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Do Economists Believe American Democracy Is Working?

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ABSTRACT

A recurring criticism of the economics profession is that its scholarly treatments of public policy are too often moored to the policy status quo. The criticism holds that economic policy consideration, as gauged by surveys and literature reviews, is too confined by “the 40-yard lines” of policy alternatives—with the 50 yard-line defined by the status quo. Most of the top journals in economics and many mainstream textbooks do not stray much outside the 40 yard-lines of an issue. Economics it is said, presumes that status-quo policy has some sense behind it, that it emerges from a political process that works. Has economics come to a status-quo orientation from a widespread attitude that the political process works?

Different disciplines may have differing perspectives on whether American Democracy works, that is, whether political action, as compared to inaction, generally advances the public interest. While government theoretically can accomplish that task in many cases, its ability to do so would seem to require a political process where the participants are adequate in competence, knowledge, and decency. Does American democracy embody these characteristics and, if so, is it enhancing society’s welfare? It is on these counts that we assess economists’ perceptions of whether they believe American democracy is working.

We present fresh results from a 2006 survey of American Economic Association members in an effort to address that question. The results indicate that economists—Democrats as well as Republicans and Libertarians—have no great confidence in American democracy.

We, too, think the profession is too oriented toward the establishment or policy status-quo. In addressing a policy issue, there is focus on the status quo in a way that seems to give it high regard and respect—indeed, as though we are to believe that it emerges from a wise, reliable, melioristic process. Consideration is given only to

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reforms that are minor and moderate. Dramatic reforms, such as outright abolition of a major agency or intervention, are rarely considered. Such centrist attitudes seem to place the burden of proof on challenges to the status quo. In our view, however, many major government programs call for abolition or radical change. They are misguided at a fundamental level. In our view, economists should be more mindful of challenges that would roll back generations of policy history. It seems to us that the process moves in the wrong direction at least as often as the right direction. So, in our view, the status-quo orientation of the profession is something calling for scrutiny and reflection. We proceed on the presumption that there is status-quo/establishment orientation and that the reader shares our motivation to understand its sources and nature.

We see multiple broad explanations for the status-quo/establishment orientation. The first, already mentioned, is that many economists, perhaps most economists, and perhaps especially those at leading institutions, tend to be of a faith that sees the political process as reliably beneficial. This melioristic view of the political process might be represented by Donald Wittman's work on the efficiency of democracy (Wittman 1995). We know that among members of the American Economic Association, the rate of voting Democratic to Republican is somewhere around 2.5, and there is suggestive evidence that the higher echelons of the AEA officers seem to be even more inclined toward the Democratic Party (McEachern 2006). Economists, then, according to this hypothesis, which has been aired and insinuated repeatedly in this Journal, focus on the status quo because they believe in, or feel impelled to affirm, the melioristic tendency of the political process. The hypothesis would seem to have testable implications: in responding to survey questions about the political process, economists, particularly those who identify as Democratic, should give melioristic responses. Such a test is what we report on here.

Another explanation is that, given the diversity among economists, only the status quo is *focal*. That is, economists do not have particular allegiance to the status quo but simply revert to a status-quo orientation because its set of presumptions and burdens of proof are focal to the research community. No alternative orientation is sufficiently focal amidst the diversity of professional economists, so such alternative styles of argumentation do not advance within professional practice. Thomas Schelling (1960) writes of the role of focal points in coordinating activities, and he repeatedly highlights the status quo: "the 'status quo' is more obvious than change" (64), there is "a strong attraction to the *status quo ante*" (68).

Earlier, writing in 1953 in the *American Economic Review*, the economist Clarence Philbrook criticized the status-quo orientation of empirical economists:

There has grown a widespread practice with cooperation with 'things as they are,' without explicit criticism of them, which is bound to have the effect of active approval regardless of whether such is intended. (Philbrook 1953, 847)

In his critique of how establishment economists would rationalize their practice, he

explored the variance in judgments of desirability and of uncertainties in estimates of political feasibility. He said that to resolve problems of “infinite involutions of guesses by each about what others are guessing about what he is guessing about what they will advocate” the players tend toward “mutual anticipation ending only in universal support of the *status quo*” (857, 858). Philbrook declared for open pursuit of the desirable, irrespective of the status quo or political feasibility.

A related explanation for status-quo orientation is that “things as they are”—or as they *were*—is all the analyst can pretend to know by means of data analysis and credible institutional description. Otherwise, in imagining any alternative proposed arrangements and associated counterfactuals, economists grow increasingly speculative the farther they travel from the status quo. One reason the economics profession is so inclined to keep discussion “between the 40-yard lines” may be that it is uncomfortable with the looser, broader kinds of judgments required by imaginings located further down field. Economists could, however, explore alternatives of earlier times: let us learn from *yesteryear’s* 50-yard line or from *other places’* 50-yard line. But again, one might argue that too many variables change with the comparison (whether it is made by time or by place), or simply disagree about the characterization of the alternative. This explanation, again, requires no ascription of melioristic, social-democratic views to economists.

The results of our survey would seem to disconfirm that economists’ status-quo orientation stems from a faith in American democracy. The survey was mailed to 1000 randomly-chosen members of the American Economic Association in late April of 2006. The survey was pre-tested among a small number of economists to assess the appropriateness of each proposition, minimize bias or ambiguity, and maximize response rate. Over an eight-week period, 302 completed surveys (and 87 undeliverable surveys) were returned, yielding a response rate of 33 percent, similar to many other surveys of AEA members. The survey as actually sent out is available online ([link](#)).

Of the 302 respondents:

- 87% were male, 13% female.
- 65% employed as university faculty, 13% in government, 11% in business or industry, 11% other.
- 47% received their highest degree prior to (or in) 1980, 53% after (or in) 1981.

The question on political-party affiliation is shown in Table 1.

Table 1: Party Affiliation of Respondent AEA Members

What is your political affiliation?		
	Number	Percentage
Democrat	121	40
Republican	40	13
Independent	109	36
Libertarian	15	5
“Other”	17	6
Total	302	100

Respondents were asked to react to each proposition on a five-point scale, as illustrated by the following:

The typical elected official in the United States is competent in understanding those economic issues for which they formulate public policy.

Strongly Disagree		Neutral		Strongly Agree
1	2	3	4	5

We report on 13 of the 20 questions. The omitted questions do not bear on the assessment of whether economists believe that American democracy works. Mean responses by party affiliation are given in Table 2. Bear in mind that the full range is 1.00 to 5.00 (not 0.00 to 5.00), and so the mid-point of the range is 3.00 (not 2.50).

Table 2: Mean Response to 13 Propositions, by Party Affiliation

Proposition	Dem n=121	Repub n = 40	Libtrn n =15	Indep n =109	Other n =17	All n=302
Questions for which <i>the skeptical answer is high score</i> (agreement)						
1 In the United States special interest groups typically have more than a negligible impact on public policy formulation.	4.51	4.55	4.67	4.58	4.65	4.55
2 Elected officials in the United States typically construe issues to create a “feel good” mentality among their constituents.	3.74	4.05	4.14	3.89	3.94	3.87

ECONOMISTS ON AMERICAN DEMOCRACY

3	Elected officials typically use media outlets to “spin” a political viewpoint rather than to communicate the issue in an unbiased manner.	4.43	4.56	4.53	4.43	4.41	4.45
4	In the United States elected officials’ decisions are typically based more on political expedience than on scientific evidence.	4.23	4.27	4.50	4.27	4.18	4.28
5	Elected officials in the United States knowingly make campaign promises that they are unable and/or unwilling to honor.	3.90	4.13	4.07	4.25	4.12	4.05
6	Elected officials typically rely on the rational ignorance of voters to formulate public policy.	3.74	3.97	4.00	3.83	4.13	3.81
7	In the United States, the typical elected official’s top priority is to be re-elected.	4.29	4.50	4.53	4.54	3.88	4.40
8	Elected officials in the U.S. typically vote on issues out of concern for their own interest more than those of their constituents.	3.18	3.41	3.53	3.44	3.94	3.31
Questions for which <i>the skeptical answer is low score</i> (disagreement)							
9	The typical bill passed by the U.S. Congress and signed into law generates a positive net social benefit for society.	2.63	2.62	2.33	2.47	2.56	2.56
10	The typical elected official in the United States is competent in understanding those economic issues for which they formulate public policy.	2.31	2.49	2.23	2.16	2.41	2.30
11	In the United States elected officials typically formulate public policy in an unbiased manner without showing favoritism to any particular group of constituents.	1.43	1.61	1.40	1.44	1.59	1.48
12	In the United States the typical adult citizen is competent in understanding those economic issues which most affect their lives.	2.29	2.36	2.67	2.39	2.12	2.36
13	Typically, most media outlets in the United States communicate economic issues accurately and truthfully to their viewers and readers.	2.47	1.94	2.27	2.36	1.94	2.36

On every proposition a majority—usually a large majority—of economists express views that indicate they do not believe American democracy is working. In fact, for Question 9, only ten percent of all respondents either agree or strongly agree that the typical bill passed by the United States Congress and signed into law generates a positive net social benefit for society. Perhaps the most salient finding of the survey is that, regardless of political affiliation, a large majority of economists appear to be skeptical of elected officials to act on economic issues in an unbiased and objective manner. Further, the results generally indicate that economists believe elected officials employ creative methods to hoodwink their constituents while seeking re-election.

Do Democrats exhibit more faith in government and politics than the Republicans and Libertarians? Democrats show a bit more faith, notably on questions 2, 5, 6, 7, 8, and 13, but the differences are small in absolute size—excepting question 13, where Democrats show considerably more faith in the media than do Republicans. On a few of questions, the Democrats show slightly less faith than the Republicans (see questions 10, 11, and 12). On the whole, Democrats have slightly more faith, but the main results of the survey are *small differences and commonly shared skepticism*.

On every pertinent issue in the survey, a majority (again, usually a large majority) of economists who identify themselves as Democrats express what can only be described as a cynical view of the political process. This finding certainly goes against the suggestion that economists, because they are social democrats, have confidence in America's political process to improve social welfare. An appropriate story line for describing the survey results might read as follows—

Politics in America: A place where special interest groups exert influence over politicians who use creative public discourse with economically incompetent or ignorant voters in an effort to be re-elected, and where the eventual policy consequences are often not beneficial, except to special interests and politicians.

Surely, those who hold this view cannot have much confidence in elected officials to formulate policy in a manner which enhances social welfare.

The results raise some important questions. Why do so many economists hold pro-government intervention beliefs while maintaining a significant degree of cynicism about the process from which the interventions emerge? Are these the same economists?

A resolution to the puzzle might be available in the alternative explanations given above. The status-quo orientation arises not from economists' faith in politics and American democracy but from the *focalness* of the status quo. Although the survey results strongly suggest that economists, regardless of their political affiliation, have little confidence in the process and hence, presumably, in the policy that emerges, there is no indication of how they might want the policies reformed. If the political preferences are "all over the map," maybe there is little for a profession that wants to suppress dissension and acrimony to do except focus on the status quo. An implication

of this interpretation is that, as Philbrook suggested, economists are mired down in a mutual expectation to nod to democracy and public policy formulation in America, even if they are noticeably and horribly inefficient.

But before jettisoning the hypothesis we challenge, we should note something about the context of the survey. It was conducted in the Spring of 2006, a period of widespread dissatisfaction or disappointment with the presidential administration of George W. Bush. Most of the 13 questions are about elected officials in the United States and all are framed in the present tense. It is possible that members of a national association (the AEA) tended to respond with the Bush administration in mind. Today, with Barack Obama as president, would Democratic economists exhibit the same degree of cynicism?

And one other point might help to salvage the challenged hypothesis: The survey is a private, anonymous instrument, but professional activity—where the status-quo bias is exhibited—is public behavior. Strictly speaking, the challenged hypothesis could be couched as a theory of why certain attitudes are publicly affirmed, rather than a theory of what economists privately believe.

Our survey was written and carried out to work toward a better understanding of the status-quo orientation among economists. Whatever weights different explanations may deserve, the larger question is whether any of them can justify economists' heavy emphasis on the policy status quo.

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[Go to May 2009 Table of Contents with links to articles](#)

[Go to Archive of Character Issues Section](#)