



Kauffman Economic Outlook A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

FOURTH QUARTER 2011

KAUFFMAN

The Foundation of Entrepreneurship

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Kauffman Economic Outlook

A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

in partnership with Palgrave's Econolog.net

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INTRODUCTION

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

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

KEY FINDINGS

THE ECONOMY

Economics bloggers seem the most pessimistic in their outlook on the U.S. economy so far for 2011, with 96 percent who believe overall conditions are mixed, facing recession, or in recession. For an economy in which growth is the norm, 35 percent of respondents think that the U.S. economy is worse than official statistics indicate, and only 8 percent believe it is better. When asked to describe the economy using five adjectives, “uncertain” remains the most frequently used term.

POLICY RECOMMENDATIONS

Although the panel is largely non-partisan, an almost 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 “Remove restrictions on who can be ‘accredited’ investors (allowed to invest in startups, recently raised to \$1 million net worth by Dodd-Frank),” with 80 percent support.

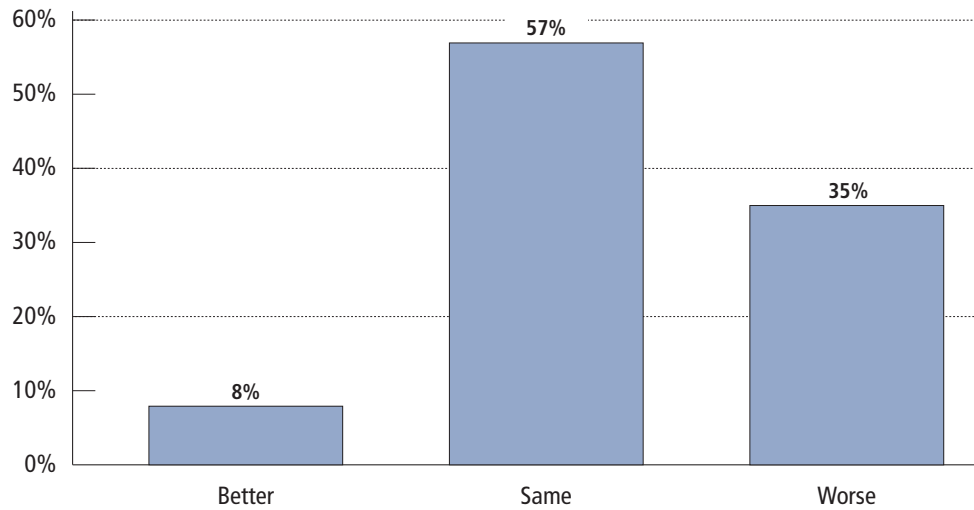
More than 70 percent of the participants support the approval of the Keystone XL Pipeline, an idea to open up more domestic areas to oil and gas exploration and drilling. And just 51 percent favor the use of a single income tax rate to promote fairness.

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 following charts and tables: the performance of the U.S. economy and policy assessments and recommendations. Finally, there are topical questions provided by economics bloggers themselves, which are not categorized.

U.S. ECONOMIC POLICY

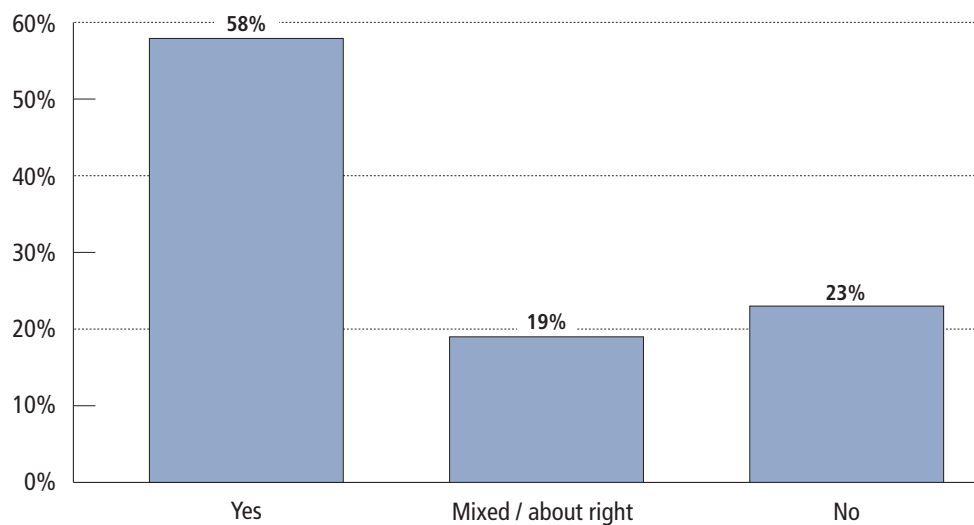
Is the U.S. economy doing better or worse than official government statistics show?



Skepticism about official statistics remains the rule among economics bloggers. Regardless, 8 percent of our panel thinks the U.S. economy is doing better than official statistics indicate.

[Kauffman Economic Outlook—2011 Q4]

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

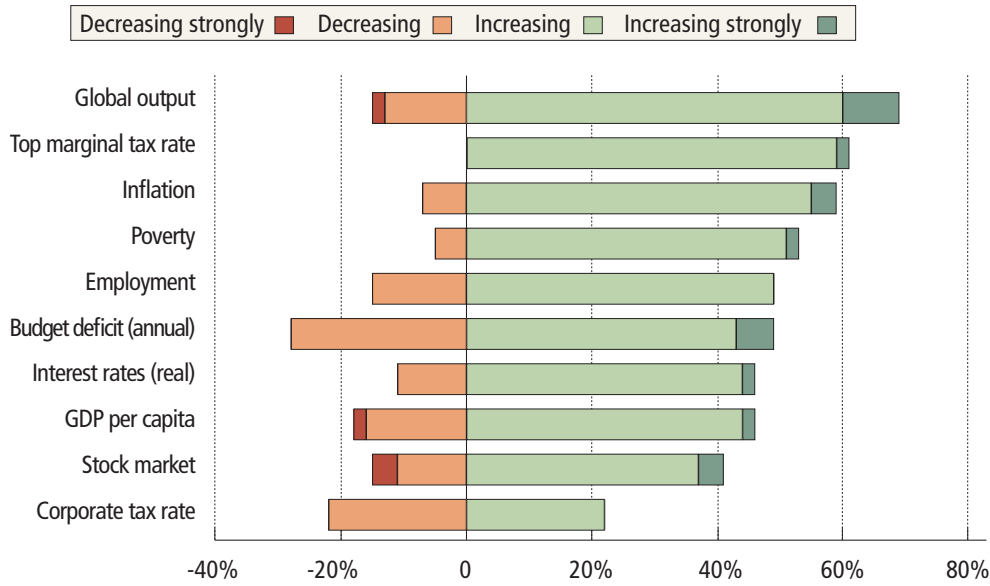


A large majority (58 percent) of economics bloggers believe the U.S. government is too involved in the economy. This response is noteworthy given the balanced and largely non-partisan identification of respondents.

[Kauffman Economic Outlook—2011 Q4]

U.S. ECONOMIC POLICY

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



Projecting three years ahead, economics bloggers expect global output to rise faster than anything else. A significant difference from the previous reports is that only about 50 percent of respondents anticipate employment growth in the United States. Opinion remains split about expectations of higher poverty and inequality levels, with 5 percent believing that poverty is decreasing. And expectations of higher annual deficits and the top marginal tax rate are a depressing surprise.

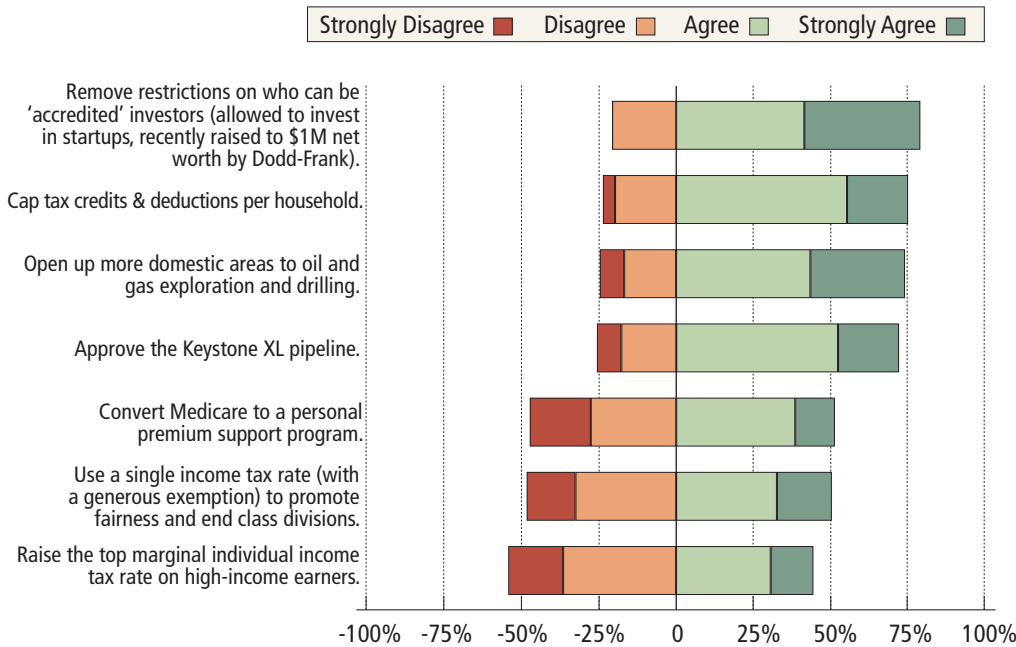
[Kauffman Economic Outlook—2011 Q4]

	Decreasing strongly	Decreasing	About the same	Increasing	Increasing strongly
Global output	2%	13%	16%	60%	9%
Top marginal tax rate	0%	0%	39%	59%	2%
Inflation	0%	7%	35%	55%	4%
Poverty	0%	5%	42%	51%	2%
Employment	0%	15%	36%	49%	0%
Budget deficit (annual)	0%	28%	24%	43%	6%
Interest rates (real)	0%	11%	43%	44%	2%
GDP per capita	2%	16%	36%	44%	2%
Stock market	4%	11%	44%	37%	4%
Corporate tax rate	0%	22%	57%	22%	0%

[Kauffman Economic Outlook—2011 Q4]

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 remove restrictions on who can be 'accredited' investors (allowed to invest in startups, recently raised to \$1 million net worth by Dodd-Frank), with 80 percent in agreement (38 percent agreeing strongly). Seventy-six percent also favor approval of a cap on tax credits and deductions per household. The panel also supported opening up more domestic areas to oil and gas exploration and drilling (75 percent).

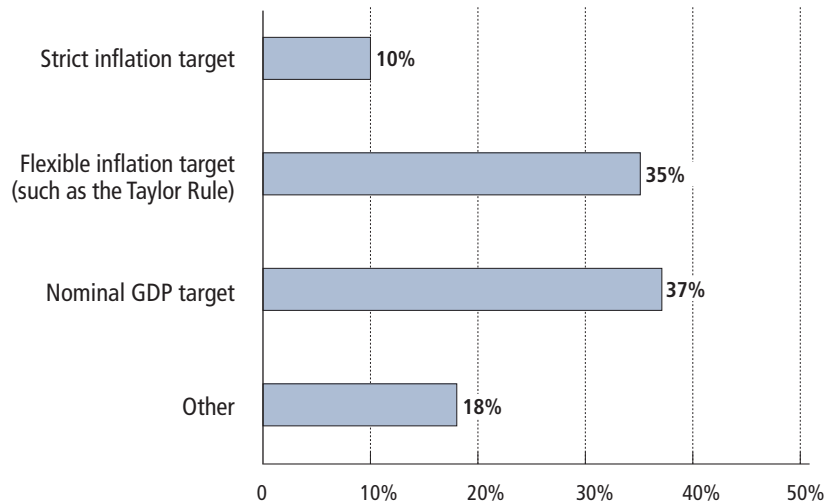
[Kauffman Economic Outlook—2011 Q4]

	Strongly Disagree	Disagree	Agree	Strongly Agree
Remove restrictions on who can be 'accredited' investors (allowed to invest in startups, recently raised to \$1M net worth by Dodd-Frank).	0%	21%	42%	38%
Cap tax credits & deductions per household.	4%	20%	56%	20%
Open up more domestic areas to oil and gas exploration and drilling.	8%	17%	44%	31%
Approve the Keystone XL pipeline.	8%	18%	53%	20%
Convert Medicare to a personal premium support program.	20%	28%	39%	13%
Use a single income tax rate (with a generous exemption) to promote fairness and end class divisions.	16%	33%	33%	18%
Raise the top marginal individual income tax rate on high-income earners.	18%	37%	31%	14%

[Kauffman Economic Outlook—2011 Q4]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

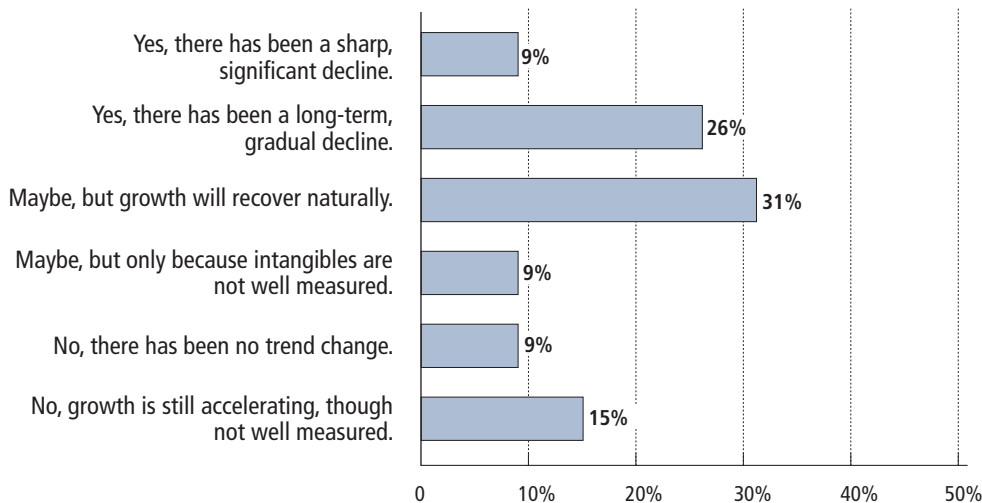
Scott Sumner (TheMoneyIllusion Blog) asked:
Which Federal Reserve policy target do you prefer?



Only 10 percent of economics bloggers favor a strict inflation target. One-third of respondents prefer a “flexible inflation target,” while a plurality buy Sumner’s view and prefer a “nominal GDP” target.

[Kauffman Economic Outlook—2011 Q4]

Michael Mandel (Mandel on Innovation and Growth Blog) asked:
Has U.S. productivity growth stalled?

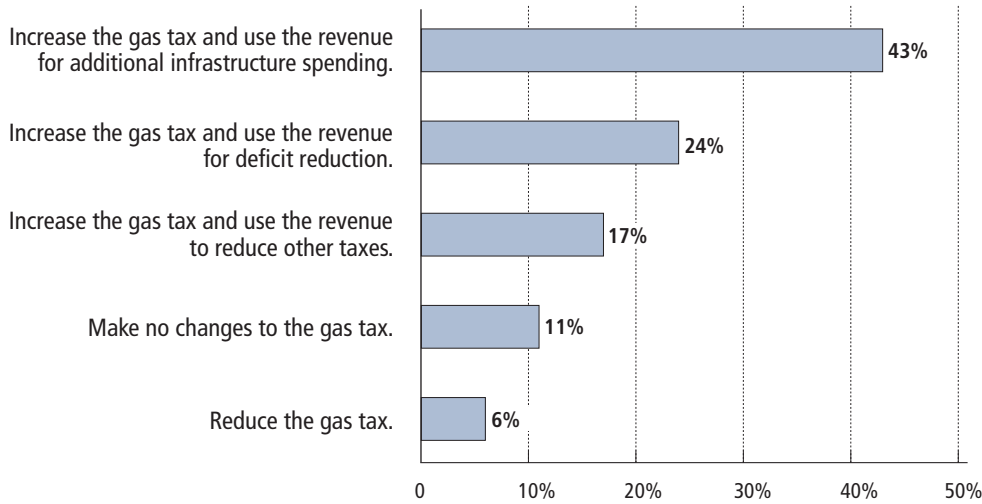


Opinion was spread somewhat evenly across the six response ranges. Just over one-third concurred with a productivity growth decline, and another two-fifths said maybe. However, a sizable majority think productivity is still accelerating but is poorly measured.

[Kauffman Economic Outlook—2011 Q4]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

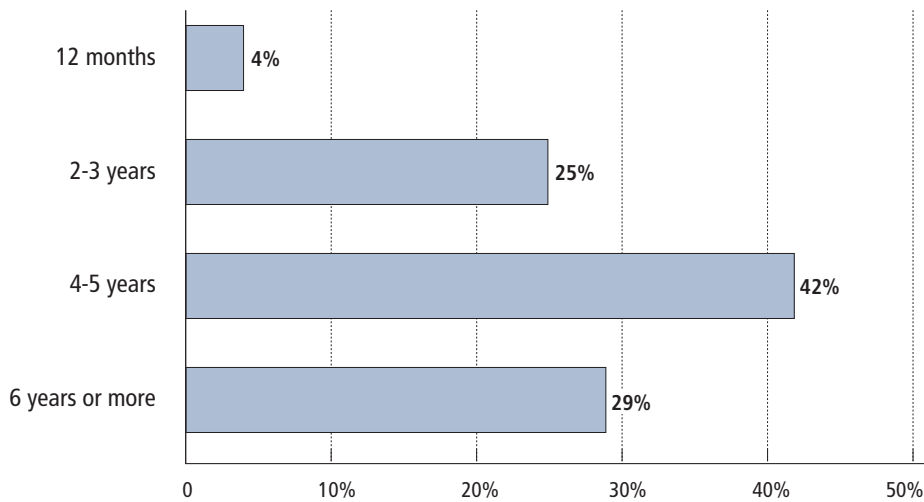
Donald Marron (DMarron.com Blog) asked:
 Suppose Congress considers a proposal to increase the gas tax (currently 18.4 cents per gallon) gradually from 2014 to 2019. Which of the following would you favor?



Bloggers seem to love the gas tax. An increase for additional infrastructure spending was favored by 43 percent. Another 40 percent would increase the gas tax and put revenues toward reduction of the deficit or other taxes. Only 6 percent support an outright reduction of the gasoline tax.

[Kauffman Economic Outlook—2011 Q4]

Mark Perry (Carpe Diem) asked:
 How long will it take before Americans can expect the U.S. real estate market to stabilize and return to a situation with historically average rates of home price appreciation and historically average rates of foreclosures?

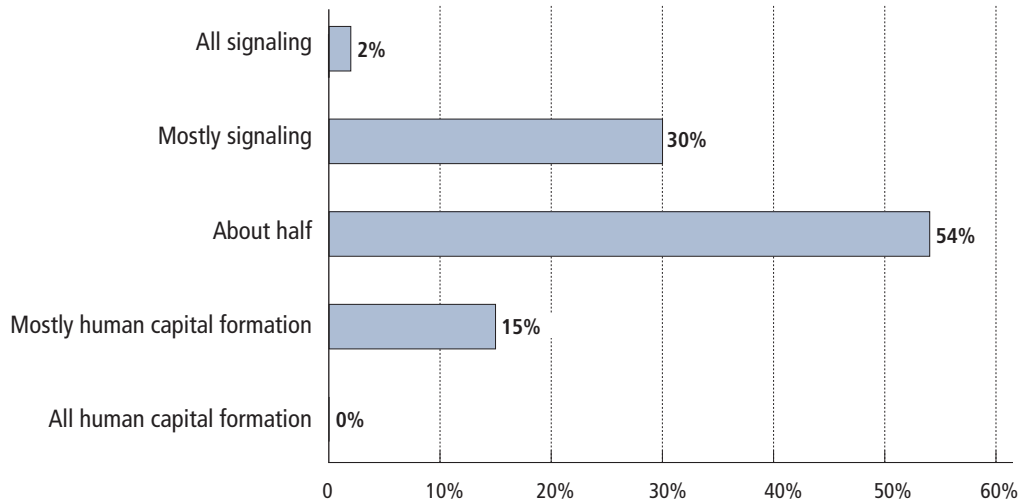


Only 4 percent believe the U.S. market will stabilize within twelve months while the vast majority sees a timeframe of four or more years.

[Kauffman Economic Outlook—2011 Q4]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Bryan Caplan (EconLog) asked:
How much of a typical U.S. college education is signaling as opposed to human capital formation?

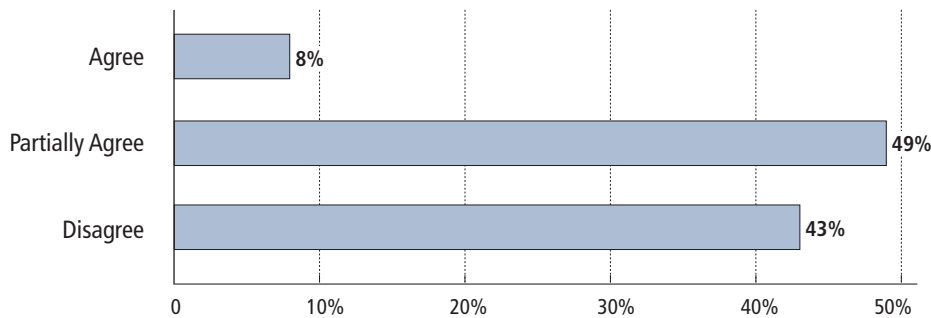


Bloggers seem to really buy the “education as signaling” story. Roughly 85 percent think that college education is half to all signaling, with the remainder agreeing that signaling is a part of education. No one believes a college degree is entirely human capital formation. While the consensus is a fifty-fifty split, this is probably a different view than conventional wisdom today or even expert opinion twenty years ago.

[Kauffman Economic Outlook—2011 Q4]

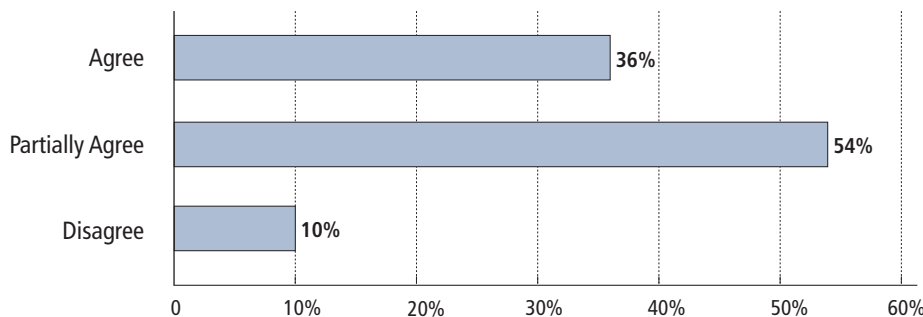
Jeff Miller (A Dash of Insight Blog) asked:
There are two violently different perspectives about Quantitative Easing, particularly QE II. To what extent do you agree with each?

The trading/investment community believes \$600B was “infused” or “injected” into the economy and it went straight to stocks, commodities, and wheat.



Of the two views, bloggers largely disagreed with the infusion theory while largely agreeing with the interest rate effect. But the majority in both cases was “partially agree.”

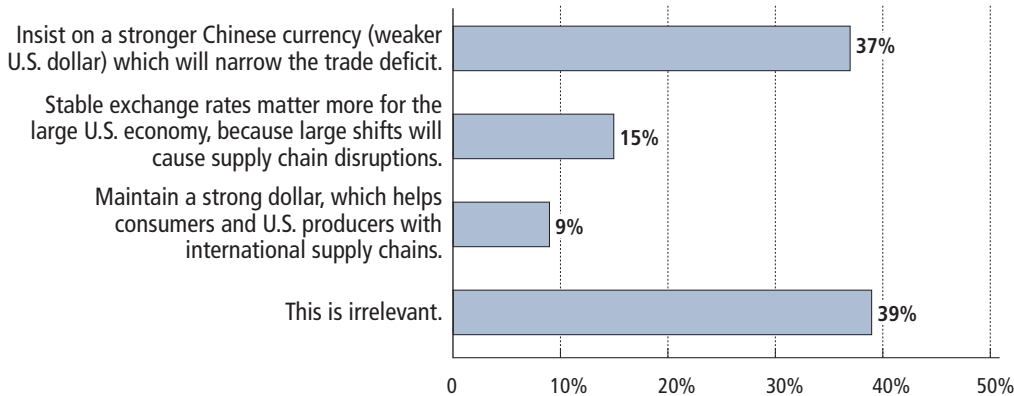
The economic community sees a marginal interest rate impact, a consequent marginal impact on the asset allocation, plus a big increase in the monetary base & then M2.



[Kauffman Economic Outlook—2011 Q4]

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Tim Kane (Growthology) asked:
 Many believe China has kept its exchange rate artificially low to boost exports relative to imports as a development strategy. Which policy approach do you favor for the United States in response?



A plurality of bloggers thinks Chinese exchange rates are irrelevant. But almost the same number believe the United States should insist on a stronger Chinese currency (weaker U.S. dollar) which will narrow the trade deficit.

[Kauffman Economic Outlook—2011 Q4]

Participants were asked to share their thoughts and policy advice on the idea that the U.S. economy is on the edge of a recession, but to be creative and put their thoughts in the form of a haiku. The four haikus voted most popular by bloggers and their readers are below:

*jobs and Jobs are gone
 need more Jobs to get more jobs
 innovate to grow*
 ~ ARTHUR DIAMOND

*This is not so hard
 Helicopter money please
 Wired straight to households*
 ~ STEVE WALDMAN

*Employment down, output up
 Doing more with less
 Until everything is done by no one*
 ~ WADE ROUSH

*No one has a job
 Except econobloggers
 And they're not paid much*
 ~ FELIX SALMON

OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Other economics bloggers' haiku, in no order

*Tax the Rich and Now**Borrow to Invest in Stuff**Bring Back the New Deal*

~ DANIEL GROSS

*Boost U.S. Demand**Need More Money and Tax Cuts**Hands off the long run*

~ KARL SMITH

*Climate change question**Cap-and-trade or carbon tax**Either efficient*

~ JOHN WHITEHEAD

*Double dip at bay**Despite moronic Congress**Europe sinks us all*

~ RYAN AVENT

*Econ guys, gentle souls**Think policies guide markets**Jail time is better*

~ ROBERT CRINGELY

*Economy Grows Big**Increase in Stock Market**My Children Get Rich*

~ JAMES ALTUCHER

*Economy sucks?**New policies shake things up!**Causing more suckage.*

~ GLEN WHITMAN

*Intermodal loadings increase**Trade conflict looms without cease**Occupy Wall Street*

~ STEPHEN KARLSON

*Jobs are needed now**Austerity ill-timed**Action is required*

~ JEFF MILLER

*Keynes' America falls**Growth will emerge with startups**Hayek wins the day*

~ TIM KANE

*Many angry folks**Watch political duck soup**Less soup more work please*

~ DAVID ZETLAND

*Monetary stimulus is all that's left**Do it right or suffer**Target NGDP to end the quest*

~ JAMES PICERNO

*More demand is needed**The Fed is responsible**Do not look elsewhere*

~ SCOTT SUMNER

*More public spending**Is needed to fill the gap**Sadly America fails*

~ BILL MITCHELL

*New commanding heights**Credentials suffocating**Let the market work*

~ ARNOLD KLING

*Revenge of the Nerds**ZMP can't outcompete**Very small shell scripts*

~ ELI DOURADO

*The goal is simple**Get Americans to say**"I, Entrepreneur"*

~ NICK SCHULZ

*The U.S. needs jobs**Politicians have theirs now**With which they do little*

~ AUSTIN FRAKT

*Those kids blame the banks.**Is Wall Street pre-occupied?**Next: capital strike.*

~ MICHAEL MUNGER

*Uncertainty rules**While the economy suffers**Politics rejoices*

~ PEDRO ALBUQUERQUE

*When Japan fell in 1990s**They were lectured by the world economists**Time for Japanese to smile*

~ AMOL AGRAWAL

METHODOLOGY & PANEL SELECTION

Invitations were sent to nearly 200 top economic 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. The panel includes a total of fifty-five respondents.

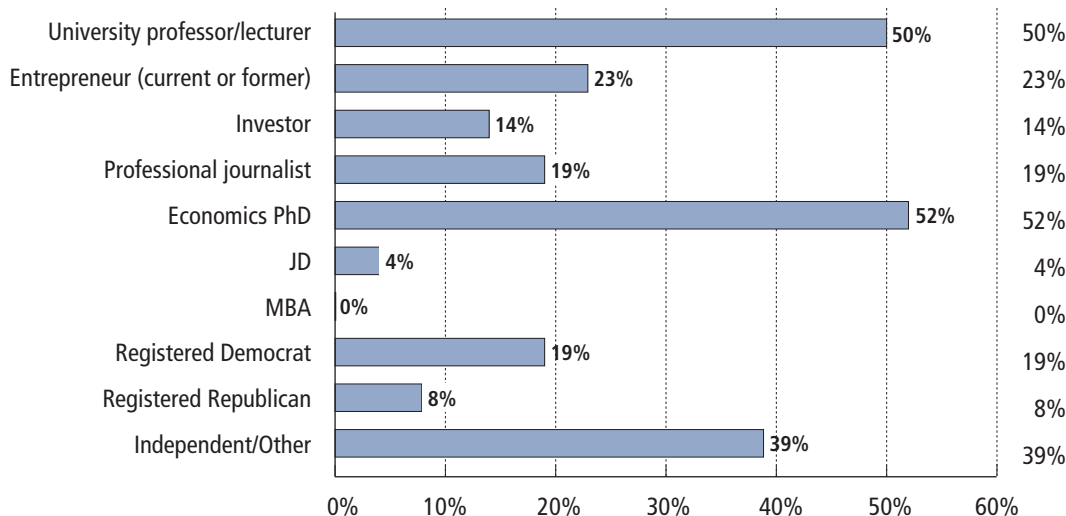
The panels from previous quarters are not directly comparable to this quarter’s panel. Roughly half of all bloggers participated in both quarters, so comparisons between the results have a large margin of error.

The policy of the Kauffman Economic Outlook is that survey panelists and their blog names will be released, but all individual responses and comments will remain anonymous. A list of participants is included in the appendix.

Panelists were asked to describe their political affiliation, with the intent being to show whether the panel has an ideological bias. We find that, among those who answered this question, 20 percent consider themselves Independent/Other, with 10 percent Democrat and 4 percent Republican.

The last question asked economics bloggers to describe their occupations and backgrounds. These responses were not exclusive (meaning respondents could select one or more). Nearly half are university professors, about one-fourth are former or current entrepreneurs, and nearly half have a PhD in economics.

Please describe yourself (check all that currently apply)



[Kauffman Economic Outlook—2011 Q4]

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*
James Altucher, *Jamesaltucher.com*
Ryan Avent, *Free Exchange*
Dean Baker, *Beat the Press*
David Beckworth, *Macro and Other Market Musings*
Taggart Brooks, *A Random Walk*
Bryan Caplan, *EconLog*
Menzie Chinn, *EconBrowser*
Robert Cringely, *I, Cringely*
Brad DeLong, *Grasping Reality with Both Hands*
Atanu Dey, *Atanu Dey on India's Development*
Arthur Diamond, *artdiamondblog.com*
Eli Dourado, *Eli Dourado*
Eric Falkenstein, *Falkenblog*
Austin Frakt, *The Incidental Economist*
Jeffrey Frankel, *Jeffrey Frankel's Blog*
Daniel Gross, *Moneybox*
James Hamilton, *EconBrowser*
Tim Iacono, *The Mess That Greenspan Made*
Tim Kane, *Growthology.org*
Stephen Karlson, *Cold Spring Shops*
Stephanie Kelton, *New Economic Perspectives*
Peter Klein, *Organizations and Markets*
Arnold Kling, *EconLog*
Robert Litan, *Growthology.org*
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*

APPENDIX

LIST OF RESPONDENTS (continued)

Jeff Miller, *A Dash of Insight*
Bill Mitchell, *Bill Mitchell – Billy Blog*
Michael Munger, *Kids Prefer Cheese*
Matt Nolan, *The Visible Hand in Economics*
Michael Panzner, *Financial Armageddon*
Mark Perry, *Carpe Diem*
James Picerno, *The Capital Spectator*
Michael Rizzo, *The Unbroken Window*
Wade Roush, *Wade Roush*
Allison Schrage, *Free Exchange*
Nick Schulz, *Enterprise Blog*
Felix Salmon, *Felix Salmon*
Rajiv Sethi, *Rajiv Sethi*
Mike Shedlock, *Mish's Global Economic Trend Analysis*
Karl Smith, *Modeled Behavior*
Kwame Smith, *Bookish Posts*
Scott Sumner, *The Money Illusion*
Mark Thoma, *Economist's View*
Mike Veseth, *International Political Economy Zone*
Claus Vistesén, *Alpha.Sources*
Steve Waldman, *Interfluidity*
John Whitehead, *Environmental Economics*
Glen Whitman, *Agoraphilia*
David Zetland, *Aguanomics.com*

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