Kauffman Economic Outlook
A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

in partnership with Palgrave’s Econolog.net

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TIM KANE
Senior Scholar
Ewing Marion Kauffman Foundation

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The Foundation of Entrepreneurship

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INTRODUCTION

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

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

Robert X. Cringely . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . I, Cringely
Laurie Harting . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Palgrave’s Econolog
Paul Kedrosky . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Infectious Greed
Lynne Kiesling . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Knowledge Problem
Donald Marron . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . DMarron.com
Mark Perry . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Carpe Diem
Wade Roush . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Xconomy.com
Allison Schrager . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Free Exchange
Nick Schulz . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Enterprise Blog
Yves Smith . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Naked Capitalism
Alex Tabarrok . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Marginal Revolution
Mark Thoma . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Economist’s View
The Kauffman Foundation is dedicated to the idea that entrepreneurship and innovation drive economic growth. Naturally, this technology of blogging is a fascinating one, both for its effect on the economic research frontier, but also as an innovation in its own right. A survey of so many high-profile participants offers a unique opportunity for discussion, and this survey should be viewed as one way of summarizing some of the insights of the community of economics bloggers.

KEY FINDINGS

THE ECONOMY

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

POLICY RECOMMENDATIONS

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

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

SURVEY RESULTS

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

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

A total of 14 percent of respondents believe the economy is “strong with uncertain growth” and “strong and growing.” This is an improvement since last quarter. Seventy-six percent say conditions are “mixed,” with forty-four respondents. Six respondents believe the economy is “facing recession” (10 percent). There was a decrease in the number of respondents believing the economy is “weak and recessing,” with no responses (0 percent).

How do you assess the overall condition of the U.S. economy right now?
(open text response)
Is the U.S. economy doing better or worse than official government statistics show?

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

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

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

This response is noteworthy given the balanced and largely non-partisan identification of respondents.
What are the prospects for the following over the next three years? (In the United States unless stated otherwise)

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

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

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

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

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

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

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

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

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

FT Alphaville asked:
Right now there are 12* countries with an AAA rating from both S&P and Moody’s. How many will there be at the end of 2015?
*This number has declined recently and may change again before publication.

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

Craig Newmark (Newmark’s Door) asked:
Does the U.S. economy need higher inflation now?

Overall, 53 percent of participants support higher inflation. Another 14 percent say maybe. This suggests that bloggers generally think the Fed’s dovish stance is fine, or perhaps too hawkish.
FT Alphaville asked:
The world has a shortage of safe assets, a problem that has impeded normal monetary policy transmission mechanisms, especially in Europe. Which of these solutions to the problem would you support?

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

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

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

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

**Earth bonds!**

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

**Not a problem:** I disagree with the original premise. The world doesn’t need any more safe assets. Weirdo.
FT Alphaville asked:
Which of the following fringe-ish ideas or schools of thought would you like to see become accepted practice for monetary policymakers?

- Modern Monetary Theory: 12%
- NGDP targeting: 40%
- Austrian (think Mises, not Hayek): 28%
- Direct cash or e-money transfers replace quantitative easing at the zero lower bound: 9%
- Central banks stop targeting short-term funds rates and instead target repo rates: 5%
- None of the above: 19%

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

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

- Great idea: 21%
- Bad idea: 2%
- Long overdue: 40%
- Will have unintended consequences: 36%
- Enforcing journals will lose some top papers: 7%
- Irrelevant: 40%

Bloggers are divided, with many (40 percent) believing it is long overdue, another 40 percent believing it is irrelevant, and 36 percent believing it will have unintended consequences.
Craig Newmark (Newmark’s Door) asked: What changes to U.S. K-12 education would be most desirable?

This seemingly simple question had a complicated set of answers with a rich amount of information as a result. Five changes had more than 70 percent support (and each of them had roughly 10 percent opposition), the strongest being “more flexibility for principals to hire and fire” (81 percent agree, half of those strongly agree). The opposite of flexibility has been the thrust of education reform in recent decades, the imposition of “higher standards, monitored by more and stricter high-stakes testing,” which polled only 33 percent support versus 33 percent opposition. The idea with the most disagreement actually had negative numbers that were double the next lowest, and that was “greater federal involvement” (11 percent agree, 59 percent disagree).
Robert Cringely (I, Cringely) and Tim Kane (Kauffman) Haiku Challenge:
The Euro is troubled, so what is its fate in 2012 and/or what should policymakers do?

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

By now we know to
Expect the unexpected
To ruin your day.
~ RYAN AVENT

Can’t bail forever
This year we might discover
The can does kick back.
~ ARNOLD KLING

Common currency
Is not the source of problems
Debt is the culprit.
~ PEDRO ALBUQUERQUE

Euro troubles prove
Federalism is key
To secure freedom.
~ WILL FRANKLIN

Euro, Kroner, Franc,
Makes no difference to me
Long as gold glistens.
~ ROBERT CRINGELY

Europe’s Recessing
The ECB has no clue
Austerity Bites.
~ DANIEL GROSS

Euro-zone crumbling now
Silently, in the background
Surface is a veil.
~ DAVID TUFTES

Greece will soon default
The Eurozone will crumble
Let’s all go shopping!
~ FELIX SALMON

Haughty Albion
Because she made the right choice
She must be punished.
~ SCOTT SUMNER

NGDP it
Nominal incomes restored
Safe assets return.
~ DAVID BECKWORTH

On this Continent
All European Unions
Always end in blood.
~ ANDREW SAMWICK

Poor little Euro
a useful means of exchange
with no fiscal role.
~ DAVID ZETLAND

Run the Euro press
Beg America for help
Beg China for help.
~ MICHAEL RIZZO

Saint Germanicus
Gave no gifts to young Euro
Christmas without snow.
~ TIM KANE

Surprise everyone
Reintroduce the Deutschmark
Inflate the Euro.
~ ELI DOURADO

The most painful part
Of the Euro’s coming end?
Krugman being right.
~ JOSHUA BARRO

Twelve years later
Returned to the beginning
Germany loses again.
~ KENNETH HOUGHTON

Welfare states’ debt due
Ratings downgrades, states default
Euro muddles through.
~ ARTHUR DIAMOND

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

You may disappear
or appear in great numbers
debt must come undone.
~ STEVE WALDMAN
METHODOLOGY & PANEL SELECTION

Invitations were sent to nearly 200 top economics bloggers, most of whom were on the Palgrave’s Econolog.net December 2010 rankings (its methodology is described at http://econolog.net/stats.php). Some blogs with multiple authors have more than one respondent in the panel. For example, both James Hamilton and Menzie Chinn, co-bloggers at EconBrowser.com, are participants, as are Tyler Cowen and Alex Tabarrok, co-bloggers at Marginalrevolution.com. The panel includes fifty-eight respondents.

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

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

Panelists were asked to describe their political affiliation, with the intent being to show whether the panel has an ideological bias. We find that, among those who answered this question, 36 percent consider themselves Independent/Other, with 17 percent Democrat and 10 percent Republican.

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

Please describe yourself (check all that currently apply)

- University professor/lecturer: 48%
- Entrepreneur (current or former): 24%
- Investor: 16%
- Professional journalist: 16%
- Economics PhD: 50%
- JD: 5%
- MBA: 3%
- Registered Democrat: 17%
- Registered Republican: 10%
- Independent/Other: 36%
APPENDIX

LIST OF RESPONDENTS

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

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

LIST OF RESPONDENTS (continued)

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