that will depend on micro-payment systems in which online users pay a small amount—a penny, a nickel?—to access individual content they want to read, rather than subscribing exclusively to all of the content of individual publications or sites. This system will allow readers increasingly accustomed to reading what interests them from sources around the digital world to do so at a small cost, but also support for-profit media efforts online. With it, the distinctions will disappear between newspapers, online commentary sites, and bloggers. The best of each will professionalize (see *The Smoking Gun* or *Talking Points*.)

~ STEVE MALANGA

Probably the elimination of journalism as a significant, self-supporting profession, except for a tiny elite working primarily for break-even or subsidized publications and making a significant portion of their income from speaking, consulting, and other in-person services. A return to non-fiction writing (online or off-) as a profession for aristocrats, amateurs, and people subsidized by patrons, spouses, or other jobs, primarily university positions. Of course, there will always be a place for *People* and TMZ.

~ VIRGINIA POSTREL



Attributing the demise of print to Internet news content (which is very limited; there is not all that much citizen journalism) is an inaccurate analysis. What killed print was the loss of classified ad revenues. Not only are Web alternatives free or low cost to users, but in many cases, they are also easier to search. Print was hurting long before blogging was popular.

The other factor that is killing print is also only tangentially related to blogging. Younger people for the most part are not newspaper readers.

In previous technological shifts, old media haven't died, but have had their role and profits curtailed. Radio v. broadcast TV is a classic example. So declaring the death of print journalism seems a tad premature.

~ YVES SMITH

I see them as complements, not substitutes, so I do not believe that one drives out the other. One thing that blogs create, in addition to their obvious role of commenting on and analyzing current policy proposals and events, is one-stop shopping for things that are economics related. In that role, there are two functions, filtering and aggregation. That is, blogs with experts behind them can use that expertise to collect informed commentary in one or several centralized places (links, excerpts, etc.).

~ MARK A. THOMA

I'm going to take the optimistic view: We may be moving into a new Golden Age of journalism and media over the next 3-5 years. The demand for news and information is very strong, while the costs of production have fallen sharply. Strong demand and falling costs is a recipe for the eventual success of any industry.

However, in the short-run, there are transitional business model problems for both print and digital journalism. The reason, I think, is because the online audience is still not mature or large enough. We're at the same stage as personal computers were in the mid-1980s (remember Solow's comment?)—back then the basic technology was in place, but there weren't enough people who were computer literate for computers to make an economic impact.

Today, there are plenty of people who can get online to read, but there's still a whole generation of people who are not comfortable interacting. In particular, they would never think of commenting on a blog.

I think that as the online pool of active commenters increases over the next few years, that will become an extremely desirable audience for advertisers, and the business models will start to straighten themselves out for both print and digital journalism. Different print publications will adopt different strategies—some will stay the same, others will reduce circulation and shed some of their physical costs, and others will go all digital. Meanwhile some digital journalism operations will branch out into print as well.

~ MICHAEL MANDEL



What is being created is a vastly wider range of voices gaining access to a readership. And through that process, the best ones are developing their own micro-brands, personal franchises. The model of 21st century media may well become these highly democratized micro-franchises.

~ SRAMANA MITRA

First, the premise that print journalism is being destroyed is questionable, if it is understood in anything other than a narrow sense. On the one hand, it is quite true that readership of traditional print media is way down. On the other, much traditional journalism—fact-gathering, investigations, feature writing, opinion writing—is migrating to the Web in a form not dissimilar to what once appeared on dead trees. So notwithstanding the popularity of blogs—and the high quality of a small number of them—it seems unlikely that they will supplant traditional media on a large scale.

After all, one reason blogs are so popular is that they provide a handy filter whereby readers can learn which articles in the traditional media they should read, perhaps with some pithy commentary along the way. This form of reverse-engineering sends readers to the articles the blogger deems noteworthy, saving them the labor of reading through an entire newspaper. This time-saving function has some downsides (gone is the serendipity of coming across a great cultural piece while looking for news on oil prices), but it certainly accounts for the many eyeballs blogs attract.

What bloggers usually can't do, however, is replace the basic tools and function of good journalism. Sure, there are numerous instances where bloggers use their collective expertise to ferret out information or disprove the reliability of documents or witnesses in cases like l'affaire Dan Rather. But despite constant harping on the faults of the MSM, it is typically the conventional media that provide the core facts that allow bloggers to function. Yes, some of the best bloggers generate original content. But more often they are riffing off information gathered and synthesized by others. And while newspaper bloggers, for instance, can create a useful forum for networking and dialogue that is highly valued by readers, it is the rare blogger (usually one with some mainstream journalism chops) who can craft a memorable feature article or a high-end analysis of, say, the future of social policy.

None of this is an argument against the importance of blogging or bloggers. Perhaps blogs will evolve to fulfill more and more of the functions of traditional media. Certainly the vast popularity of social networking will create differences in the nature, not just the form, of traditional journalism. But it is still premature to declare that blogging will inevitably come to dominate the journalism landscape.

~ BEN WILDAVSKY

There are some promising Web-based news models that are actually showing promise. But, we are only in the early stages of creative destruction in this industry so it is way too early to know what will evolve.

~ JEFF CORNWALL

A faster, more conversational, and more narrowcast form of media. One that's also more open to participation by amateurs—informed individuals interested in sharing their ideas with others but lacking the desire or means to make a career out of it.

~ MATTHEW YGLESIAS



I tend to think that the obituary has been written for traditional print media a bit prematurely. Newspaper and magazine subscriptions have certainly seen a decline in demand for their printed product, but their online components in many ways allow them to spread content much further than would otherwise be possible if they were available in paper-and-ink alone. Every morning, I can check a dozen news sources from across the globe. I think that the world of blogging compliments traditional print media; I note that many blog posts are written in response to articles that have appeared in *The New York Times*, *The Wall Street Journal*, or other “traditional” news sources. What seems to be emerging is something perhaps a bit more ordered than the “comments” sections that follow many news stories or blog posts—a diversity of opinions, sometimes coalescing into a conversation and other times resembling a shouting match, where one can weigh the responses by the identity and reputation of the respondents. Biases, both on the side of the traditional media sources and the bloggers, are more transparent. The result seems to be a media environment where you can come to your own conclusions informed by a variety of viewpoints—or seek out those ideas which confirm your preexisting opinions.

~ SETH DITCHIK

I don't know that print journalism is being destroyed but it is certainly being tested. I have to wonder if journalists had been more knowledgeable in different areas if blogging could have had such an effect. I have had only limited contact with journalists, but been very concerned at times over the accuracy of their portrayal of research which we have published. This has made me question somewhat how much we should be concerned. Markets will always emerge to get information, but they may be very different from the past. That said, I still subscribe and read three newspapers a day. Notably, my local paper is my least favorite. That to me is perhaps the more important question—the effect of the wider Internet on local journalism and if blogging can make up for it at the local level.

~ E.J. REEDY

It is difficult to imagine that blogging presents any real competition as far as the dissemination of factual information. That role seems like it will continue to be filled by either traditional newspapers, or more likely, by their electronic remnants. So what does blogging replace? My guess is that it is becoming real competition for both newspaper editorial boards and for news magazines. How effective it is at replacing them depends on how seriously readers can take blogs. Right now bloggers have a lot of leeway because, first, they tend to attract people who are interested in the subject matter, and, second, these readers often share the perspective of the blogger. The second gives the individual blogger ample opportunity to obfuscate, and that will be, in my opinion, one of the great challenges of the blog medium. That is, can we take this seriously like we have taken traditional print media seriously, or do we see the blog media as a juiced up version of an editorial page where people pick their favorites and argue based on their opinions, but nobody really takes any of them seriously because their offerings are so biased?

~ MATTHEW SCHREIBER



Will news coverage become more entrepreneurial, and if so how?

What business models do you anticipate for blogging?

News coverage of all sorts already is more entrepreneurial, because not only the tools of distribution (i.e., Web-based publication) but also the tools of production (cameras, recording devices, travel) have become less expensive. *The Atlantic's* cover story on Britney Spears and the rise of the new paparazzi is directly relevant here. I tend to think that the major source of commercial revenue for blogging will not be direct reader payments or traditional advertising but affiliate programs that pay for actual sales. This may be highly targeted, related content (e.g., Manolo's Shoe Blog, <http://www.shoeblogs.com>) or spinoffs of personal voice plus high traffic (e.g., Instapundit on cameras or Megan McArdle on kitchen stuff). Don't assume, however, that blogging will be around forever. Social media like Facebook and Twitter are already providing substitutes.

~ VIRGINIA POSTREL

I imagine a mix of advertiser-supported blogs, blogs supported by non-profit institutions (like mine), and many, many blogs that are done on an essentially amateur basis for fun or for purposes of self-promotion.

~ MATTHEW YGLESIAS

I'm the wrong person to ask about blog business models since I've never had an ad or tried to market the blog in any way. I view my role as education (I'm paid by state government to provide such services). But I do have a definite idea about how newspapers could enhance revenues by using a model that mimics video distribution. Why not embed ads in articles and give blogs one-click posting abilities (as with YouTube where code is provided)? Blogs can use articles freely so long as they display the ads, so the ads get wide viewership (and Google, etc. can target those ads to the blog's readers if so desired). I think some sort of model along these lines is going to be required.

~ MARK A. THOMA

If by *entrepreneurial* you mean new business models being formed by independent entrepreneurs, I would have to say yes. These entrepreneurs will create business models that will redefine how we get news. Not sure if and how blogging will fit in—it may be a transitory business model leading to something more permanent.

~ JEFF CORNWALL

I don't think ads will pan out, and the world will see a huge bloodletting within the next two years.

~ TYLER COWEN



Blogging will have one of the two business models that media has always had: advertising and subscription. Yes, news coverage becomes more entrepreneurial, but not just news. If you look at my site, I don't do news. I do analysis. I have a level of expertise far above any journalist in my domain: technology business and strategy. I use that expertise to create differentiation. Other 'experts' can and will do the same. To some extent, news is commodity. Analysis is what people are looking for from the qualified experts.

~ SRAMANA MITRA

The new economy that is being created recognizes individual talent far more than previous economic arrangements were capable of. I think blogging reflects the ability for disaggregated demand for the writing of different journalists. At the same time, we lose the aggregation of editing excellence and the sorting or priority news items that newspapers once did so well. Perhaps there was a loss of that prioritization when the news became more sensational, but whatever the causes, the effect is the same. Future news consumption is being broken up into personalized pieces. It may well be re-aggregated by new entities that are sensitive to personalization, but there is little doubt that compensation will be much more driven by individualized demand.

Belief in that process means that yes, I believe news coverage will become more entrepreneurial. Writers will be paid on a more entrepreneurial basis. As such, they will probably become more sensitive to issues like marketing themselves and branding themselves.

~ TIM KANE

Probably more blog advertising, as readership increases, and possibly more blogger collaboration and aggregation? Mergers and acquisitions for blogs? Leveraged buyouts?

~ MARK PERRY

I wish I knew. I'm doing okay with ads supporting my blog but it would be great if there were alternative business models like micropayments. PayPal started PayPal Donate in response to one of my posts, but I can't say many journalists are making their total living from tips.

~ ROBERT X. CRINGELY

I anticipate more paid advertising for really successful blogs. Some bloggers will turn their blogs into books (already happening) and their blog fame will lead to speaking engagements for some bloggers (analogous to entertainers making more money from performance fees, with their fame heightened by free downloads from the Web).

~ ROBERT E. LITAN



The best, most credible blogs will attract advertising and paying subscribers.

~ MATTHEW R. REES

I'm not sure if news coverage will become more entrepreneurial; it seems that the response of traditional media sources will be to either try to incorporate blogging into its make-up (as The New York Times has done), or to compete with bloggers by offering up more baldly political viewpoints and sensationalist coverage (i.e. Fox News and many local news programs). I think the majority of blogs moving forward, at least in the economics/policy realm, will either depend on larger media companies for financial support (i.e., *The New York Times*, *The Atlantic Magazine*, *The Economist*), or exist more as a site to directly express opinions than as a revenue generator. There will continue to be space for academics and journalists with particularly contrary points of view to launch blogs which stand independently *and* serve as revenue generators for their owners, though I think the number of these which will be successful are somewhat self-limiting.

~ SETH DITCHIK

I think all information/knowledge sharing will become more entrepreneurial because the traditional funders and models are changing, and they must change to survive. Advertising is the easy model to point to but I don't see enough money being generated by advertising alone. My guess is that a variety of models will exist with many blogs not being the "day job" for the creators. I can also envision an outsourced approach where blogs become very specialized and are paid a premium for the expertise in a given subject area or service.

~ GREGG GORDON

Right now I'm fascinated by the real-time information content of Twitter; in this case I was writing about the Tour of California bike race, but it applies to all news topics:

<http://knowledgeproblem.com/2009/02/15/twitters-gonna-transform-professional-cycling/>

~ LYNNE KIESLING



How do you think blogging influences public policy?

Not clear yet, this is a fertile area for further study.

~ ROBERT E. LITAN

It is a viral mode of influencing people and shaping opinions that eventually can shape policy.

~ JEFF CORNWALL

They can have a profound effect on public opinion. The debate on fiscal stimulus engaged lots of non-economists into the merits of each side.

~ ALLISON SCHRAGER

Uncovers scandals; not sure how much it drives ideas. Maybe it does, we don't know yet.

~ TYLER COWEN

Blogging speeds up time, so that instead of waiting a week to react, as columnists used to, we now may wait only a few minutes. This in turn deprives policymakers/lawmakers the luxury of developing a policy response over hours or days.

Bloggers, of course, can also turn policy itself. The first big example of this was the bloggers' attack on John Kerry's swift boat allegations. Their charges that he misrepresented this part of his war service hurt Kerry in the polls.

A perversity: those who are very familiar with the Web view it with a realistic skepticism. Those who are unfamiliar with it, young or old, tend to view it as authority. They treat Wikipedia as if it were the Encyclopedia Britannica.

~ AMITY SHLAES

Economics blogs are starting to do real-time analysis of both economic events (e.g. a hurricane) and economic policy, and I think that feedback is valuable to policymakers. Blogs also attract reporters, radio interviews, TV appearances, invitations to write here and there, all of which also have an effect. But I'm not sure the effect is large, at least not yet, since blogs are too easily dismissed by the mainstream, even today. But that is changing, and I think the influence will grow. And some individuals—Paul Krugman comes to mind—seem to already be having an impact.

~ MARK A. THOMA

Greatly, the last political race showed the influence of blogging, and I think it will continue to grow.

~ GREGG GORDON



Blogging is no longer an outlet for those who don't have easy access to other outlets. Today, many recognized op-ed contributors and book authors blog. Blogging has become part of the conversation among policy experts, where new ideas get a very preliminary trial run. That's one reason we pay attention to them today. This is only likely to continue to grow as blogging becomes almost de rigueur in certain fields.

~ STEVE MALANGA

It annoys public policymakers and, to a certain extent, makes them think, but I think the effect is still muted and the general press has the most impact—for now.

~ ROBERT X. CRINGELY

I don't think it does. Public policy is very much driven by special interests which spend considerable amounts on lobbying and getting the message out/framing the debate via sponsored think tanks. Even though there is real time debate among economists, some of whom have considerable reach, I don't see much evidence that it actually moves the needle in terms of policies.

Put it another way: Paul Krugman has a far better bully pulpit than any blogger, I don't see him having any influence on policy. If someone like Krugman doesn't have impact, it is naïve to think bloggers can or do.

The only way we do is indirect, via our effect on journalists. Bloggers do jump on journalists when they are wrong, and in addition, journalists do read bloggers, who often has specialist knowledge that is not readily available to journalists (Tanta was the archetype here). My belief is that blogging does help sharpen the work of journalists, although it is hard to prove it.

~ YVES SMITH

Bloggers provide an alternative source of information and opinion to the mainstream media. One example is that Senator Jim DeMint (R-SC) used information presented on my blog; here is the email that I received from one of his staff:

"I just wanted to send you a short note saying thank you for your post on the iPod tear down (http://mjperry.blogspot.com/2007/06/ipod-teardown_1249.html). I work for Senator Jim DeMint and he used the graph and a quote from the IHT article during a hearing yesterday on China. Some of the more protectionist members of the Senate were bemoaning the trade deficit with China and it was very helpful for Senator DeMint to be able to come back with some data that showed that very likely the deficit with China is overstated. Thanks for your good work on your blog!"

Exhibit A (above): Bloggers can influence public policy!

~ MARK PERRY



Like all media figures, bloggers have an indirect impact on policy by shaping mass and elite opinion. The particular role of bloggers at the current moment is usually to raise the salience of certain issues or ideas that are being neglected.

~ MATTHEW YGLESIAS

There is great hope that blogs can eventually become a major influence in the policy arena. Unfortunately, I think many good blogs have no chance to influence policy because they are too reasonable. Marginal Revolution is a perfect example of this. It is a site which consistently provides two, three, and four sides of every issue, which is fantastic for the readers, but it has a limited ability to affect public policy which is basically a series of binary choices which does not lend itself to a reader who becomes more skeptical as he obtains more information. Other blogs clearly do affect public policy, and, in many ways, I think their influence is a pernicious one. Simple answers, distortion of other viewpoints and polemics are the stock in trade of the many blogs, and this sort of argument, rather than the even handed, multi-faceted style at MR, is quite effective in both exciting public opinion for one given policy, and satisfying the team sport mentality which pervades the current political landscape. On a more hopeful note, I think it is inevitable that blogging will influence policy more and more in the future, and there is always the chance that good, intelligent blogs could make policymaking better, rather than the more likely scenario that the ills of public policymaking will determine that only the most simple minded of blogs will be important.

~ MATTHEW SCHREIBER

Blogging allows deeper, broader, and less hierarchical engagement with ideas and policy proposals. Moreover, by making your ideas public you never know who might react or who might use them to change their own ideas. I've been amazed at the people who read Knowledge Problem and use it in their electricity policy work.

Blogging allows both more superficial and richer conversations, which suits the needs of policymakers in different ways. It creates another avenue for the expression of complex models and ideas in layperson-friendly language, which makes them more accessible to non-specialists.

I do see my blog as a communication channel with policymakers and with industry, and the relationships I've developed indicate that it is an effective one for enabling people to think differently about the standard approaches to electricity policy.

It's also useful to put relevant information out there for people that they might not engage with otherwise. In my case, I relate Hayek's ideas of complexity and decentralized coordination via information transmission; many people haven't read Hayek, or haven't thought about how these issues relate to their specific interests.

~ LYNNE KIESLING



How has and will blogging change the nature of scholarly economic research? Consider (1) tenure and tenure decisions, (2) the concentration of scholars in academic positions, (3) the pace of knowledge creation and diffusion.

Probably little effect on the first two, but will enhance the diffusion of knowledge.

~ ALLISON SCHRAGER

Blogging now determines which papers get attention. It has yet to affect tenure.

~ TYLER COWEN

I am in the west, far from the heart of academia on the east coast. There was a time when that was a huge disadvantage in terms of interacting with the profession, but electronic dissemination of information (e.g. being able to send PDFs) is closing the gap. You no longer have to be, say, at Harvard to write a paper with someone who is there.

Blogs close this gap further. I can read what Bob Hall thinks, or Dani Rodrik, Brad DeLong, or a whole host of others, some on a regular basis, some intermittently, but you are able to hear from them in a way that wasn't possible before, and blogs give all of them a way of communicating with the profession that bypasses both the mainstream media and the journals. That is an important step forward.

We have just been asked which journals we want to cut from the library—something that happens routinely—and as journals get more and more expensive and hardly used (they are mainly stamps for tenure currently, if you wait to read things in journals, you are years behind). Blogs will begin to fill this gap, and I can imagine when just about everyone has a blog in the same way most people have a Web page today, and that it is a means of communicating with the profession, or with the public more generally.

On tenure and promotion, they may play some role, but not a large one, though that may depend upon the success of a blog. The top 5 or 10 may get some recognition in this process. However, research will always be the key, and blogs may help that process along, but it will be the research that appears on the blog (or wherever) that will matter most.

~ MARK A. THOMA



I think this is going to be a very discipline-specific process. There is a long and diverse array of practices of openness across academia and I think blogging is just a new wrinkle to this continuing conversation.

~ E.J. REEDY

It's too soon to know how it will change scholarly research, but this is another area ripe for study. On pace of knowledge dissemination, certainly blogging has speeded that up, but it's too early to say whether it has changed/accelerated knowledge *creation*.

~ ROBERT E. LITAN

All very interesting questions/issues, and issues that are very fluid and dynamic, and are still being processed.

- 1) Tenure. Blogging is probably so new, innovative, and entrepreneurial that it might not be considered yet an important criterion for tenure. It might actually be a liability for research-oriented institutions, if senior professors thought that blogging took time away from scholarly research in peer-reviewed journals. Hopefully, in the future that will change, as the advantages of blogging as a supplement for teaching and research are recognized.
- 2) Concentration of scholars in academic positions. It's possible that intellectually curious and active scholars will find blogging to be an "intellectual stimulant," and will be attracted to academic positions. Probably more than any other profession, academe might be the optimal, blogger-friendly profession. Most other professions would probably be so time-intensive that there would be no time for blogging. As a college professor, I can devote 5-6 hours of each day to blogging.
- 3) Pace of knowledge creation and diffusion. Blogging is the "microwave oven" equivalent of knowledge creation and diffusion, compared to more traditional forms of knowledge creation and diffusion like books and academic journals and traditional journalism, which are more like slow-cook crock pots. The feedback on a blog is intense, immediate and ruthless—it really keeps me on my toes. Academic discourse and discussion can happen immediately on a blog, compared to academic journal articles, where it might be 4-5 years from initial research to final in-print publication.

~ MARK PERRY

Because it is not peer-reviewed, it will likely be a secondary form of writing.

~ JEFF CORNWALL



I am no longer an academic and wasn't a very good one even when I was, so I'm not sure this applies. Tenure committees never considered non-academic writing in my day. I wrote a best selling book in my subject area and it was totally ignored because it was published by Random House and not some university press. Blogging just extends the effect further. What ultimately has to change is the entire educational system and that's coming. I've written about it.

~ ROBERT X. CRINGELY

I think that blogging has had a net positive impact on scholarly economic research. It has certainly quickened the pace; rather than wade through the lengthy process of submitting an article for publication in a journal, or writing a book for publication, an academic can see an almost instantaneous response to their work from the blogosphere. I think it is easier to be heard from outside the centers of academic power if you have something interesting to say on a blog—though the sociology of the field is such that the concentration of scholars is likely to remain in Cambridge, Berkeley, Chicago, and other traditionally strong departments. A Harvard or MIT professorship is still a strong signal in a field where reputation matters, and where a number of voices compete for attention. My sense is that junior faculty are still strongly encouraged to focus on journal publications; so long as blogging doesn't interfere with that focus, I think it is tolerated, but I still think it is seen by many tenure committees—outside of a few enterprising departments, such as George Mason—as a diversion.

~ SETH DITCHIK

Blogging appears to be part of the scholarly communication continuum. In some disciplines, there is significant value put into bloggership. I do not see it affecting tenure and tenure decisions in economics and think the adage of don't do it before you have tenure is wise advice. From a currency of information perspective, it is very exciting. We post things in the SSRN eLibrary and they are blogged about the same day. One law paper in 2007 was posted, picked up by 2000+ blogs, and downloaded over 20,000 times within 36 hours.

~ GREGG GORDON



What is the impact of blogging on academic publishing? How will (and should) the system of peer-reviewed journals change?

[Tenure] will change inevitably. I was hired to do some work for Springer, the biggest publisher of academic journals, and those folks are scared to death and for good reason. But as long as peer-review holds the key to tenure and there is no real peer-review on the Web, then the Springers are safe. The better question, though, is what if tenure, itself, goes away? It should.

~ ROBERT X. CRINGELY

Ideally journals should be online with an open comments section, but the sad truth is that when it comes to most articles, people simply don't care enough to critically evaluate them.

~ TYLER COWEN

A different form with a different purpose, so not sure I see any change from blogging.

~ JEFF CORNWALL

Blogs like Vox EU provide a forum to promote new research to the public and academics in other areas of economics.

~ ALLISON SCHRAGER

I hope they will respond more quickly to submissions! Between blogging and the formation of Berkeley Electronic Press, the turnaround frame of reference has shortened. I'd like to see publishing become more like a wiki, where authors post working papers, interested parties comment, and journals could solicit submissions from these wikis.

~ LYNNE KIESLING

The academy is undergoing incredible amounts of change. There is an overall search for what is authority and how it is established. The traditional model of academic publishing is not a sustainable model, and peer-review will change based on different approaches, including open access and commons based approaches. The tipping point will be when the business models allow the quality to exist and the costs to be lowered.

~ GREGG GORDON



In the world of academic book publishing, which is the area that I'm most familiar with, blogging has had an undeniably positive impact. It has allowed our books—many of which appeal to small audiences—to more directly reach potential readers than going through more traditional print media channels. Though there is perhaps less of a sales spike these days that accompanies a mention on a prominent blog than there used to be, it is still a great way for books to connect with their readers. As an editor, blogging is one of the primary ways by which I can keep up-to-date on what ideas are stimulating interest in the field, and find potential authors with interesting things to say.

On the journal side: in contrast to journal articles, material transmitted through the blogosphere can evolve in response to criticism in full view, rather than going through rounds of revising and resubmitting to satisfy a small committee of reviewers. In a radically democratic online world—where anyone can post whatever they want—I think there will still be a place for peer-reviewed journals, whose acceptance of articles will still serve as an important signal that research has been properly vetted by the standards of the profession. But I also think that, even more than before, we're likely to see a "winner-take-all" model take hold, where top journals—such as the AER or *Econometrica*—dominate the field. Researchers who can't or don't want to be published in these journals will likely bypass the process by distributing their research as working papers, where they stand a better chance of being recognized than appearing in a secondary or tertiary journal. I think this bodes well for sites that act as aggregators of working papers—such as SSRN—and less well for journal publishers' own proprietary delivery systems, such as Elsevier's *Science Direct*.

~ SETH DITCHIK

There is no doubt that there remains a place for peer-reviewed journals, but I suspect that only those who adapt their process to reflect new levels of speed required by readers and authors in the review process will ultimately be successful.

~ E.J. REEDY

It's also too soon to judge impact on publishing, except to the extent that blogs act as a way of marketing books. Blogging will be a complement rather than a substitute for peer-review (ie something may pass peer-review, but blogging will tell us how influential a particular article/book is a lot more quickly than was true in the pre-blogging world).

~ ROBERT E. LITAN



The biggest impact of blogging seems to be supplanting the traditional journals—not in their role for deciding tenure or deep research, but definitely in accelerating the pace of knowledge diffusion. The rise of the Internet has put more minds at the frontier of research, and removed the six-month lag that existed between writing up an idea and having it disseminate through the conference-journal process.

Peer-reviewed journals will face competition, but it will make them stronger in their specialty of deep knowledge creation. I doubt the journals will or should fade away. However, it's impossible to think that journals won't migrate online, or that the process of anonymous review won't be enriched by open-review alternatives. There are advantages to different processes, and I suspect all will have a place in the next generation of academic publishing.

~ TIM KANE

Hopefully, the speed of blogging will help influence the sluggishness of the peer-reviewed journal process. I currently have a research paper that's been under review for almost a year, and the paper took several years to write, so it would be four years or more from initial research to publication.

For intellectual scholarship to flourish, the peer-review process really has to improve and speed up. If the speed of blogging can impact that process, it would be a major improvement.

~ MARK PERRY



Is entrepreneurship being harmed by the current U.S. recession?

Probably. But I think of Gerhard Mensch (who wrote *Stalemate in Technology: Innovations Overcome the Depression*).

~ DAVID WARSH

Yes. I do not believe innovation is being harmed, but any major new placement of government spending in the economy will, by definition, displace something else. And unfortunately, the current approach is geared heavily towards saving and protecting old jobs and companies. Bailouts of GM and Chrysler are just terrible.

Ultimately, I am an optimist that America possesses a deeply-embedded entrepreneurial culture and that this will generate long-run growth rates that keep America's economy at the frontier. Our democracy is responsive to changes, good and bad. If policy starts to choke off entrepreneurship through high taxes, then voters will—I hope—demand real change. And besides, nobody believes the entitlement and big government deficits are sustainable, at least not in a world where talent can go elsewhere.

~ TIM KANE

I think it's clear that a poor economic situation tends to stifle entrepreneurship. People become less inclined to take risks, and there are simply fewer realistic business opportunities available.

~ MATTHEW YGLESIAS

From that perspective, I'm hoping that the next ten years will be better for innovation and entrepreneurship than the past ten. Without the lure of supposedly "high-return, low-risk" investments (think subprime and Madoff), it may be easier for innovative enterprises to get started.

~ MICHAEL MANDEL

I believe many innovations will come out of this recession, as they did from the 1930s (see Alexander Field's work). But it hasn't happened yet. Creative destruction has a positive side, however.

~ TYLER COWEN

In the short run yes, because there exists so much uncertainty. But a tighter labour market and money in finance might have a positive effect on entrepreneurship. A structural shift away from the traditional finance industry might encourage some to start their own businesses. It may also encourage more would-be-scientists to engage in innovative activities instead of working in big investment banks.

~ ALLISON SCHRAGER



Historically, new business creation is not cyclically sensitive. We don't know yet if this time it's different. I judge the stimulus plan a 5 or 6 on a scale of 10 in terms of potential effectiveness, but much will depend on the successes of the bank and homeowner rescue plans.

~ ROBERT E. LITAN

Entrepreneurship could be both helped and harmed by the recession. The economic slowdown is obviously generally bad for businesses overall, both small and large. But the slowdown also creates new opportunities for entrepreneurs—those who have a visionary outlook and can see opportunity despite the recession. Also, recessions focus businesses on what is most important; value, efficiency, cost-savings, productivity, and entrepreneurial activity become even more important during a slowdown, as the focus on critical factors intensifies.

~ MARK PERRY

I suspect entrepreneurship is being helped. Individuals are being forced to create their own opportunities, and it's easier to find clients, for one-off assignments, than it is to find a full-time job that offers benefits.

~ MATTHEW R. REES

I'm a bit unclear as to the difference between "entrepreneurship" and "entrepreneurs". Entrepreneurs, particularly those seeking to start businesses or with young enterprises, are particularly vulnerable to economic downturns. This isn't a surprise; new businesses above all need customers, and in a downturn, many prospective customers are cutting spending, which makes it even more difficult for a new entrant to gain ground. And to the extent that a firm needs growth capital, it is also more scarce, since lenders and investors typically become more risk averse in down cycles.

So what is different this time? First is the severity of the downturn, particularly on the consumer front. Second (related to this) is the sharp cutback in consumer credit, particularly home equity lines of credit and credit cards. The reason this matters is that new businesses depend on savings, friends, family, and credit cards as major sources of financing (home equity might have been mistakenly included in "savings" in some business owners' minds). Most business credit cards targeted to small enterprises include personal guarantees, and the credit scoring is based on the owner's FICO.

The funding sources for the larger scale, more ambitious new and young enterprises, namely, angel investors and venture capital, have also cut back, but the numbers (and employment) involved in the less glamorous sort of businesses funded by various forms of bootstrapping is vastly greater. And even where debt funding is available, the fall in inflation has produced high real interest rates (a classic deflation pattern, even if we are technically not in deflation), which also raises the bar.

~ YVES SMITH



I think this is a part of a vitally important, yet much broader topic, which is examining how the current crisis and the myriad political fixes will affect investment and capital allocation in the United States going forward. The two main fears I have both involve the possible uncertainties which spring from the fixes we are trying to apply to the current morass. First, how are investors, both venture and otherwise, going to learn to react not to market signals and business economics, but to executive decision? I'm not sure that it is a possible task, and I worry that it will have the effect of moving investment away from private industry in general as the new risk analysis does not look like the old one. Perhaps that will be short term, but perhaps not. Second, what is the risk reward ratio of the various nationalization plans on the table? Capital markets function only when penalties for misallocation are severe and impersonal. The decision to nationalize industry may be the right one for short term stability, but I think it creates a dangerous precedent and will affect the way investors judge just how inviolable private capital is in the United States. While none of this speaks directly to entrepreneurship, it indicates a great amount of time and energy being wasted on attempting to interpret where capital should flow based on our new metrics, and it increases investor uncertainty and, likely, the overall cost of capital in society. This is evidenced by simply looking at the frenetic, and often schizophrenic, reaction to the various new plans as they are unveiled. Seeing that entrepreneurship is especially sensitive to both time and uncertainty, the outlook in the current economic and political environment appears to be quite precarious.

– MATTHEW SCHREIBER

The one factor the administrations of Presidents Bush and Obama seem to neglect is the cost of uncertainty. They favor action per se. Yet entrepreneurs actually like predictable environments—they want to be the stars of change. Also, they rightly detect that the intense unpredictability of government undermines the value of their skills/experience. If you are accustomed to working in logical scenarios, the illogical process of events is confusing.

Some would argue letting Lehman fall was the worst mistake of the crisis. Others would argue that not letting everyone else fail was the worst mistake. Either way, markets have a hard time discerning the difference between Lehman and the rest, and therefore sit on the sidelines.

The smallest of the weird changes this year, but still noteworthy in its perversity, is the change in the kiddie tax rules. Formerly college youth were taxed at their own rate after a certain amount of income. The change forces college investors to pay tax at their parents' rates on investment income after a few thousand. The most entrepreneurial of youth see the buy opportunities in this market better than the older crowd. The high tax rate will make studying engineering look more interesting, and working or investing, less. The kiddie tax law is several years old, the tax hike was plotted in 2005 or 2006, not during the current downturn.

~ AMITY SHLAES



Any harm from the recession is temporary and a natural part of economic and business cycles. What is creating potentially permanent harm is the current public policy response. They are destroying the free market of credit by first rescuing and then nationalizing banking. Ironically, this is being done by the people who created the mess by manipulating the credit markets to meet social policy goals. Rather than restructure the tax system and lower tax rates, which has been demonstrating around the world to be a powerful driver of entrepreneurship, we are adding to the tax code in the name of social change and moving toward higher tax rates. And just when I thought the Kelo Decision was the worst imaginable thing that could happen to property rights, the whole system takes a sudden and dramatic shift toward socialism. Innovation and entrepreneurship, and the creative destruction they foster, have historically been the engine that has pulled us out of recessions and depressions. Sadly, that engine has been derailed.

~ JEFF CORNWALL

I don't see any policy specifically geared toward jump-starting entrepreneurship. I have very specific policy suggestions, and have written about it extensively. I guess mine is not a voice that the welfare economics-oriented Obama administration wants to hear. In particular, the administration needs to pay attention to how to use bootstrapping as a weapon of mass reconstruction.

~ SRAMANA MITRA

All things considered, the past ten years—the decade leading up to the current recession—have been a disaster for innovation and entrepreneurship. With the exception of a couple of high-profile companies such as Google, there have been few successful startups. Instead, money flowed into housing, retailing, and other supposedly “low-risk” sectors of the economy rather than entrepreneurial startups. Large companies focused on outsourcing rather than innovation. Venture capitalists were cautious.

Yes and no. The recession hurts everyone but recessions are always fertile times for startups because they are efficient and grow up like mushrooms on the decaying remains of larger outfits that couldn't survive in the bleak climate.

~ ROBERT X. CRINGELY

Ingenuity will always thrive. But the financial means to capitalize on one's ingenuity are severely constrained right now.

Other than general concerns about the decline of economic liberty and the encroachment of government power that characterizes the current economic policy environment, my primary concern about the various bailout and spending actions is that they are perpetuating old economic models that were not profitable, such as the U.S. auto industry. And then there's the swing to the polar opposite, where the federal government gives taxpayer money to new technologies and subsidizes industries in ways that amount to picking technology winners. Either way, taxpayers are very likely to lose.

~ LYNNE KIESLING



What will happen to the pace of technological innovation under different recessionary scenarios (i.e. continued credit freezing, depressed aggregate demand, trade wars, and much higher rates of unemployment)?

All of these will decrease the demand and capital available for new innovation. On the other hand, a tight labour market might spur more entrepreneurial activity and ultimately we may end up with a more efficient allocation of capital. If regulation is improved (instead of being more onerous and complicated) there may be more useful forms of innovation.

~ ALLISON SCHRAGER

Credit freeze and depressed aggregate demand would both have a sharp negative effect on innovation. Trade wars could have an enormous negative impact on innovation in some countries, but the impact on the United States would be relatively mild since we're not especially trade dependent.

~ MATTHEW YGLESIAS

We had years of easy credit, free trade, and low unemployment, but they didn't seem to produce a lot of nonfinancial innovation. It may be with some of the "easy" routes to success closed off, people may be more willing to take the risks that lead to innovation.

~ MICHAEL MANDEL

The recess will have little to no impact on my world. I've written through every recession since the early 1970s and can name enormous success stories that began in each one.

~ ROBERT X. CRINGELY

What is going to squash the pace of innovation is the shift in public policy away from free market capitalism.

~ JEFF CORNWALL

Very harmful effect. Fear is the wrong environment for innovation and risk-taking. We have too much fear-psychosis going on right now.

~ SRAMANA MITRA



The Interesting Question We Didn't Ask

WHERE ARE THE YOUNG BLOGGERS IN ECONOMICS?

Perhaps this is just my impression but I have to wonder how much of a generational effect is or is not apparent in academic blogging. Do we see this changing or near a tipping point?

~ E.J. REEDY

WHEN PEOPLE FIND OUT YOU ARE A BLOGGER, HOW DO THEY REACT?

I don't pay much attention to it. If anything, you are viewed as a less serious academic once it's revealed. I think many academics still believe blogging is beneath them. People like my parents don't get it at all, they hardly even know what questions to ask, and there are still a lot of people who see blogs as nothing but a bunch of people screaming at each other, or going on various rants, so I can't say everybody else is much impressed either.

~ MARK A. THOMA

WHAT WOULD BE THE LIKELY IMPACT OF EACH OF THE FOLLOWING POLICIES ON THE U.S. ECONOMY'S RECOVERY FROM THE CURRENT RECESSION?

Government cannot really "create" any jobs per se. It can raise taxes and shift private sector jobs creation to government jobs creation (typically a malinvestment), and it can bring production and consumption forward for those jobs that are genuinely needed (filling potholes), but once the potholes are filled, one has to ask the question, "What will we do for an encore?"

Obama and the nation are in for hard times. Government simply cannot create lasting jobs. If it could, why is there unemployment anywhere in the world?

~ MIKE "MISH" SHEDLOCK

WHY IS THERE MORE ENTREPRENEURSHIP IN THE UNITED STATES THAN IN EUROPE?

While living in Europe in 1994–95, I had a German CEO and a Belgian university student ask this question, and then answer it, and they both came to the same conclusion. For the last two centuries or so, the most ambitious, resourceful, and entrepreneurial left Europe for America.

~ MATTHEW R. REES



AT WHAT POINT DOES BLOGGING BECOME NOT JUST A PASTIME, BUT ESSENTIAL FOR LEADING EXPERTS IN A FIELD (OH, LET'S SAY, ECONOMICS)? AT WHAT POINT IS IT IMPORTANT THAT YOU, AS A LEADING VOICE, BE A PART OF THE DAILY CONVERSATION VIA BLOGGING? ARE WE CLOSE TO THAT POINT NOW? DOES THE NUMBER OF NOTABLE ECONOMISTS NOW BLOGGING OUTNUMBER THOSE WHO ARE NOT?

If I knew the answer, I wouldn't ask...

~ STEVE MALANGA

IF AMERICA HAS AN INTELLECTUAL COMMONS, WHAT IS THE INTERNET DOING TO THAT COMMONS?

The answer is: trashing it. Where we used to have a public square, we tend to have two separate fenced in places for discussion nowadays, left and right, with a big fence between them. It's Fox versus the Progressive Policy Institute.

~ AMITY SHLAES

HOW WILL THE OBAMA ADMINISTRATION WELFARE ECONOMICS ORIENTED POLICIES CHANGE AMERICA'S CULTURE?

America may lose its best quality—entrepreneurial instinct, work-ethic, and a capitalism and free-market oriented incentive structure. A generation plagued by Entitlitis and Affluenza, dangerous diseases, will rot the culture unless the rhetoric starts to change.

The kid who asks our President, "I've worked at McDonald's for the last four years, when would the government help me?" should get the answer, "Go back to college, get educated, and help yourself."

~ SRAMANA MITRA

WHAT DO YOU LIKE MOST ABOUT BLOGGING, AND WHAT DO YOU LIKE LEAST ABOUT BLOGGING?

Like Most: The constant engagement in intellectual stimulation. My blog is my own personal "stimulus package," in terms of intellectual stimulus!

Like Least: Dealing with the comments, e.g. constant spam attempts, rude and hostile comments, and the army of "nitpickers and naysayers" out there who seem committed to gloom and doom.

~ MARK PERRY



WHY DO I BLOG? WHAT GOALS DO I HOPE TO ACHIEVE? HOW WILL I KNOW WHEN I HAVE REACHED THEM?

I blog to make a living. This is really all I am good for, it seems. I am unmanageable, but as a blogger nobody has to manage me. I can make a pretty good living just talking to people, thinking, and writing stuff.

Only part of the time do I write to really have an impact. Rush Limbaugh and Al Franken both bore me with their doggedness. But I know that readers need frequent feeding or they'll go away, which is why my last vacation away from writing for more than one week was in August, 1989. So I think of what I do as having a dialog with my readers. I want to keep them entertained and, as often as I can, informed. I want to build a relationship with them, which is why I have people who have read my columns every week for 20+ years and other people whom I have emailed or spoken to on the phone EVERY DAY for 20+ years. This builds up a store of goodwill that allows me to have impact when I need it and brings readers to my defense when I am attacked. A single op-ed or essay out of nowhere does nothing, no matter how well it is thought out or written.

People tell me all the time they want my job and ask how to get it: start writing for a living when you are 14, go continuously for 42 years and you're there.

I'll never know when I've reached my goal. There's a Zen element to this. I write about 100,000 words for publication every year. In the early days when I started writing opinion it was easy because I had opinions and stated them. But then I ran out of opinions and had to start really thinking. That's much harder. It gets easier and harder in a continuous cycle as I rise through the levels. But I'll never get to the end, nor do I expect to anymore. It's nice if people get it and take action as a result, but I can't let that be my sole objective or I would have lost hope decades ago. This is just what I do.

~ ROBERT X. CRINGELY

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