



Kauffman Economic Outlook A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

SECOND QUARTER 2011

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The Foundation of Entrepreneurship

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Kauffman Economic Outlook

A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

in partnership with Palgrave's Econolog.net

Second Quarter, 2011

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May 2011

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INTRODUCTION

This paper reports the results of a survey of top economics bloggers. The survey was conducted in mid-April 2011 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>I, Cringely</i>
Laurie Harting	<i>Palgrave’s Econolog</i>
Paul Kedrosky	<i>Infectious Greed</i>
Lynne Kiesling	<i>Knowledge Problem</i>
Donald Marron	<i>DMarron.com</i>
Mark Perry	<i>Carpe Diem</i>
Wade Roush	<i>Xconomy.com</i>
Allison Schrager	<i>Free Exchange</i>
Nick Schulz	<i>Enterprise Blog</i>
Yves Smith	<i>Naked Capitalism</i>
Alex Tabarrok	<i>Marginal Revolution</i>
Mark Thoma	<i>Economist’s View</i>

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 seem more pessimistic in their outlook on the U.S. economy than they were at the beginning of 2011, though 85 percent believe overall conditions are mixed, facing recession, or in recession. For an economy in which growth is the norm, 32 percent of respondents think that the U.S. economy is worse than official statistics indicate, and only 5 percent believe it is better. When asked to describe the economy using five adjectives, “uncertain” remains the most frequently used term to describe the economy.

POLICY RECOMMENDATIONS

Although the panel is largely non-partisan, a two-thirds majority of top economics bloggers believe the government is too involved in the economy. The top policy recommendation (selected from a small set of choices) remains for the government to “reduce regulatory burdens and fees on new firm formation,” and “approve trade agreements with South Korea, Colombia, and Panama” with more than 80 percent support.

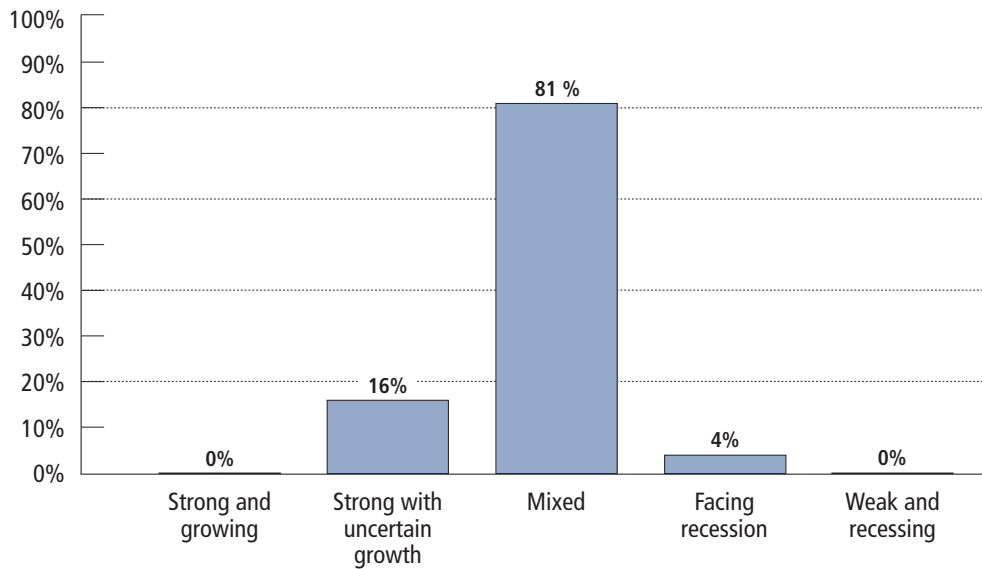
Promoting entrepreneurship is a consensus agenda among policymakers. However, only 33 percent agree with a policy of “subsidizing new firm formation with targeted spending and tax benefits” with 68 percent disagreeing (28 percent strongly). The alternative option to “reduce regulatory burdens and fees on new firm formation” is favored by 84 percent of respondents. Rather than recommending the government get more involved in helping entrepreneurs, top economics bloggers recommend it simply do less to hinder them.

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 PERFORMANCE

How do you assess the overall condition of the U.S. economy right now?



No respondents (0 percent) believe the economy is “strong and growing,” as overall opinion has shifted slightly and seems to be declining since last quarter. Nine respondents (16 percent) believe the economy is “strong with uncertain growth.” Eighty-one percent say conditions are “mixed.” There were two respondents who believe the economy is “facing recession” (4 percent) with no respondents believing the economy is “weak and recessing” (0 percent).

[Kauffman Economic Outlook—2011 Q2]

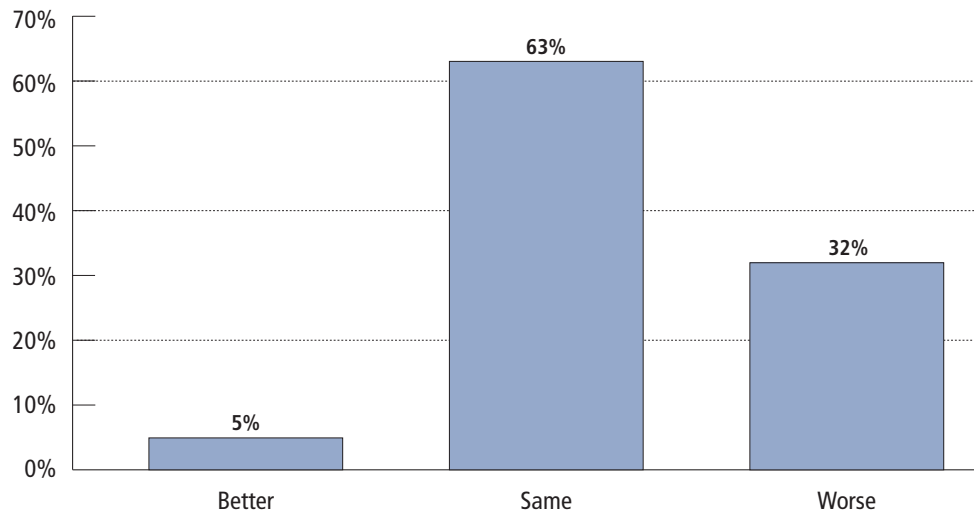
How do you assess the overall condition of the U.S. economy right now?
(open text response)



[Kauffman Economic Outlook—2011 Q2]

U.S. ECONOMIC POLICY

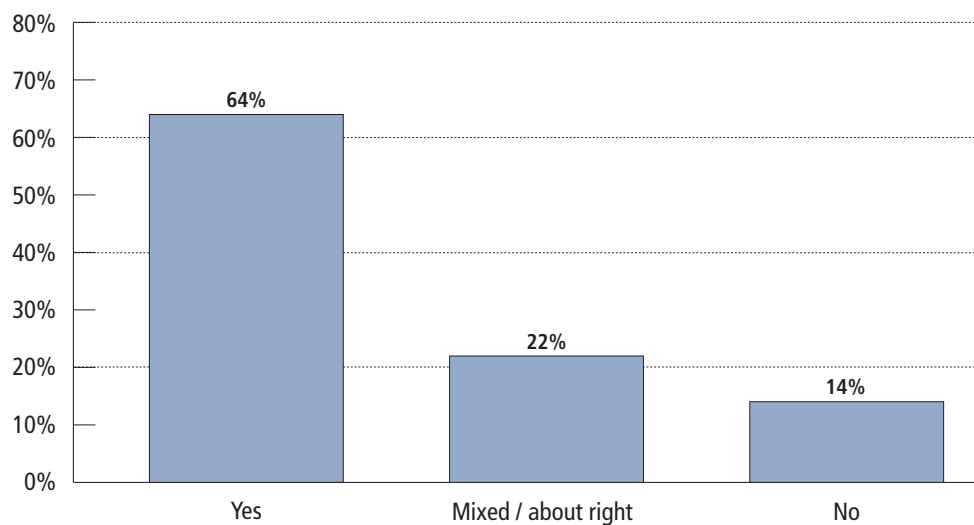
Is the U.S. economy doing better or worse than official government statistics show?



Skepticism about official statistics remains the rule among economics bloggers. Skepticism is almost as negative as last quarter, but weak employment data may continue to be the reasoning for this. Regardless, only 5 percent of our panel thinks the U.S. economy is doing better than official statistics indicate.

[Kauffman Economic Outlook—2011 Q2]

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

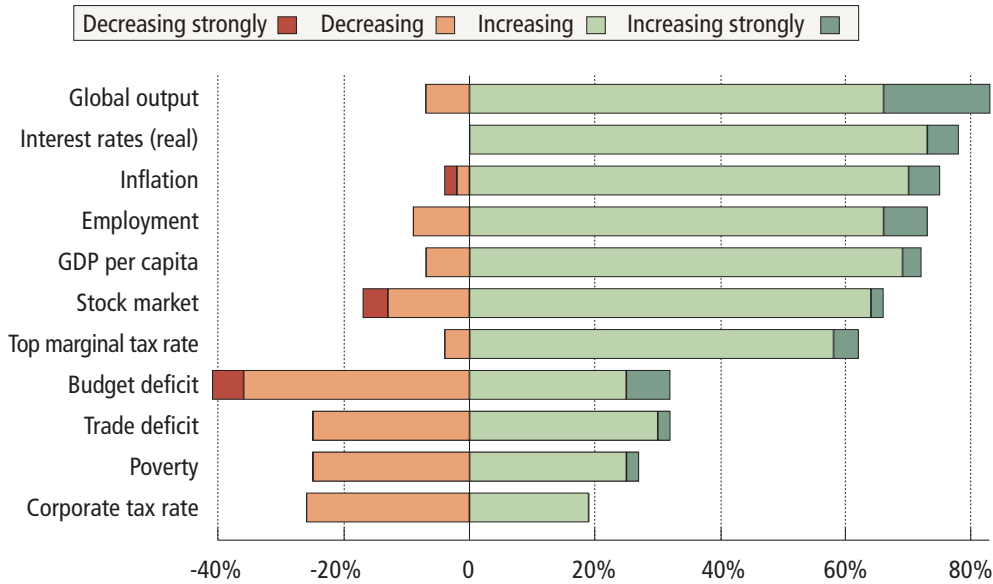


A large majority (64 percent) of economics bloggers believe the U.S. government is too involved in the economy, four times more than those who hold the opposite view. This response is noteworthy given the balanced and largely non-partisan identification of respondents.

[Kauffman Economic Outlook—2011 Q2]

U.S. ECONOMIC POLICY

What are the prospects for the following over the next three years?
(In the U.S. unless stated otherwise)



Projecting three years ahead, economics bloggers expect global output, inflation, and interest rates to rise faster than anything else. The happy news is that more than 70 percent of respondents anticipate employment growth in the United States. Opinion is split about expectations of higher poverty and inequality levels, which is actually an improvement in the outlook from previous quarters.

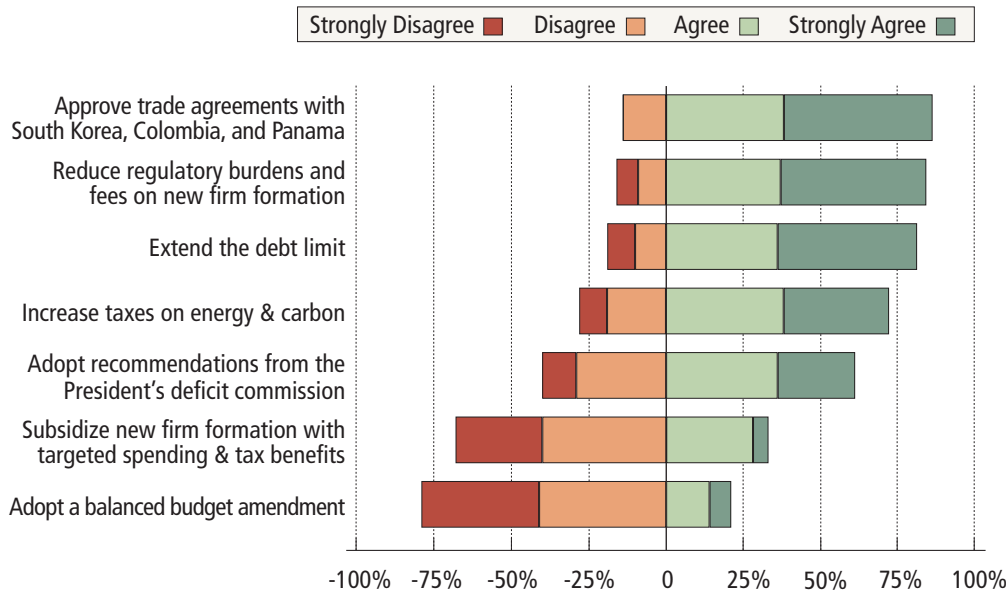
[Kauffman Economic Outlook—2011 Q2]

	Decreasing strongly	Decreasing	About the same	Increasing	Increasing strongly
Global output	0%	7%	10%	66%	17%
Interest rates (real)	0%	0%	21%	73%	5%
Inflation	2%	2%	21%	70%	5%
Employment	0%	9%	19%	66%	7%
GDP per capita	0%	7%	21%	69%	3%
Stock market	4%	13%	18%	64%	2%
Top marginal tax rate	0%	4%	35%	58%	4%
Budget deficit	5%	36%	27%	25%	7%
Trade deficit	0%	25%	43%	30%	2%
Poverty	0%	25%	49%	25%	2%
Corporate tax rate	0%	26%	54%	19%	0%

[Kauffman Economic Outlook—2011 Q2]

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 trade agreements with South Korea, Colombia, and Panama, with 86 percent in agreement. Eighty-four percent also favor approval of a reduction of regulatory burdens and fees on new firm formation. The panel also supported the adoption of extending the debt limit (81 percent).

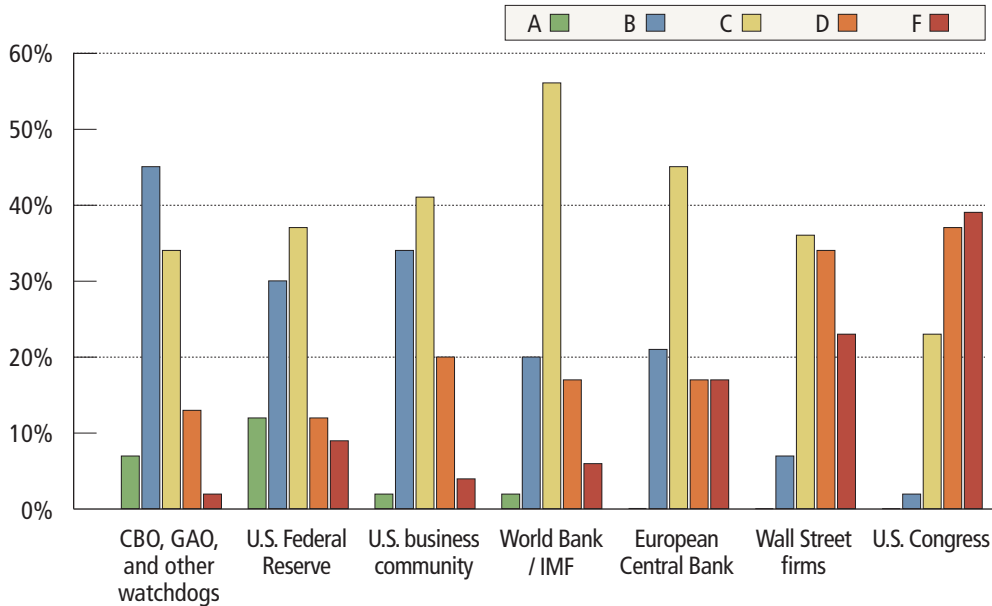
[Kauffman Economic Outlook—2011 Q2]

	Strongly Disagree	Disagree	Agree	Strongly Agree
Approve trade agreements with South Korea, Colombia, and Panama	0%	14%	38%	48%
Reduce regulatory burdens and fees on new firm formation	7%	9%	37%	47%
Extend the debt limit	9%	10%	36%	45%
Increase taxes on energy & carbon	9%	19%	38%	34%
Adopt recommendations from the President's deficit commission	11%	29%	36%	25%
Subsidize new firm formation with targeted spending & tax benefits	28%	40%	28%	5%
Adopt a balanced budget amendment	38%	41%	14%	7%

[Kauffman Economic Outlook—2011 Q2]

U.S. ECONOMIC POLICY

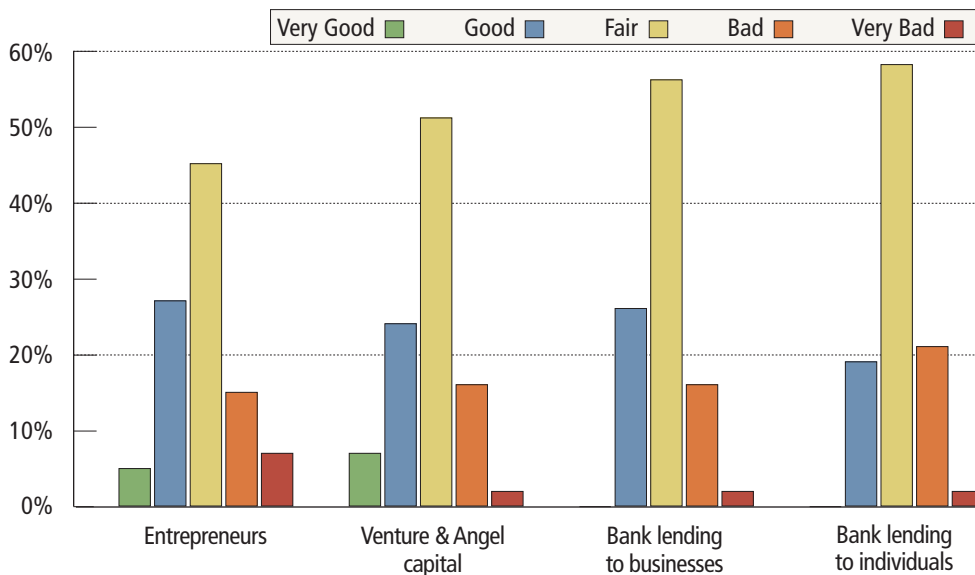
How do you grade the performance of the following organizations and institutions?
(A = best, F = fail)



The only group bloggers rate less favorably than Wall Street firms (with 7 percent As and Bs) is the U.S. Congress (no As and one B). Actually, 39 percent of our panel give Congress an F this quarter. Nearly one-fifth of economics bloggers gave the Federal Reserve a D or an F.

[Kauffman Economic Outlook—2011 Q2]

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

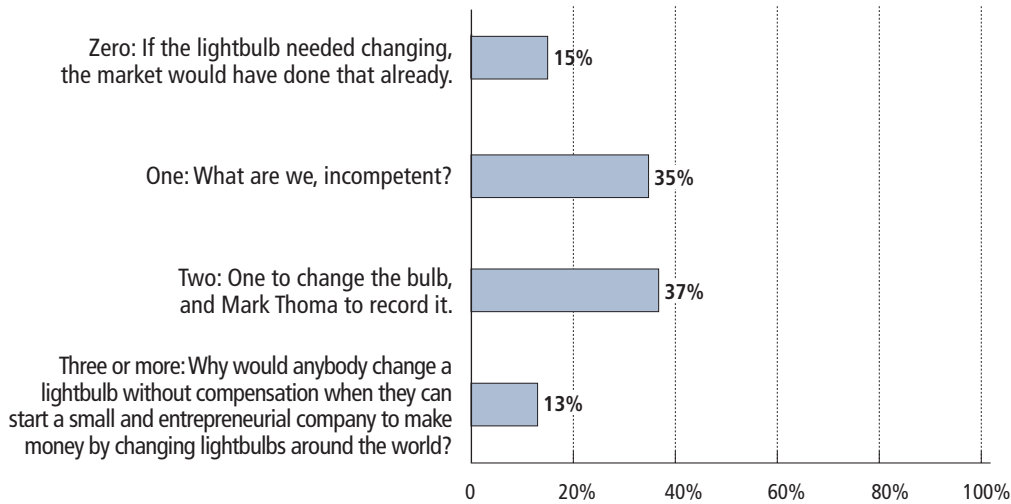


In every category of business, conditions right now are rated as "fair, bad, or very bad" by more than 67 percent of respondents.

[Kauffman Economic Outlook—2011 Q2]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

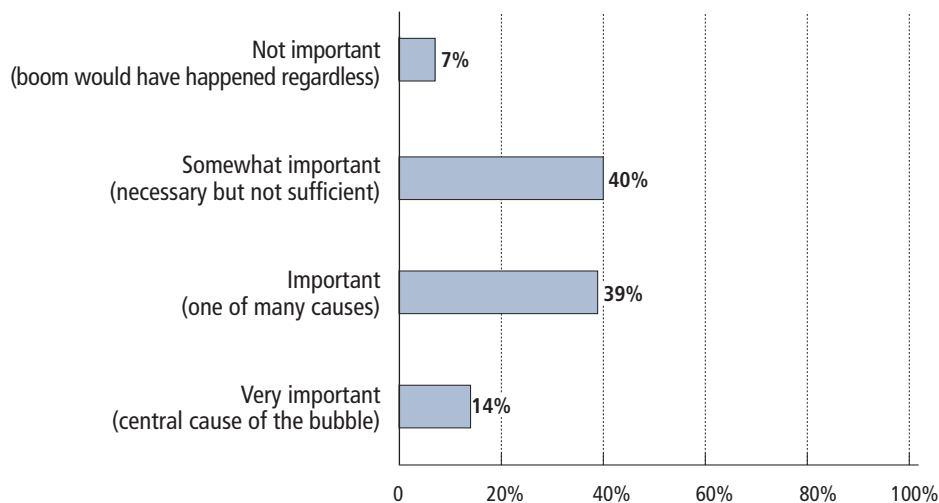
Felix Salmon (Reuters) asked and many bloggers answered:
How many econobloggers does it take to change a light bulb?



[Kauffman Economic Outlook—2011 Q2]

Salmon's humorous question actually revealed some preferences among the blogger community. For instance, only 15 percent of the bloggers seem to be free-market fundamentalists, whereas 35 percent were entrepreneurial in the sense that they believe in doing things themselves. The largest group of respondents, 37 percent, gave a nod to econ blog pioneer Mark Thoma. The remainder were "real" entrepreneurs (definitions matter!) and suggest a new startup is in order. Add them up: the various definitions of "entrepreneur" win out—shocking in a Kauffman poll!

David Beckworth (Macro and Other Market Musings) asked:
How important was the easing of U.S. monetary policy in the early to mid-2000s to the housing and credit boom?

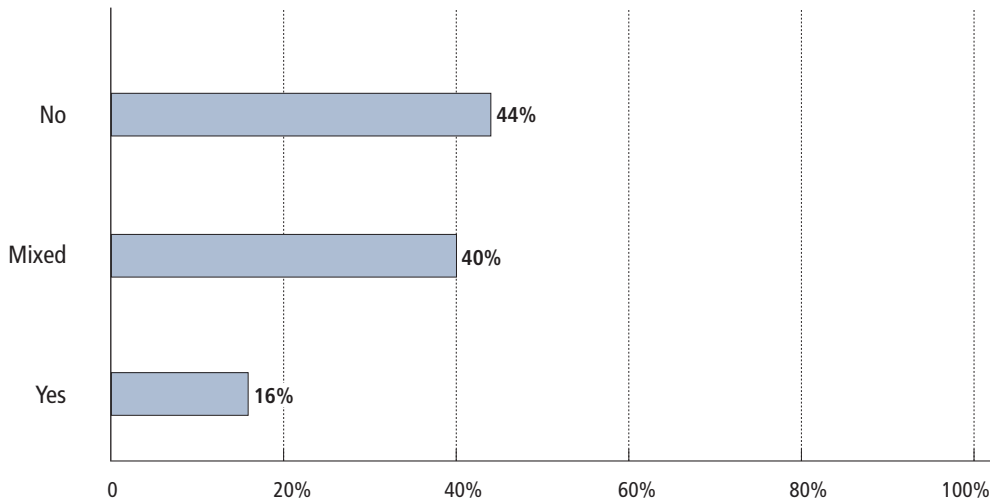


[Kauffman Economic Outlook—2011 Q2]

Less than 10 percent of respondents believe Fed policy had no relation to the housing and credit boom, which could fairly be interpreted as a consensus that monetary policy was too loose. Yet only 14 percent believe monetary policy was the central cause of the bubble. The consensus view is that monetary policy is important or somewhat important, suggesting that the central policy errors were elsewhere (fiscal, structural, moral, etc.).

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Bryan Caplan (EconLog) and Steve Miller (Western Carolina University) asked:
Taking into account its entire history, do you think the Federal Reserve has
done more harm than good?



Only 16 percent of respondents believe the U.S. central bank has had a net negative effect overall, one-third the number of those who believe it has had a net positive effect.

[Kauffman Economic Outlook—2011 Q2]

Tim Kane (Growthology.org) asked:
Which presentation at the 2011 Economics Bloggers Forum was the best?
(viewable at <http://tinyurl.com/3 upx4ok>)



Bryan Caplan's "Selfish Reasons to Have More Kids" was voted best presentation at the 2011 Blogger's Forum at the Kauffman Foundation with 24 percent of the vote among bloggers. Honorable mentions went to Tyler Cowen's presentation and to Megan McArdle's presentation.

[Kauffman Economic Outlook—2011 Q2]

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 a total of fifty-eight respondents.

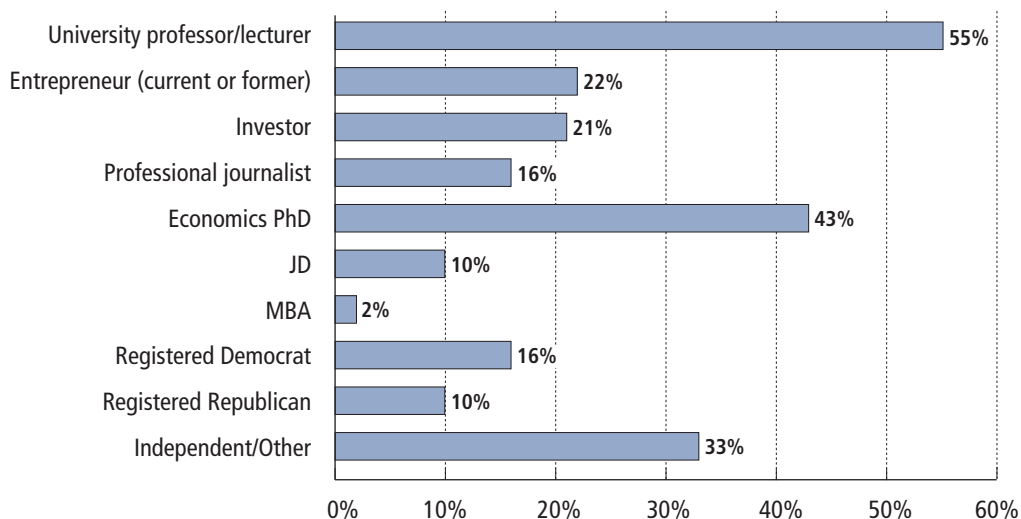
The panels from previous quarters are not directly comparable to this quarter’s panel. Roughly half of all bloggers participated in all quarters, so comparisons among the results have a large margin of error.

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, one-third consider themselves Independent, with 16 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, one-fifth are investors, and nearly half have a PhD in economics.

Please describe yourself (check all that currently apply)



[Kauffman Economic Outlook—2011 Q2]

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, *PublicSectorInc.com*

David Beckworth, *Macro and Other Market Musings*

Taggart Brooks, *A Random Walk*

Bryan Caplan, *EconLog*

Menzie Chinn, *EconBrowser*

Bill Conerly, *Businomics*

Jeff Cornwall, *The Entrepreneurial Mind*

Robert Cringely, *I, Cringely*

Atanu Dey, *Atanu Dey*

Art Diamond, *artdiamondblog.com*

Craig Eyermann, *Political Calculations*

Eric Falkenstein, *Falkenblog*

Will Franklin, *WILLisms*

Daniel Gross, *Yahoo! Finance*

GYSC, *Economic Disconnect*

James Hamilton, *EconBrowser*

Robin Hanson, *Overcoming Bias*

Ken Houghton, *Angry Bear*

Tim Iacono, *The Mess That Greenspan Made*

Tim Kane, *Growthology.org*

Stephen Karlson, *Cold Spring Shops*

Paul Kedrosky, *Infectious Greed*

Arnold Kling, *EconLog*

Drea Knufken, *Business Pundit*

Richard Langlois, *Organizations and Markets*

Robert Lawson, *Division of Labour*

Bob Litan, *Growthology.org*

APPENDIX

LIST OF RESPONDENTS (continued)

Steve Malanga, *Real Clear Markets*
Michael Mandel, *Mandel on Innovation and Growth*
Geoffrey Manne, *Truth on the Market*
Donald Marron, *dmarron.com*
Chris F. Masse, *MidasOracle.org*
Jeff Miller, *A Dash of Insight*
Mike Munger, *Kids Prefer Cheese*
Craig Newmark, *Newmark's Door*
Matt Nolan, *The Visible Hand in Economics*
Michael Panzner, *Financial Armageddon*
Mark Perry, *Carpe Diem*
James Picerno, *The Capital Spectator*
E.J. Reedy, *Data Maven at Kauffman.org*
Wade Roush, *Xconomy*
Felix Salmon, *Felix Salmon*
Andrew Samwick, *Capital Gains and Games*
Frederic Sautet, *Coordination Problem*
Allison Schrage, *Free Exchange*
Nick Schulz, *Enterprise Blog*
Mike Shedlock, *Mish's Global Economic Trend Analysis*
Amity Shlaes, *The Forgotten Man, CFR*
Gordon Smith, *The Conglomerate*
Daniel Sokol, *Antitrust and Competition Policy Blog*
Alex Tabarrok, *Marginal Revolution*
Mark Thoma, *Economist's View*
Claus Vistesén, *Alpha.Sources*
Steve Waldman, *Interfluidity*
Robert Waldmann, *Angry Bear*
David Weman, *A Fistful of Euros*
John Whitehead, *Environmental Economics*
Glen Whitman, *Agoraphilia*
David Zetland, *Aguanomics.com*

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