

Kauffman Economic Outlook

A QUARTERLY SURVEY OF LEADING ECONOMICS BLOGGERS

in partnership with Palgrave's Econolog.net

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KAUFFMAN
The Foundation of Entrepreneurship

www.kauffman.org

INTRODUCTION

America’s top economics bloggers represent a diverse group of writers with wide-ranging intellectual and political vantage points on one of the most important issues of the day—the economy. As independent thinkers who are immersed in discourse through the innovation of blogging, these economics writers have a unique voice and perspective, and potentially profound influence. The Kauffman Foundation is tapping their insights in a new series of surveys called Kauffman Economic Outlook: A Quarterly Survey of Top Economics Bloggers.

This inaugural survey was conducted in mid-January 2010 by soliciting input from among the top 200 economics bloggers ranked by Palgrave’s *Econolog.net*. Ten core questions and seven topical questions were designed in coordination with a distinguished board of advisors, which includes:

Robert X. Cringley *I, Cringely*
 Brad DeLong *Grasping Reality*
 Laurie Harting *Palgrave Econolog*
 Scott Jagow *Marketplace Scratch Pad*
 Paul Kedrosky *Infectious Greed*
 Lynne Kiesling *Knowledge Problem*
 Donald Marron *DMarron.com*
 Mark Perry *Carpe Diem*
 Wade Roush *Xconomy.com*
 Allison Schrager *FreeExchange*
 Nick Schulz *Enterprise Blog*
 Yves Smith *Naked Capitalism*
 Alex Tabarrok *Marginal Revolution*
 Mark Thoma *Economist’s View*

For this survey, Donald Marron (dmarron.com) helped design questions about the U.S. budget deficit, its risks, and policy remedies. Dr. Marron has held positions as the chief economist and member of the Council of Economic Advisers, acting director of the Congressional Budget Office, and executive director of the Joint Economic Committee of the U.S. Congress. Because time constrains the number of ideas that can be communicated, this survey should be viewed as just one way of summarizing the insights of the community of economics bloggers.

KEY FINDINGS

THE ECONOMY

Economics bloggers have a bleak outlook of the U.S. economy, with 48 percent responding that conditions are worse than official statistics indicate, and only 6 percent saying it is better. Seven percent of respondents say the economy is strong, while 33 percent say it is weak, with the remainder saying it is mixed.

When asked for the growth prospects for key measures of economic activity over the next three years, the largest increases are expected to be in interest rates, inflation, and the budget deficit. U.S. output and jobs are expected to increase, but with about half the intensity of growth in global output. The respondents say the prospects for the entrepreneurial economy in the United States are grim as well. The panel assesses conditions as “bad” or “very bad” for small business (52 percent) and bank lending to business (51 percent) and individuals (50 percent). The outlook for entrepreneurs is a relative bright spot, with opinions mixed between bad conditions (36 percent) and good (26 percent).

POLICY RECOMMENDATIONS

Despite being a balanced panel in terms of political alignment (16 percent Republican, 19 percent Democratic, 47 percent independent, and roughly 18 percent libertarian/other), there is a strong consensus around many policy recommendations. Seventy-one percent of economics bloggers think the U.S. government is “too involved in the economy,” with only 17 percent calling for greater involvement. When asked what the government should be doing, the only policies with more than 50 percent support are: 1) to increase high-skill immigration (63 percent), and 2) to increase legal immigration at all skill levels (57 percent). Two policies stood out sharply with near-unanimous opposition: increasing business regulation (9 percent) and increasing tariffs (4 percent).

On taxation, the panel was widely in favor of lowering taxes on payrolls (74 percent) and income, both corporate (64 percent) and individual (62 percent). Likewise, there was strong support for higher taxes on gasoline/carbon (68 percent and 57 percent, respectively), and consumption (54 percent). A common battleground for tax policy is progressivity, but 47 percent of bloggers are calling for flatter taxes compared to 26 percent in favor of increased progressivity (i.e., even higher tax rates on higher incomes relative to lower incomes).

According to economics bloggers, the top three variables that policymakers should emphasize in a model of economic growth are human capital, innovation, and economic freedom. In a related question, bloggers were asked to rate the beneficial importance of numerous key players in the U.S. economy. One hundred percent of the panel rate entrepreneurs as “important” or “very important,” and innovation also had unanimous support. Only slightly less important are free trade and education, with nearly all respondents rating them as “important” or “very important.” In contrast, only 30 percent of economics bloggers think labor unions are important, and nearly 70 percent rate them as “unimportant” (numbers may not add to 100 due to non-responses and rounding). Opinion is decidedly mixed on manufacturing, while there is mild support for the importance of big business.

BLOGGERS VERSUS THE BUDGET DEFICIT

The panel was asked a series of questions this quarter about the U.S. budget deficit, designed with input from former Congressional Budget Director, Donald Marron (now blogging at dmarron.com). With overall debt expanding dramatically in 2009, a majority of bloggers think the U.S. debt to GDP ratio has become an “unacceptable risk” to the health of the overall economy. The debt to GDP ratio rose from 70 percent to around 90 percent in the last year alone. The survey shows that the number of bloggers who think the level of risk is unacceptable has doubled with the new debt level. The panel sees numerous dangers posed by high and rising deficits, with the biggest being “crowding out of investment,” followed by “inflation,” and “weakening of the dollar.”

Opinion is split on whether Congress should stimulate output or cut the deficit. Thirty-eight percent of economics bloggers are calling for immediate reductions in the budget deficit. Another 26 percent call for more stimulus. The remaining 36 percent recommend doing both: stimulate in the short-term while simultaneously reforming long-term entitlements.

When faced with a menu of options to reduce the budget deficit, three spending cuts are strongly preferred above all other options: reforming spending on Medicare and Medicaid (60 percent say this is a top priority), reducing spending on Social Security (37 percent), and reducing spending on Defense (38 percent). Appointing a “Commission for an all-or-none set of recommendations” (7 percent) is considered a bad idea by a majority of the panel. The worst ideas are raising payroll taxes (82 percent consider this a “bad idea”), raising income taxes (63 percent), and making a maximum tax amendment to the Constitution (61 percent). Opinion is split nearly 50-50 for two other ideas: a spending cap amendment and allowing the 2001/3 tax cuts to expire.

BLOGGERS REPORT CARD

Top economics bloggers were asked to grade the performance of seven organizations and institutions. Two groups tied for highest marks: watchdogs including the Congressional Budget Office (CBO) and General Accountability Office (GAO), and the “U.S. business community.” Central banks such as the Federal Reserve and European Central Bank get passing grades by most, with few A’s and many F’s. Similarly, the World Bank has mixed marks. The worst marks go to Wall Street firms (31 percent F’s) and the U.S. Congress (51 percent F’s).

SUPERPOWERS IN 2030?

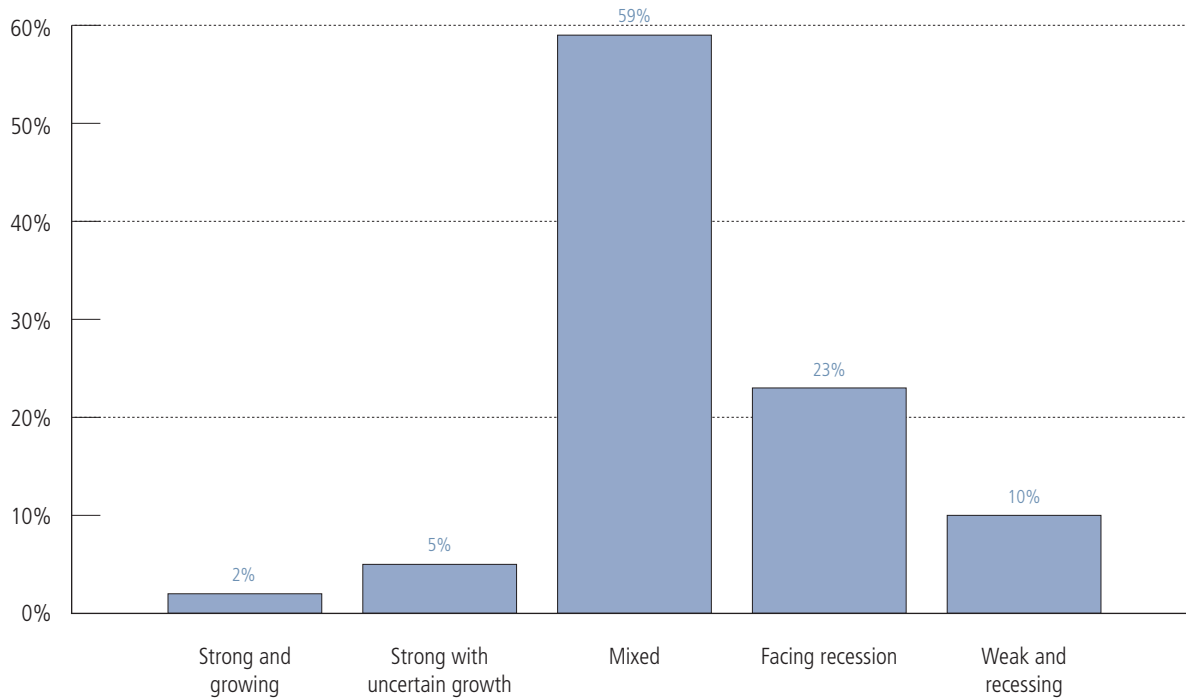
In twenty years, which nations and regions will be economic superpowers? According to top economics bloggers, the odds are strong for the United States (90 percent) and China (88 percent), with less support for India (57 percent) and the European Union (55 percent). The big surprises are the lack of support for late-20th century superpowers, Japan (16 percent), and Russia (5 percent). And only one voter believes the Middle East will be a superpower region in 2030, in contrast with support for nascent superpowers in Latin America (13 percent), Southeast Asia (18 percent), and Korea (12 percent).

SURVEY RESULTS

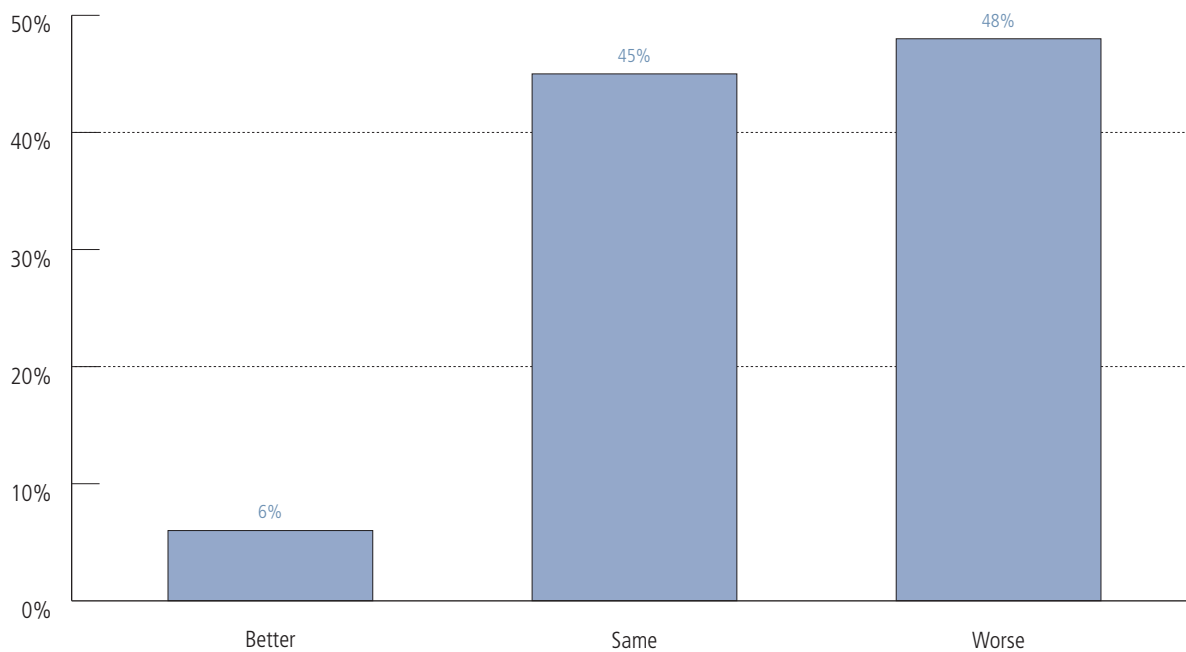
The Kauffman Economic Outlook includes core questions that will recur each quarter and one-time-only topical questions. Core questions focus on two areas, and are presented in the charts and tables below: the performance of the U.S. economy and policy assessments and recommendations. The third section displays questions for the topic in focus this quarter, which is “The U.S. Budget Deficit.” 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?



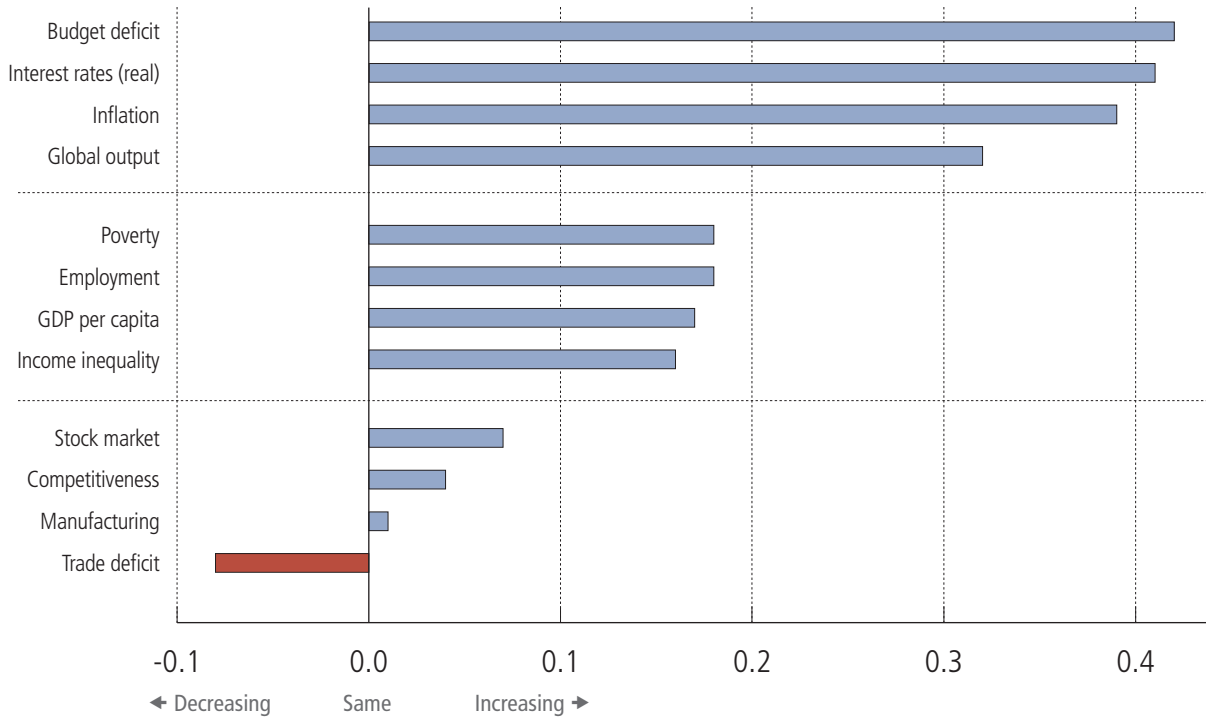
Is the U.S. economy doing better or worse than official government statistics show?



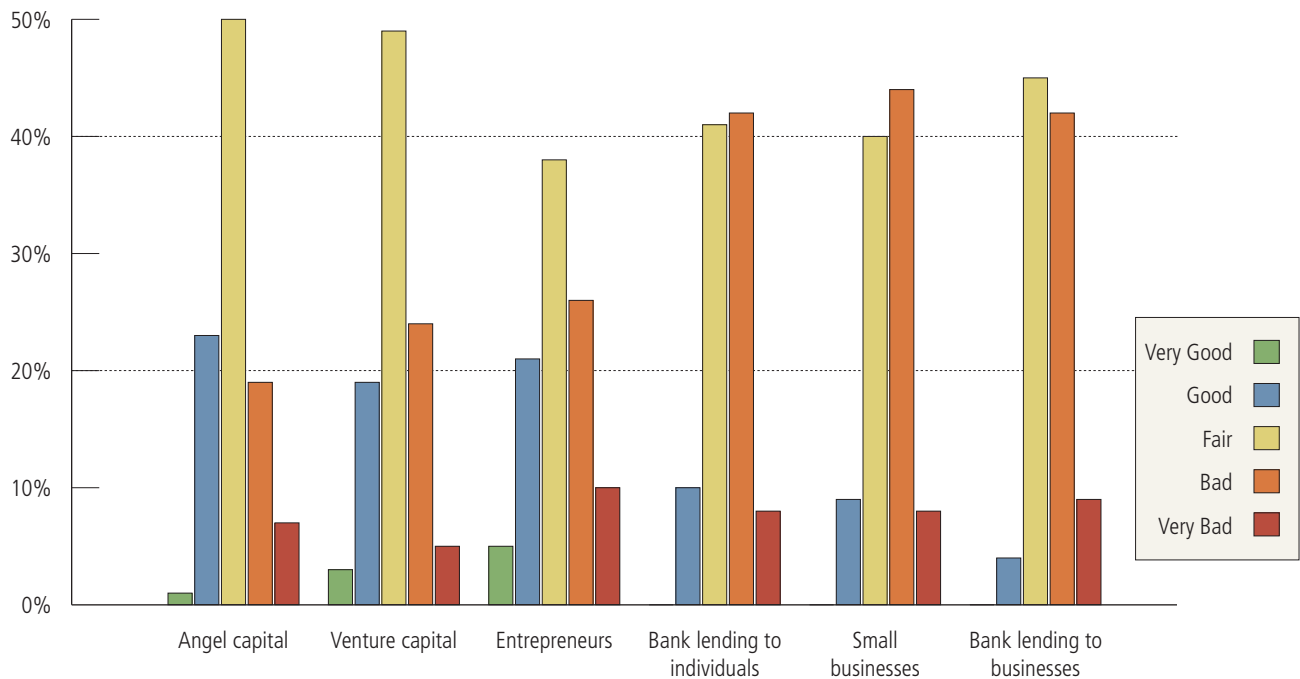
U.S. ECONOMIC PERFORMANCE

What are the prospects for the following to increase over the next three years?

Scale: 1.0 = increasing strongly, -1.0 = decreasing strongly

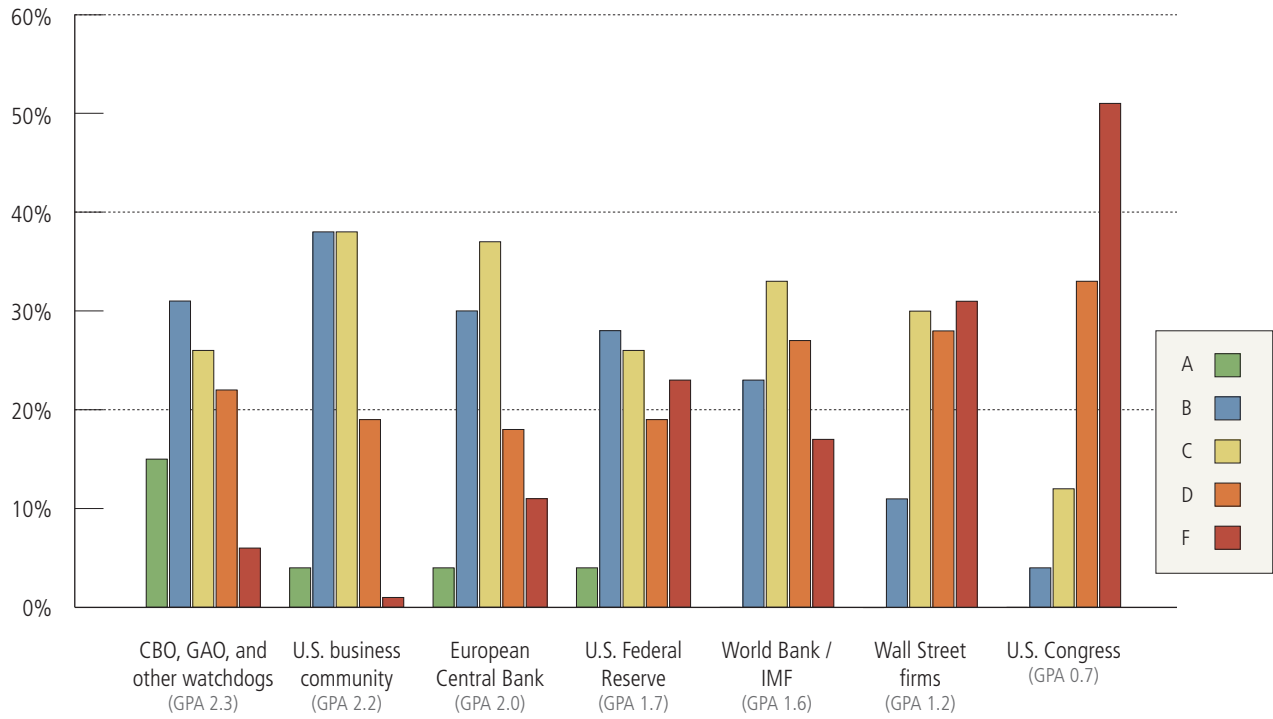


What is your sense of the conditions that exist for the following:

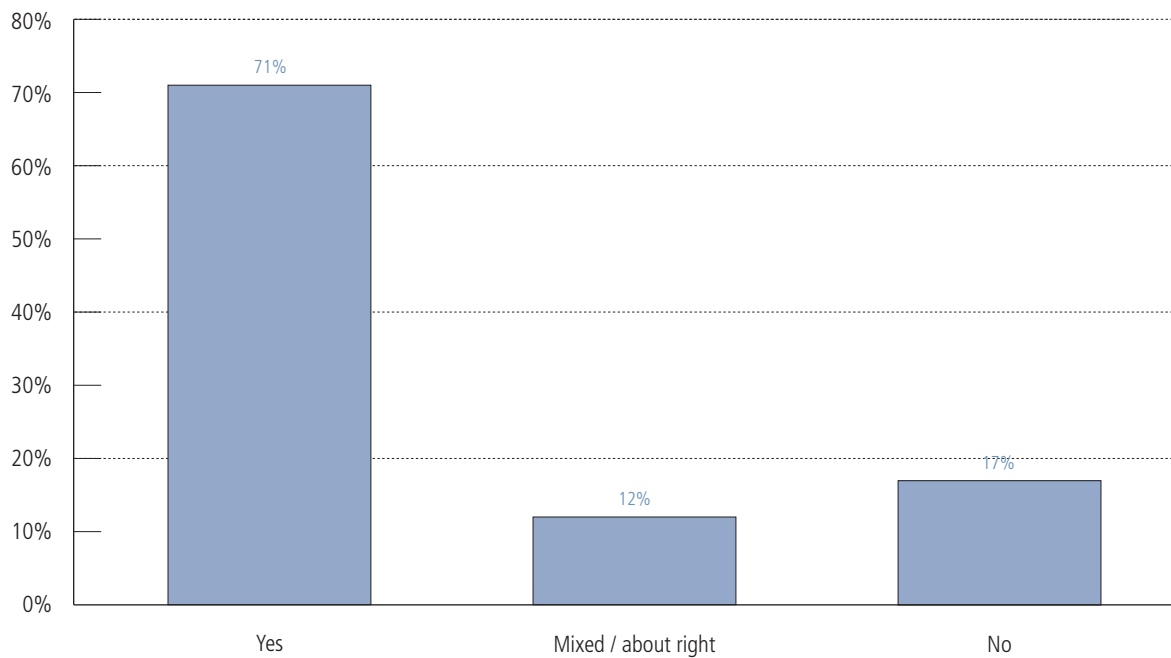


U.S. ECONOMIC POLICY

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

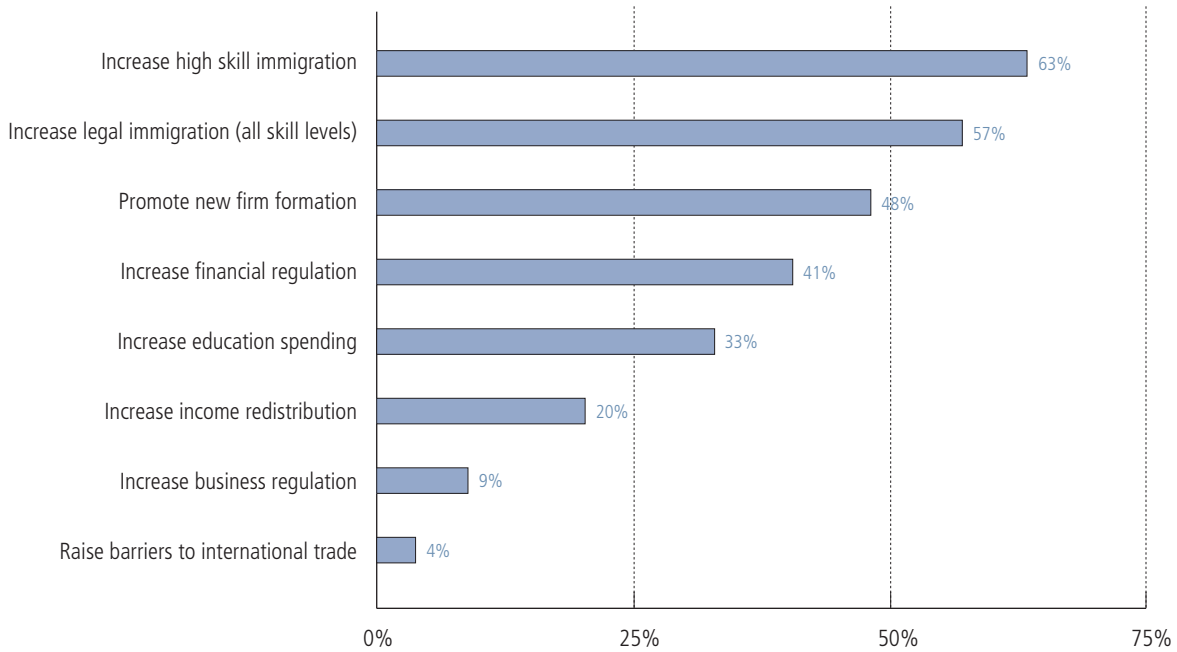


Is the U.S. federal government too involved in the U.S. economy?

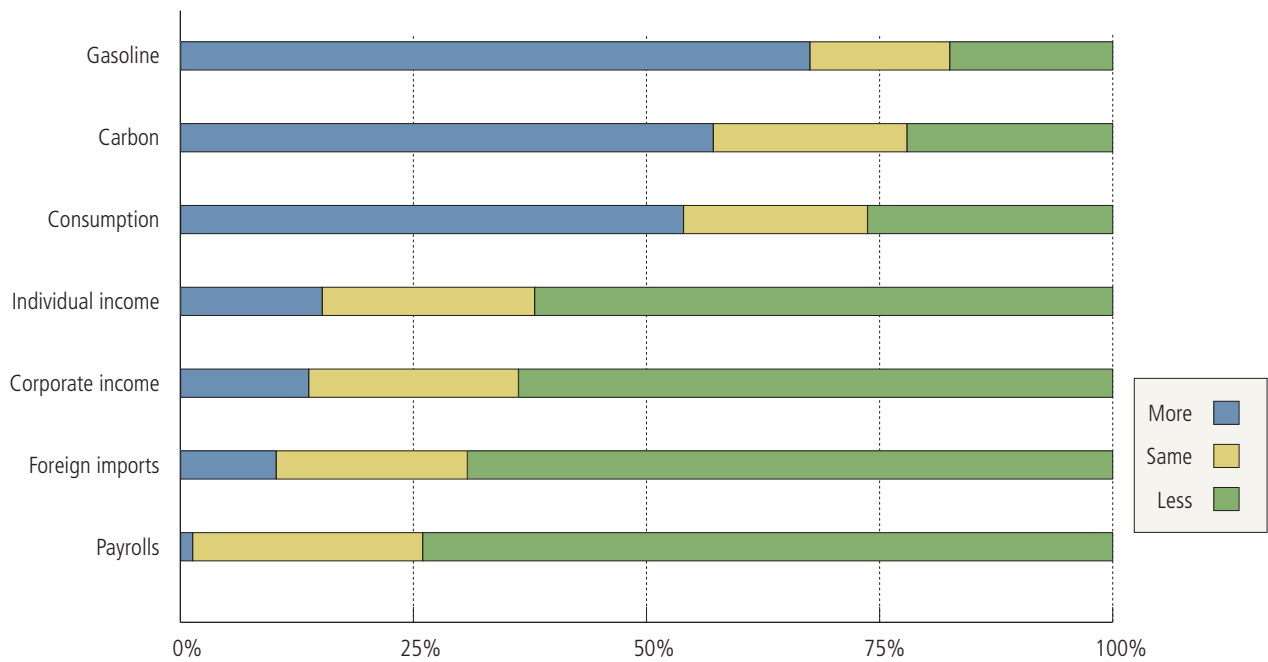


U.S. ECONOMIC POLICY

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

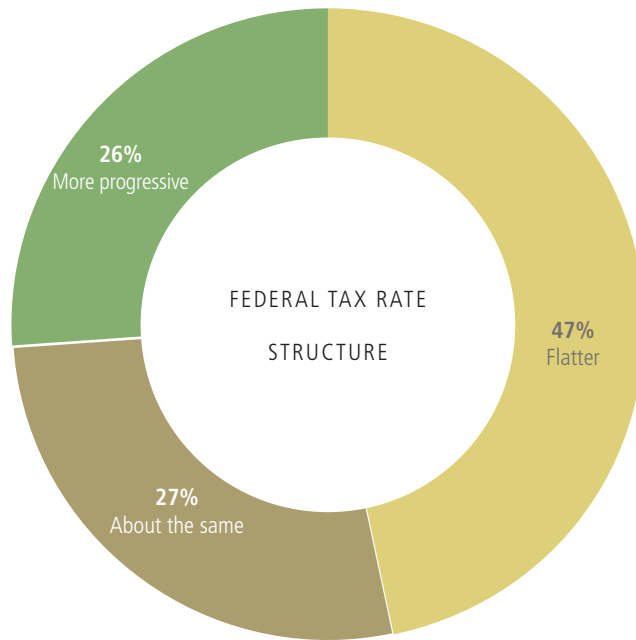


How should the U.S. federal government tax each of the following: more, the same, or less?

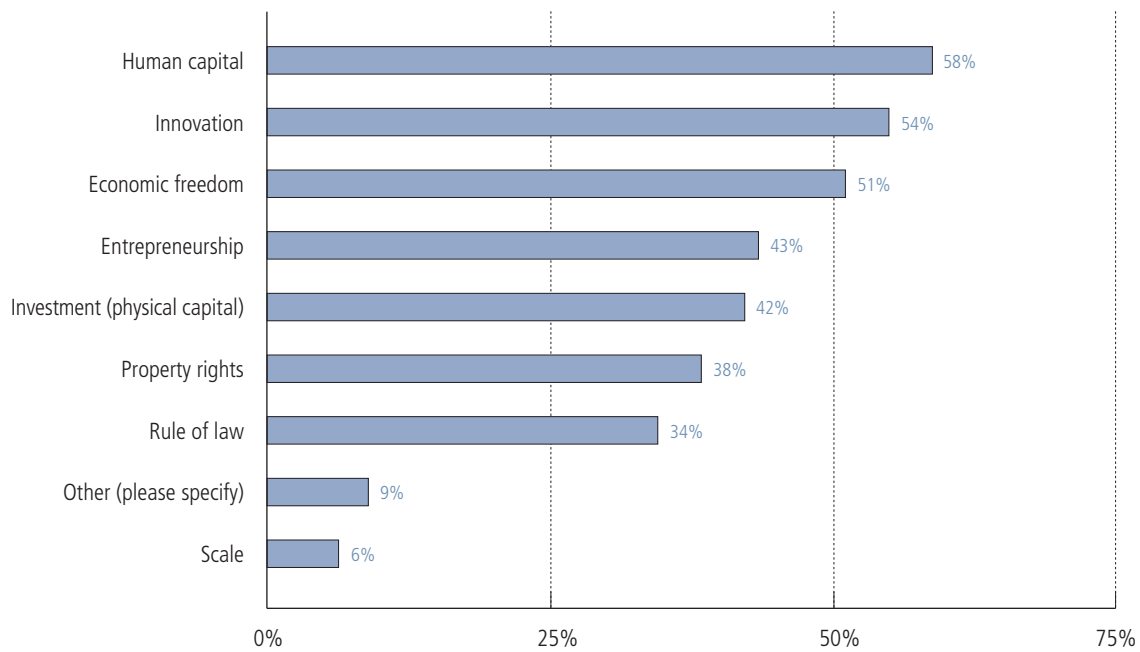


U.S. ECONOMIC POLICY

Should the structure of federal tax rates be flatter, about the same, or more progressive?

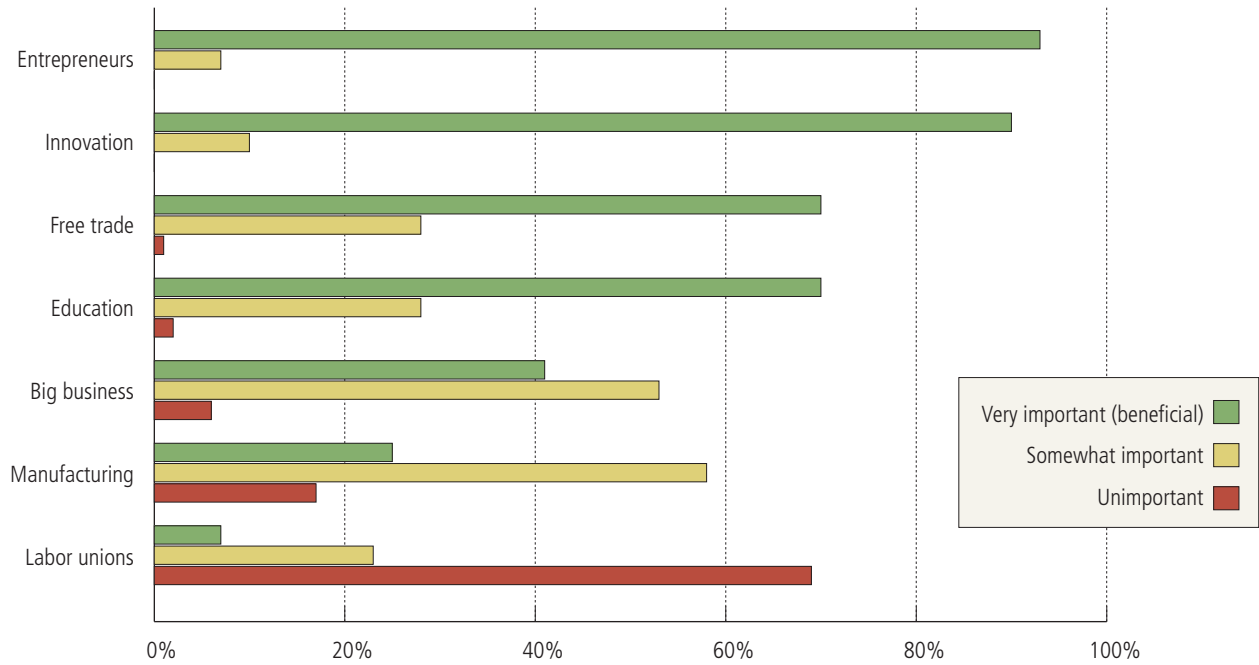


If we were to construct a simple growth model that busy policymakers could understand, what are the three key variables it should include?



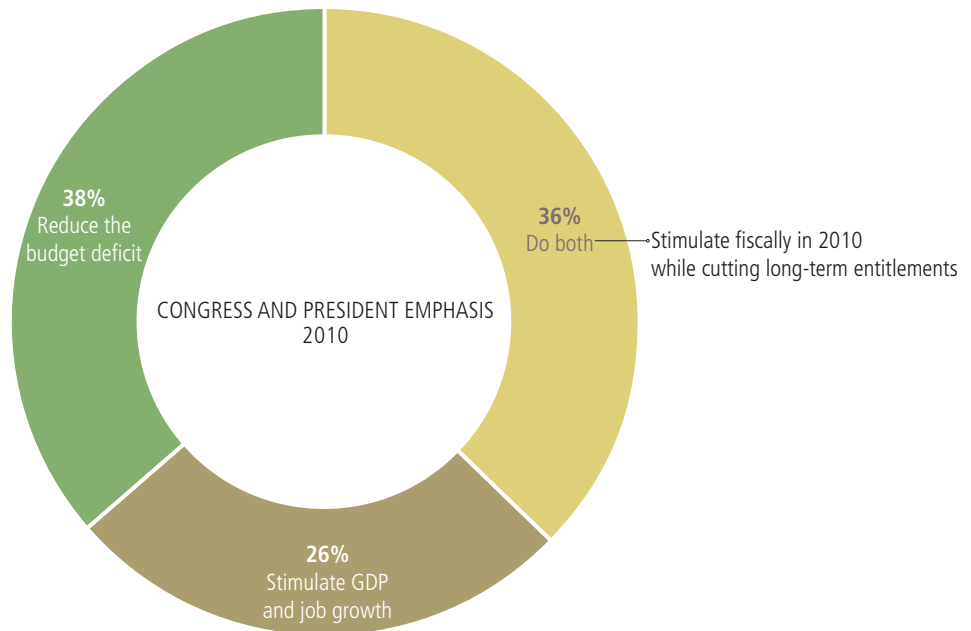
U.S. ECONOMIC POLICY

How Important is each of the following for the health of the U.S. economy?

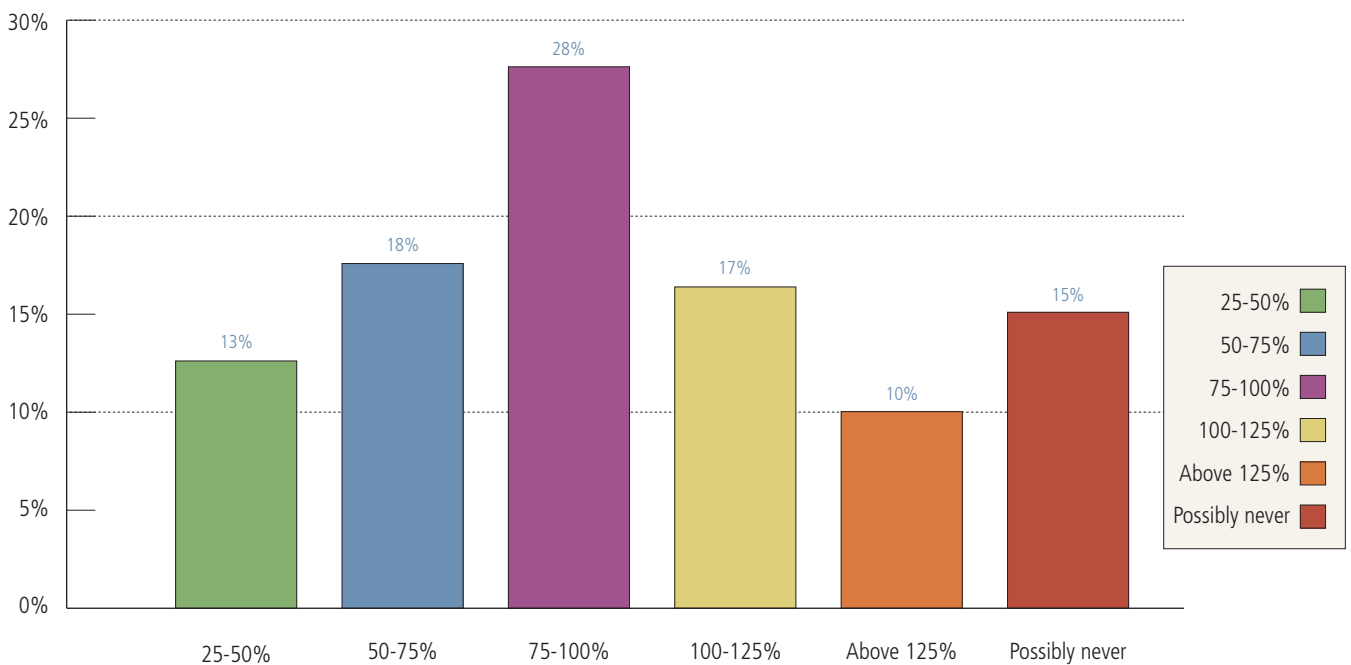


TOPIC IN FOCUS: THE U.S. BUDGET DEFICIT

Recent reports suggest that U.S. policymakers have a choice between fighting the budget deficit and stimulating GDP and job growth. Which should Congress and the President emphasize during 2010?

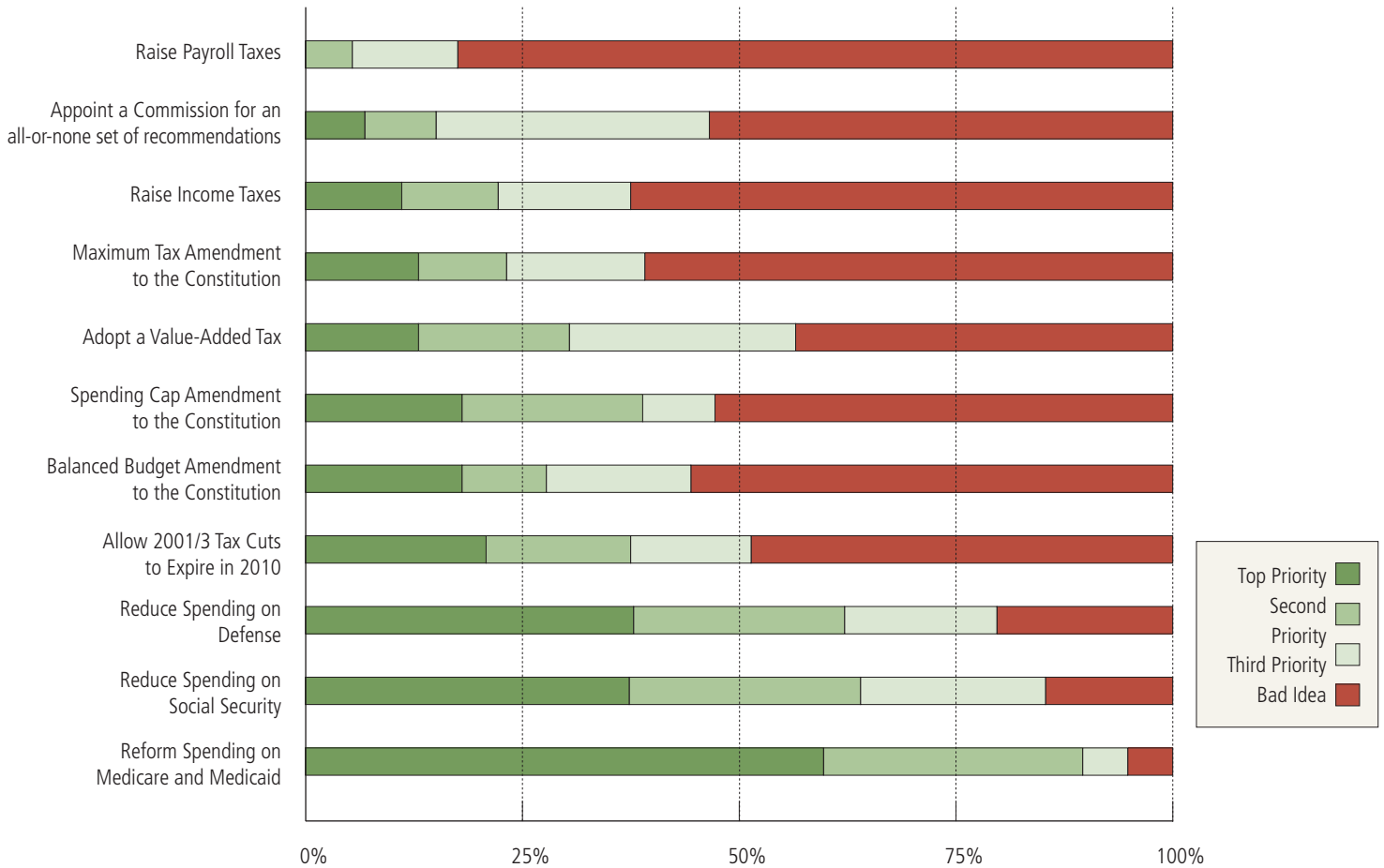


Analysts say the debt-to-GDP ratio is the key variable. According to the OMB, gross debt was 33 percent of GDP in 1980, 58 percent in 2000, 70 percent in 2008, and estimated to be around 90 percent in 2009. At what level do you think the Debt/GDP ratio becomes an unacceptable risk to the U.S. economy?

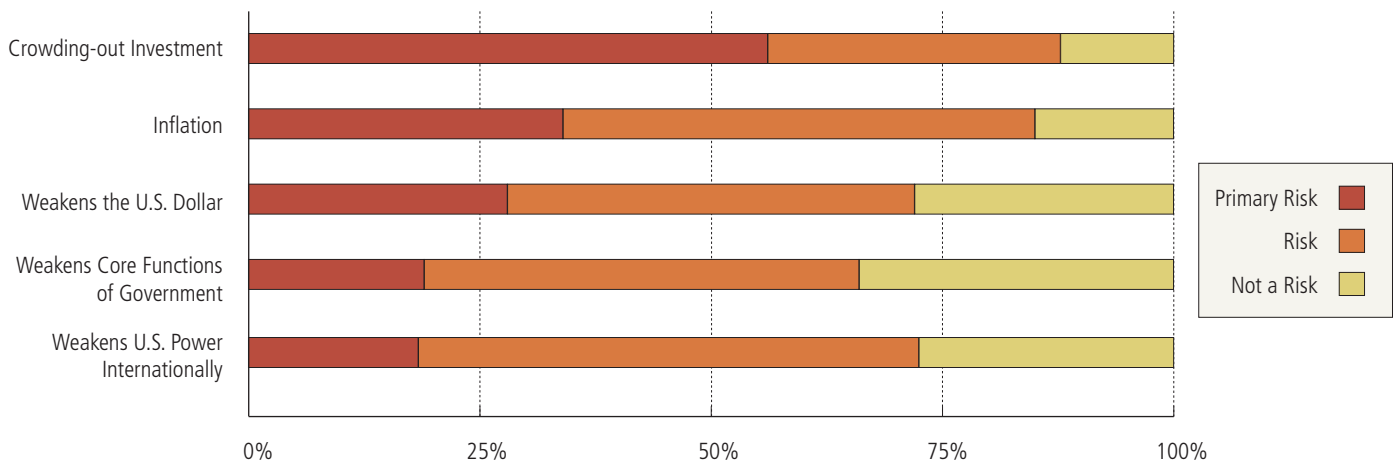


TOPIC IN FOCUS: THE U.S. BUDGET DEFICIT

Prioritize the policy choices you recommend to balance the budget deficit, balancing what are the most economically significant and politically achievable.

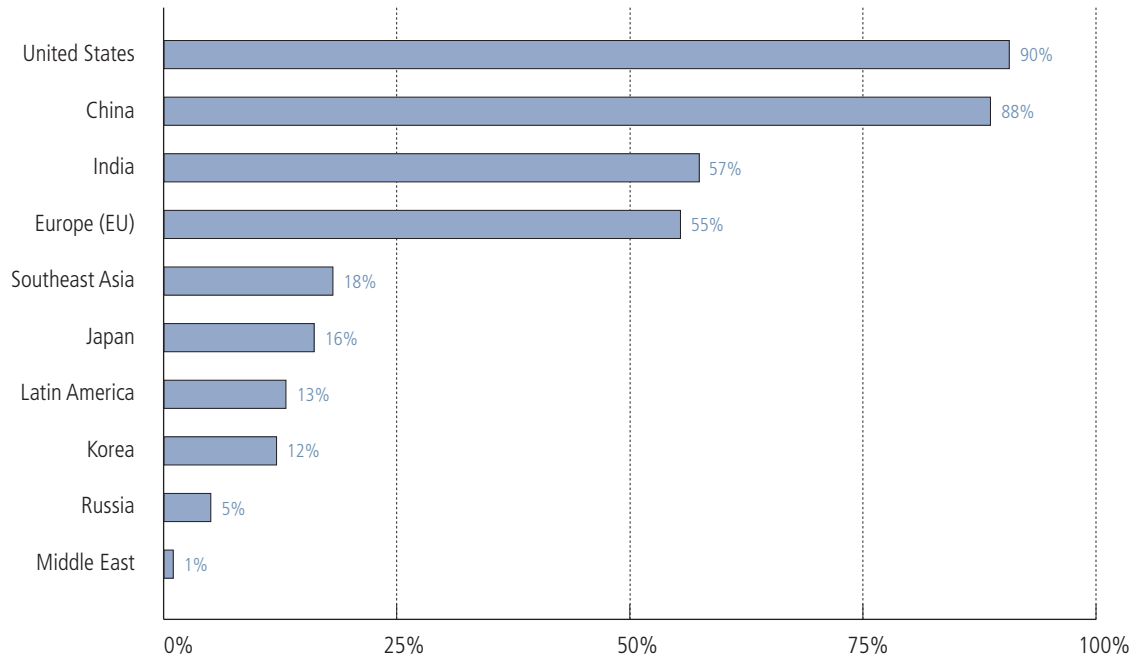


What are the primary risks of high and rising deficits?

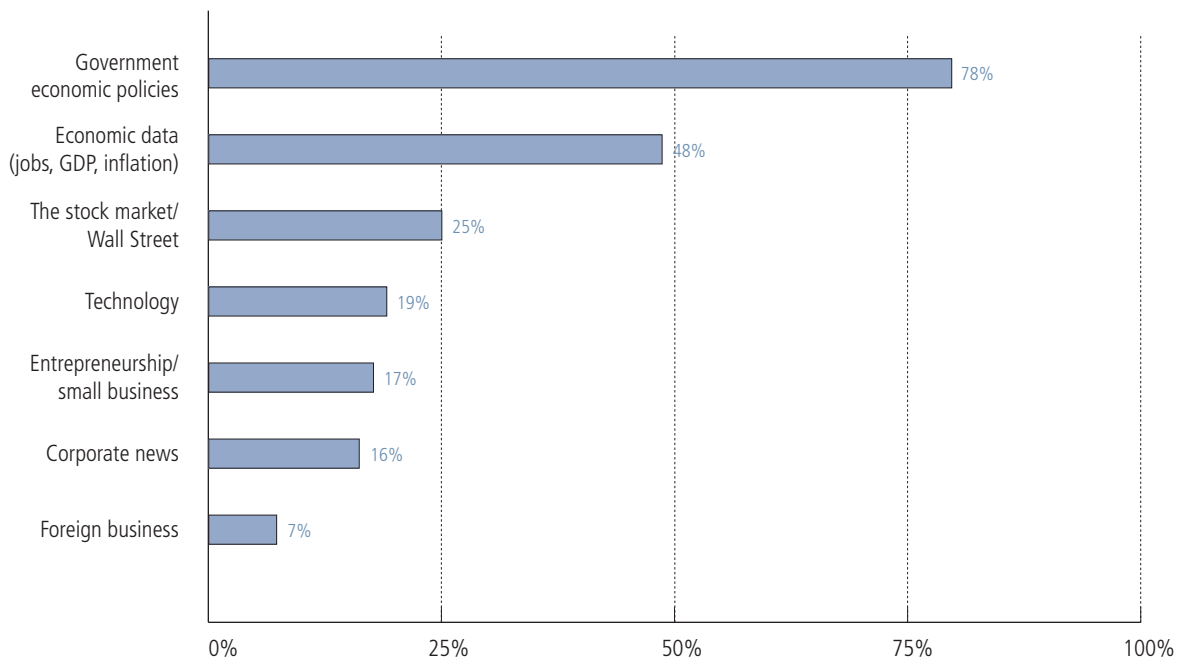


OTHER TOPICAL QUESTIONS FROM PARTICIPATING BLOGGERS

Which of these regions/countries will be an economic superpower in 2030? (select one or more)



What are you devoting most of your blogging to at the moment? (check all that apply)



METHODOLOGY & PANEL SELECTION

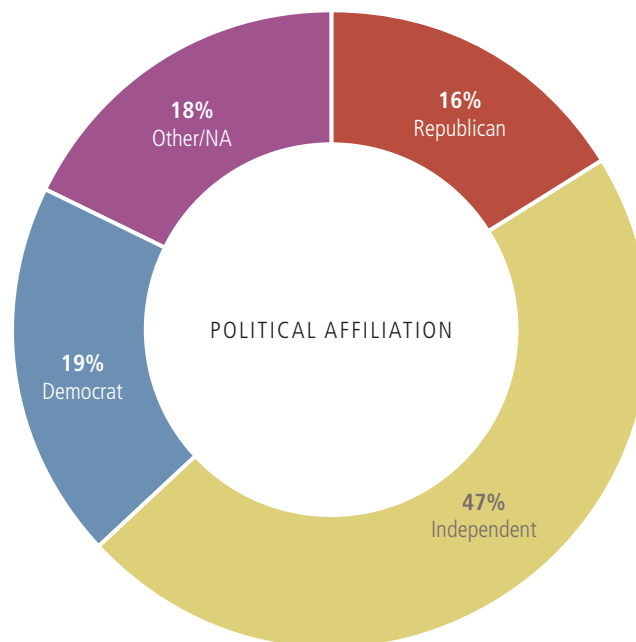
Invitations were sent to over 200 top economics bloggers, most of whom were on the Palgrave's econolog.net December 2009 rankings (its methodology is described at www.econolog.net/stats.php). Some blogs with multiple authors have more than one respondent in the panel. For example, both James Hamilton and Menzie Chinn, co-bloggers at EconBrowser.com, participated, as did Tyler Cowen and Alex Tabarrok, co-bloggers at Marginalrevolution.com. The panel includes a total of eighty-five respondents.

The policy of the Kauffman Economic Outlook is that survey panelists and/or their blog names will be released (two prefer not to identify themselves), 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 the sixty-eight who answered this question, nearly half consider themselves Independent, with only 19 percent Democrat and 16 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). Over half who provided information (thirty-one) are university professors, fifteen are former or current entrepreneurs, fourteen are professional journalists, and twenty-three have a PhD in economics.

What is your political affiliation?



APPENDIX

LIST OF RESPONDENTS

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

Aaron Edlin, *Economists' Voice*
 Ajay Shah, *ajayshahblog.blogspot.com*
 Alex Tabarrok, *Marginal Revolution*
 Allison Schrager, *Free Exchange*
 Amol Agrawal, *Mostly Economics*
 Andrew Leigh, *andrewleigh.com & economics.com.au*
 Andrew Roth, *Club for Growth*
Antitrust and Competition Policy Blog
 Arnold Kling, *Econlog*
 Arthur Diamond, *artdiamondblog.com*
 Bill Conerly, *Businomics.Typepad.com*
Bookish Posts
 Bryan Caplan, *EconLog*
 Casey Mulligan, *Supply & Demand (in that order)*
 Chris Masse, *Midas Oracle*
 Claus Visteses, *Alpha.Sources*
 Craig Eyermann, *Political Calculations*
 Craig Newmark, *Newmark's Door*
 Dale Franks, *QandO*
 Daniel Gross, *Slate's Moneybox*
 Daniel W. Drezner
 David Beckworth, *Macro and other Market Musings*
 David Zetland, *aguanomics*
 Dean Baker, *Beat the Press*
 Donald Marron, *dmarron.com*
 Drea Knufken, *Business Pundit*
 E Falken, *Falkenblog*
EconomicDisconnect, economicdisconnect.blogspot.com
Entrepreneurial Mind
 Felix Salmon
 Frederic Sautet, *Coordination Problems*

APPENDIX

LIST OF RESPONDENTS (continued)

Geoffrey Manne, *Truth on the Market*
Globalisation and the Environment
 Gordon Smith, *The Conglomerate*
 Greg Ransom, *Taking Hayek Seriously*
 Gregg Gordon, *SSRNblog*
 James Hamilton, *Econbrowser*
 Jason Shafrin, *Healthcare Economist*
 Jeff Miller, *A Dash of Insight*
 Jerome Guillet, *European Tribune*
 John B. Chilton, *Emirates Economist*
 Joshua Wright, *Truth on the Market*
 Justin Wehr, *Wehr in the World*
 Ken Houghton, *Angry Bear*
 King Banaian, *SCSU Scholars*
 Linda Beale, *A Taxing Matter (and Angry Bear)*
 Lynne Kiesling, *Knowledge Problem*
 M. Todd Henderson, *Truth on the Market*
 Mark Perry, *Carpe Diem*
 Mark Thoma, *Economist's View*
 Matt Nolan, *TVHE*
 Matt Stiles, *Futronomics*
 Matthew E. Kahn, *greeneconomics.blogspot.com*
 Megan McArdle, *Asymmetrical Information*
 Menzie Chinn, *Econbrowser*
 Michael Mandel, *Mandel on Innovation and Growth*
 Michael Munger, *Kids Prefer Cheese*
 Michael Panzner, *Financial Armageddon*
 Michael Pettis, *China Financial Markets*
 Mish, *globaleconomicanalysis.blogspot.com*
 Nathan A. Martin, *Economic Edge*
 Nick Schulz, *Enterprise Blog (blog.american.com)*
 Paul Caron, *TaxProf Blog*

APPENDIX

LIST OF RESPONDENTS (continued)

Paul Kedrosky, *Infectious Greed*
Peter Boettke, *Coordination Problem*
Peter G. Klein, *Organizations and Markets*
Rdan, *Angry Bear*
Richard Langlois, *Organizations & Markets*
Robert Litan, *Growthology.org*
Robert Waldmann, *angrybear.blogspot.com*
Robert X. Cringely, *I, Cringely*
Ryan Avent, *Free Exchange*
Scott Jagow, *Marketplace Scratch Pad*
Steve Malanga, *Realclearmarkets*
Steven Horwitz, *Coordination Problem*
Thom Ruhe, *e360 blog at Entrepreneurship.org*
Tim Iacono, *The Mess That Greenspan Made*
Tim Kane, *Growthology.org*
Tyler Cowen, *MarginalRevolution*
Virginia Postrel, *Dynamist*
Wade Roush, *Xconomy*
Will Franklin, *WILLisms.com*
Yves Smith, *Naked Capitalism*

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