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Editors’ Notes

A Journal of the American Institute for Economic Research

_Econ Journal Watch_ is delighted to announce that the journal has entered a two-year agreement with the American Institute for Economic Research of Great Barrington, Massachusetts, which has stepped up to provide substantial sponsorship of the journal. We are honored by the connection with AIER, proud to have their favor and moral support, and grateful for the means provided to advance the work and success of the journal. Though still legally housed within the Atlas Economic Research Foundation, the journal is now officially described as “A Journal of the American Institute for Economic Research.” For more information about the agreement, please see the Institute’s announcement here. We hope that the agreement will be renewed, and we look forward to a productive and mutually beneficial relationship with AIER. The Institute clearly has no interest in altering or influencing the work and scholarship of EJW; our intellectual independence remains intact.

**Call for Papers:**

“Economic Notes from Underground”

**Deadline for proposals: March 1, 2009**

_EJW_ is inviting proposals for its symposium “Economic Notes from Underground.” A full description is found here. We’ve received many good proposals and look forward to a good collection of essays. We have extended the deadline for proposals to March 1, 2009. Please pass the word to economists or other social scientists who might value the opportunity to confess their sins!

The Editors

_Econ Journal Watch_
Goldin and Katz and Education Policy
Failings in Historical Perspective

Arnold Kling\textsuperscript{1} and John Merrifield\textsuperscript{2}

\textbf{Abstract}

In their book \textit{The Race Between Education and Technology}, Claudia Goldin and Lawrence Katz develop a theoretical framework for thinking about central factors in the economy. The framework is rich in the way it integrates a crucial set of dynamics, namely changes in technological advance, in education and skills, in labor-market remunerations, in inequality, and in economic growth. Further, the framework is rich in the way it lends itself to historical narrative and statistical evidence. Finally, the framework suggests very believable theoretical explanations, particularly for increasing inequality—explanations that may help to diminish other, less believable, explanations.

The framework is not new to specialists in labor economics and inequality, but the book adds empirical detail. The book integrates theory and evidence in a way that makes learning accessible to public discourse. In this review essay, we will make a number of criticisms of the book, but the book also has numerous strengths and represents a provocative addition to the policy debate on the critical issues it addresses. The basic framework—captured in the statement that \textit{technology is skill-biased}—is a great contribution, one that might well be fundamentally sound, subject to scrutiny and perhaps revisions in execution. We can only salute the scholarly vision of the project. We are persuaded that economists should follow Goldin and Katz in the way that they frame the important questions explored by \textit{The Race between Education and Technology}. However, in several respects they over-reach their data in an attempt to support interventionist policy recommendations.

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The “Skill-Bias” of Technology: Explaining Inequality in Terms of a “Race”

The software spreadsheet program Microsoft Excel is upgraded every few years. When an upgrade occurs, some of the functions are reconfigured. Think of Excel as a metonym for the edge of technology available for widespread commercial application.

Very often we acquire an upgrade but prefer to use the old version. If skills do not keep up with technology, one might be less productive with the new version. Moreover, even if one’s absolute productivity remains the same, if other users gain the skills suited to the new version, one falls behind relative to other workers.

The new version of Excel is more powerful. Figure that some portion of users is sure to become skilled in it. Their productivity surges ahead, potentially far beyond the less skilled. If we imagine an Excel-based economy, the new version creates a demand for the new skills. Wage rates for skilled labor will depend on its scarcity. The skilled workers get paid the most, and the premium depends on how abundant the new skills are. If you are one of those who has excelled in Excel, then you will command the highest wages. But if many have gained the new skills, the premium will be moderated. If you are one who has not gained the new skills, you might still do OK—after all, the economy is more productive, so you can buy more for a dollar. But in a relative sense, you might fall behind. Thus, if technology advances and the workforce profile of complementary skills becomes more skewed, such that the portion with high capability, like “superstars” (Rosen 1981), get large premiums, inequality may increase. Goldin and Katz speak of a “race” between technology and education: Inequality grows as the distribution of education (actually, what matters are capabilities or skills) becomes more skewed relative to the advancement of technology. The story tends to make the assumption, which we find reasonable, that a portion of the population will manage to acquire the high-level skills that complement the newest technology, and the focus is on how well the lagging remainder keep apace with those who excel. The “race” that Goldin and Katz speak of is really a race among people: Can “the pack” maintain their earnings positions relative to, say, those in the 90th percentile of capabilities? It is a race between individuals in their levels of capabilities, but it is a race whose terms are affected by technological advancement. One can imagine contestants racing through an obstacle course. Logistical changes in the course can make it ever more difficult for the pack to maintain their positions relative to the most athletic contestants (see Figure 1).
Figure 1: Technological advancement extends the zipline in the race, possibly increasing the gap between the best and the modal contestant.

Technical change is skill-biased if, with a frozen array of marketable skills, it would disproportionately reward the most skilful. The purpose of the modifier “skill-biased” is not so much to distinguish skill-biased technical change from non-skill-biased technical change. Goldin and Katz see technology as being skill-biased in general. GK speak of “skill-biased technical change” to inculcate the theoretical structure of their analysis.

We accept the premise of skill-bias, and we hail Goldin and Katz for making it their theoretical fulcrum. But there remain questions about whether the skill-bias has been increasing. Is the increase in the gap a result of intensifying skill-bias, or flagging skill acquisition among “the pack,” or a combination of both? GK’s story holds that the skill-bias was fairly constant throughout the twentieth century (7-8, 121), and that the growing gap stems from a slowdown in skill acquisition. We suspect that the gap has increased for a combination of reasons, and we differ with Goldin and Katz in the diagnosis of the pack’s skill-acquisition slowdown and in policy prescriptions.

Goldin and Katz apply the theory to about 150 years of American history starting with the rise of the common schools system in the nineteenth century, through the “high-school movement” of the first half of the twentieth century, and continuing right up today. The narrative, in a nutshell, holds that America through the earlier generations, but for failures to blacks and other minorities (5), did a great job of educating the workforce so as to keep up with technology, and
hence achieve a broad-based sharing of the fruits of economic and technological development. But after 1970 or so, education began to “lose the race” with technology, such that skill advancement no longer occurred in the same broad-based way. Thus, the last thirty years saw increasing inequality. The book ends with advice that would seem to follow from the book’s theoretical structure: rejuvenate education so that it again keeps up with technology. In particular, GK make a pitch for more college for more people. If we can induce a young woman to graduate from college and acquire skills, she will enter a higher-skilled job market and earn more than she would have. Moreover, she slightly shifts out the higher-skilled supply curve, and shifts back the lower-skilled supply curve, thus reducing the wage gap between the two markets. By getting more of the stragglers to get more skills, inequality will be ameliorated. GK give much empirical attention to the reasonable proposition that a rise in the supply of college graduates relative to non-graduates raises average productivity and reduces the gap between earnings of college graduates and the earnings of non-graduates.

In this review we avoid controversies over the measurement of inequality—wealth inequality might especially bear revisiting in light of the unfolding crash of 2008. Regardless of those issues, the book’s basic theoretical structure makes sense. Some of the trends in inequality over the past several decades might well be the result of skills not keeping up with technology. One of the book’s greatest contributions, in our view, may be to elevate this explanation above other explanations. Goldin and Katz (309) report that trends in immigration probably don’t much explain trends in the college wage premium. Their theory could also help to diminish other popular explanation of inequality, such as trends in globalization, unionization, and minimum wages.

**Systematic Bias in the Execution of the Work**

Despite its excellent theoretical core and scholarly vision, *The Race between Education and Technology* is systematically flawed. The whole execution shows a social-democratic partiality. The book presupposes that we are rooting for greater income-equality, and hence for education to “keep up” with technology. Boosting education helps us achieve a broad-based sharing of the fruits of the economy, hence more of a common experience: During the first three-quarters of the twentieth century, “Americans grew together as economic growth was shared throughout the income distribution during much of the period” (87). Also, boosting education is a concrete aim to which we may put our collective efforts.

Such values may be a matter of taste. But ideological motivation seems, in this case, to have led to distortions in the historical narrative, misunderstanding of the recent decades, dubious policy suggestions, and misplaced hope of “keeping up” with technology. In their final chapter, GK suggest that policy reforms
with good benefit–cost ratios are available to raise the relative supply of college graduates without significant loss of graduate quality. But this policy proposition receives little support. Indeed, flaws in the historical interpretation relate directly to problems in the policy advice.

Our criticisms include the following: We see a need to distinguish between attending school and becoming capable or skilful; We criticize the way that Goldin and Katz talk about “years of schooling” as a continuous variable, when the underlying phenomenon is that the combination of high school graduation rates and college attendance rates increased more slowly after 1970 primarily because of a slowdown in the former, a slowdown which was arithmetically driven by the fact that high school graduation rates can only go up to 100 percent; We criticize the way they break up time periods in a way that buries the productivity acceleration of 1990-2005. This acceleration is more consistent with the view that technology surged ahead than with the view that growth in skills fell off.

We see a need to recognize the profound institutional changes that occurred during the twentieth century, for their consequences can help to explain why the populations’ skills are not “keeping up” with technology. Goldin and Katz suggest policy changes to improve modal skills by way of increasing the number of quality-maintained college graduates, and we suggest that they do not give us reason to believe that such an increase is viable, particularly by the means they suggest.

**The Slow-Down in Human Capital Formation**

A key empirical finding is that over the past 30 years or so there has been a slowdown in the rate of increase in educational attainment. This can be seen in GK’s table 3.1 (96). Plausibly, skill advancement had occurred primarily through increased years of schooling. But a plausible partial explanation for the reduction in the rate of growth in significant skills, in our view, is that we are seeing sharply diminishing returns to years of schooling.

The data from Goldin and Katz (for Census years they also include separate lines for the Current Population Survey) are shown below in Table 1. This table gives the educational composition of the labor force in various census years. It shows the percentages of high-school dropouts, high-school graduates with no college, “some college,” and college graduates.
Table 1: Composition of the U.S. Labor Force by *Highest* Educational Attainment

<table>
<thead>
<tr>
<th>Year</th>
<th>High School Dropouts</th>
<th>High School Graduates</th>
<th>Some College Graduates</th>
<th>College Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>58.6</td>
<td>24.4</td>
<td>9.2</td>
<td>7.8</td>
</tr>
<tr>
<td>1960</td>
<td>49.5</td>
<td>27.7</td>
<td>12.2</td>
<td>10.6</td>
</tr>
<tr>
<td>1970</td>
<td>35.9</td>
<td>34.7</td>
<td>15.6</td>
<td>13.8</td>
</tr>
<tr>
<td>1980</td>
<td>20.7</td>
<td>36.1</td>
<td>22.8</td>
<td>20.4</td>
</tr>
<tr>
<td>1990</td>
<td>11.4</td>
<td>33.0</td>
<td>30.2</td>
<td>25.4</td>
</tr>
<tr>
<td>2000</td>
<td>8.7</td>
<td>29.6</td>
<td>32.0</td>
<td>29.7</td>
</tr>
</tbody>
</table>

Source: Goldin and Katz (2008, table 3.1, p. 96)

Note that the labor force reflects the cumulative changes in educational attainment of the preceding decades. Between 1970 and 1980, the change in labor force composition would reflect, for example, the addition of people who completed their schooling during that decade and the retirement of people who finished their schooling about four decades earlier.

From 1950 to 1980, the main shift driving the rise in average educational attainment of the work force was from high-school dropouts to high-school graduates. The proportion of high-school dropouts in the labor force plunged from 58.6 percent to 20.7 percent, which cannot be repeated because, as GK point out, “An upper bound exists for a graduation rate; it cannot exceed one” (325). Approaching one is also likely to encounter diminishing returns and escalating unit costs. And since the late 1960’s, the high school graduation rate has been on a slight downward trend. According to James Heckman and Paul LaFontaine (2007), the peak graduation rate was about 80 percent, and subsequently it edged down by 4 or 5 percentage points.

GK include general equivalency development (GEDs) in their high school graduation figures, which raises their graduation rates by 7 or 8 percentage points. Heckman and LaFontaine (2008) argue that the skill profile of a typical GED is much closer to that of high-school dropouts than high-school graduates. Furthermore, much of the rise in GEDs took place subsequent to the peak in graduation rates. If Heckman and LaFontaine are correct about GEDs, then GK are underestimating the decline in high school graduation rates. This means that the slowdown in human capital formation, as measured by years of schooling, is actually somewhat greater than they have indicated.
Why No Productivity Slowdown?

Given the slowdown in educational attainment, we might expect to clearly discern a sharp productivity slowdown. However, “across the entire period from 1915-2005, the direct contribution of educational advance within the workforce of 0.34 percent per year explains about 14 percent of the average annual increase in labor productivity of 2.47 percent (see Table 1.3). The differences by subperiod are slight” (39-40, emphasis added). That makes sense, because while schooling yields mostly general skills and knowledge, productivity data reflect specialized training, natural inclinations, and other niche pursuits of comparative advantage. When it comes to productivity growth, specialized training and niche pursuits can do much to make up for a slowdown in education-gains. There’s also good reason to believe that productivity growth could have been faster over the entire period. A closer reading of Diane Ravitch’s Left Back: A Century of Failed School Reforms, a book in the GK bibliography, but under-utilized by them, documents a longstanding malaise in the performance of the primary and secondary school system that would suggest a steady, not accelerated, drag on productivity partly offset until the last few decades by growth in years of schooling. Indeed, in table 1.3 (39), GK report that average productivity growth during 1980-2005 was over 2/3 of a percentage point below its 20th Century peak of 2.92 percent from 1940-1960, a major dip when compounded over decades.

Additional questions about GK’s data interpretation arise when we divide the 1980-2005 period into two sub-periods. From 1980-1990, productivity growth was 1.78 percent, a substantial slowdown that might be consistent with the slowdown in human capital formation. However, from 1990-2005, productivity growth averaged 2.42 percent, which represents a substantial rise. Given that educational attainment did not accelerate from the first period to the second, the relationship between educational attainment and overall productivity is not nearly as stable as GK report on the basis of aggregating 1980-2005 into a single time period. The relationship between schooling and economic performance is not as simple and straight-forward as GK portray it to be. Lumping 1980-2005 into a single time period blurs the productivity acceleration of the latter period, an acceleration that suggests that whatever slowdown took place in years of schooling was more than offset by gains in technology and in non-school-based skill formation.

The College Wage Premium

Consider an economy of “skill-biased technological change:” new technology increasingly replaces low-skilled labor and is complementary to high-skilled labor. Machines displace assembly-line workers and make designers and marketers more valuable. Computers replace clerks and make statisticians more valu-
able. Technological change unfolds so as to enhance the productivity of high-skilled workers proportionately more than the productivity of low-skilled workers. Workers without the skills to use new technology are left behind.

GK see skill-biased technological change unfolding steadily or consistently over the past century. A slowdown in human capital formation should increase its scarcity and raise its rate of return. GK express their view as follows:

During the first three-quarters of the twentieth century, the rising supply of educated workers outstripped the increased demand caused by technological advances. Higher incomes were accompanied by lower inequality. But during the last two decades of the century the reverse was the case and there was sharply rising inequality...The skill bias of technology did not change across the century, nor did its rate of change. Rather, the sharp rise in inequality was largely due to an educational slowdown. (7-8)

GK measure the return on human capital as the ratio of the wage of college graduates to that of high-school graduates. Recall, however, that the largest change in the composition of the labor force was a slowdown in the shift from high-school dropouts to high-school graduates. It would not be easy to argue that a slowdown in the rate of human capital formation within the high-school category was a large part of the cause of a change in the wage differential between college graduates and high-school graduates.

Instead, one would think that the college-wage premium would depend on the growth of college graduates compared to the (unmeasured) growth in skill-biased technological change. However, the data in Table One (above) show that the share of college graduates in the labor force rose by 2.8 percentage points from 1950-1960, by 3.2 percentage points from 1960-1970, by 6.6 percentage points from 1970-1980, by 5.0 percentage points from 1980-1990, and by 4.3 percentage points from 1990-2000. Using the share of the labor force graduating from college to measure human capital formation, and using percentage points to measure the differential, there was not much of a slowdown in the latter decades.

To show a slowdown in college graduation, one could use the percentage change in the college-graduate rate as a measure of the increase in supply (rather than the growth in percentage points). The 2.8 percentage-point increase from 1950 to 1960 was a percentage-change increase of 36 percent, while the 4.3 percentage-point increase from 1990 to 2000 was percentage-change increase of only 17 percent.

If the supply of college graduates had grown by 36 percent per decade from 1960 to 2000, then in 2000 the share of college graduates would be 36.5 percent rather than 29.7 percent. Presumably, something like this is what it would have taken to prevent the rise in the college wage premium that took place in recent de-
Kling and Merrifield

"...using this method of measuring educational attainment, we always have to run faster just to stay in place. What GK have to say here boils down to this: Over the past forty years, the supply of college graduates rose too slowly to prevent the college wage premium from growing. They go on to suggest that this represents a major public policy failure.

**Is More Governmentalization Really the Answer?**

GK write, “For many reasons, then, the United States must find a way to increase the stock of educated Americans” (325, emphasis in original). The final words of the book are: “America was once the world’s education leader. The rest of the world imported its institutions and its egalitarian ideals spread widely. That alone is a great achievement and one that calls for an encore (353).” The policy suggestions are vague and somewhat tepid, but the thrust is to call for government action to increase educational attainment. Thus, the pitch is more governmentalization of education. This policy posture conforms to what we see as one of the book’s major flaws, namely, the failure to see how governmentalization has been a source of the very problem explored. Whereas GK prescribe more governmentalization, we diagnosis over-governmentalization and would prescribe the de-governmentalization of education.

The longest part of the book, covering pages 129-286, is a history of American education policy. GK write of the 1900-1970 as an egalitarian success. “By the early 1970s one could say that America ‘had it all’” (289). However:

Everything came to a halt in the 1970s. America started to grow more slowly and Americans began to grow apart. The last quarter of the twentieth century and the early twenty-first century have been distinguished by exploding inequality, chiefly at the upper end of the income distribution. (87)

Yet GK never tell of the profound politicization and bureaucratization that occurred during the years leading up 1970, much less treat them as possible explanations for a flagging of education, particularly among less gifted students who are more critically dependent on the quality of schooling. Beyond slight nods (as in a brief paragraph on 348), GK neglect the following changes and related research:

- Although GK occasionally remark fleetingly on the unfortunate loss of jurisdictional competition by virtue of decentralization (129, 340), they never let on that between 1939 and 1970 the number of school districts fell from 117,108 to 17,995; a drop of nearly 85%. Figuring in popu-
lation growth, the number of students per district increased about twelvefold. The period from 1939 to 1970 represents a great transformation from the local community-based public school to the great bureaucratic system. It is the period that James Coleman, in studying the impact of community on educational gains, treats as a transition from family and community institutions to “society” or political instrumentality (Coleman and Hoffer 1987). Yet Goldin and Katz make no mention of Coleman’s seminal work on schooling, which emphasized the importance of value and functional community in learning gains made by individual students between 10th and 12th grade.

- GK also neglect that between 1935 and 1980 the share of local funding of schools fell from about 82 to 45 percent, nor that after 1960 teacher unionization skyrocketed (Hoxby 2004). Also neglected are issues of the narrowing and politicization of the teacher pipeline. Working hand-in-glove, certification requirements and education-degree programs have been highly detrimental to teacher quality (Lieberman 2007, ch. 4).
- GK never discuss the growth of federal involvement in schooling. They did not discuss the alarm about failing school performance, represented by reports like A Nation at Risk (National Commission on Excellence in Education 1983), and the diagnosis of over-bureaucratization in well-known works like Chubb and Moe (1990).

Thus, GK’s historical overview is suspect. Besides neglecting the institutional transformations, it does not include an assessment of education performance. Beyond the long-term problems of the K-12 system documented by Ravitch (2000), recent decades have seen especially sharply declining efficiency (Hoxby 2004), including little change in measured academic performance in recent decades, sharp decline for decades prior to that, and likely overall decline throughout in light of recent narrowing of the curriculum to pursue improved math and reading scores.

Instead of systematically examining the institutional factors underlying the education malaise, GK extrapolate the U.S. ascension to world economic leadership into a call for an education policy encore. GK argue that America’s leadership in expanding access to schooling occurred because of “public funding, public provision, and the separation of church and state.” The themes of Coleman, Chubb and Moe, and many other leading scholars could be integrated into GK’s theoretical core. It is quite plausible that the increasingly socialistic nature of the school system helps explain trends in school performance, the degradation of educational standards, and rising inequality.

3 See the data of the National Center for Education Statistics, here and here.
Dubious Policy Suggestions

GK’s praise of the high-school movement and their focus on increased college graduation could imply that we should now have public funding and public provision of universal college education. This might mean that each of our existing public school districts should be expanded to include college as well as high school. Perhaps college should be compulsory. But GK do not follow through on their analogy so as to arrive at such an agenda.

GK save their policy discussion for the last chapter, the shortest in the entire book. A key question is whether some people who do not attend college would benefit from doing so. GK write:

Recent estimates of the rate of return to a year of schooling have used ‘natural experiments’ from policies that have increased access to college, changed college tuition subsidies or merit aid, and altered compulsory schooling laws. These carefully executed studies using plausibly exogenous variation in educational attainment find high rates of return to further schooling. (336)

The support for their claims of high rates of return to further schooling consists of three citations. The first two are survey articles by David Card (Card 1999; Card 2001). The third is a book chapter by Philip Oreopoulos (2008). We take issue with those papers but we relegate the matter to an appendix found at the end of this paper. In our view, the evidence cited by GK to suggest that more current high school graduates could benefit from college is rather flimsy, and even more so in light of other evidence. For example, James Heckman (2008) summarizes a large body of research that argues that cognitive ability and important socio-emotional skills are largely determined by family background and early childhood experiences. “Most of the gaps at age 18 that help to explain gaps in adult outcomes are present at age five. Schooling plays a minor role in creating or perpetuating gaps” (Heckman 2008, 12).

Other evidence that increasing access to college education may not be sufficient is provided by the report of the Spellings Commission, which said:

Close to 25 percent of all students in public high schools do not graduate… According to the National Assessment of Educational Progress (NAEP), only 17 percent of seniors are considered proficient in mathematics, and just 36 percent are proficient in reading… Forty-four percent of faculty members say students aren’t well prepared for college-level writing, in contrast to the 90 percent of high school teachers who think they are prepared… Some 40 percent of all college students end up taking at least one remedial course. (U.S.
Clifford Adelman (1999) found that nearly forty percent of students who attend college have not obtained a degree after eight years. This would appear to raise questions about whether \textit{too many} students are attempting college. College completion rates are strongly correlated with indicators of preparedness, such as high school grade point average, standardized test scores, and highest level of demonstrated mathematical competence. Moving further down the distribution of academic preparedness would likely do little or nothing to increase the supply of (quality-maintained) college graduates.

GK discuss specific policies on pp. 346-352. Regarding K-12 education, they assert that, “studies show that smaller class size, higher teacher salaries, and summer learning opportunities improve student outcomes” (347). However, they note that “critics…counter that increased average per pupil spending and reduced average class size in recent decades have neither increased test scores nor enhanced educational attainment. The solutions [according to the critics] … would be to enhance accountability through testing and standards, devise alternative approaches to teacher selection and retention, and increase parental choice” (348). But there is no real engagement of the “critics,” and they sidestep the important contention of over-governmentalization. Moreover, after pledging fidelity to benefit-cost comparison, Goldin and Katz neglect cost-effectiveness issues, such as that class size reduction yields uncertain benefits at an undeniably high cost.

At this point, GK stop short of endorsing any policies. Instead, they write, “The K-12 system is less than perfect for many students, but it is important to recognize that schools are essentially failing particular students. Those left behind by the system are mainly minority children in inner-city schools who become the youths who are not college ready” (348); an incredible statement for two economists. In a book devoted to analyzing price signals and incentives, GK fail to note the K-12 system’s almost total lack of price signals, and that misaligned incentives and sharply sagging productivity exist system-wide (Hoxby, 2004). Again, there is 25 years of scholarship showing that that the government schools in general are ailing, and that socio-economic differences explain virtually all of the differences in generally low levels of academic achievement. The Heckman (2008, 12) finding cited above that, “schooling plays a minor role in creating or perpetuating gaps” provides additional support for the notion that the vast majority of schools are mediocre or poor. So, it is especially important to recognize that schools are not just failing particular students. That some students are performing especially badly does not mean that a sizable portion of those not at the bottom are doing fine. GK cite no evidence for the implied view that it is “mainly minority children in inner-city schools” that are not college ready. As we noted earlier, the Spellings Commission report suggests that the problems are broader. Yet GK write: “Policies that provide more immediate financial incentives for doing well in school hold
the promise of breaking down the barriers facing disadvantaged children who want to learn and excel in school” (348).

But GK recognize deeper problems and suggest more governmentalization:

But even policies that target school-age children may come too late for kids from troubled families and inadequate early learning environments...Parenting programs and early childhood interventions, such as Head Start...are likely to be complementary with later human capital investments. (348-49)

Having dealt with disadvantaged youth, GK discuss access to college. They point out that “More generous college financial aid for low-income youth and a more transparent financial aid system have the potential to expand college-going and completion.” They cite evidence that resource constraints hinder individual students in attending and completing college. However, Heckman (2008) cites evidence that, on the contrary, “tuition costs explain little of the gap in college going between the affluent and less affluent, between rich and poor, and between majorities and minorities” (11). Furthermore, GK do not show that an aggregate jump in financial aid would increase college graduation. College preparedness is likely a much bigger factor in holding down graduation and skill acquisition.

GK round out their policy recommendations with the following:

A modest increase in tax rates at the very top end of the income distribution can provide revenue to fund payroll tax relief for lower-wage workers, a more generous earned income tax credit, and greater health care access. This approach could provide an immediate move toward greater economic equity. The erosion of labor market institutions (such as the minimum wage and unions) has exacerbated the market forces that have driven the recent rise of U.S. wage inequality. (351)

Finally, GK do not consider that many young people would benefit more from vocational education than from college. Murray (2008) makes a strong case for that.

Concluding Remarks

GK presented their findings in such a way as to suggest that renewed government efforts in education are called for. In fact, David Brooks, writing in the New York Times, gives high praise to Goldin and Katz (Brooks 2008b), and takes
their message to heart: “During the 20th century, Americans were better educated than the citizens of any other power. Since 1970, that lead has been forfeited, producing inequality, and wage stagnation. To compete, the U.S. will require a series of human capital initiatives” (Brooks 2008a). A reader of GK could easily walk away with the impression that much of our economic growth over the past hundred years was due to government intervention in education, and that further intervention could yield great results.

As noted above, GK suggest that educational attainment accounts for fourteen percent of the rise in productivity over the past century. However, their approach uses relative wages to measure productivity. At least some of this wage differential may reflect the U.S. economic system’s effectiveness at driving improved allocation of resources, specialized on-the-job training, and ability rather than schooling per se. Even if we grant that higher educational attainment explains about fourteen percent of the average annual rise in labor productivity, no one would presume to credit all of that increase to government intervention. Some of the learning attainment reflects natural private responses to the incentives to learn. GK did not measure the marginal contribution of policy, and GK’s empirical findings suggest that the marginal contribution of recent policy could be negative. As we have intimated throughout this essay, we need to mind the distinction famously made by Mark Twain when he wrote: “I never let my schooling interfere with my education.” Even more precisely, we need to distinguish between schooling and remunerative capabilities or skills.

The sweeping nature of GK’s exhortations for new initiatives stands in sharp contrast to the dearth of quantitative evidence that their list of recommended policies would achieve much. We suspect that summing the results from even the most optimistic studies of GK’s recommended approaches for pre-school intervention, modest K-12 reform, and increased college financial aid, would not yield a predicted increase in the college attendance or graduation rate of as much as one percentage point, and a connection to increased capabilities is less certain.

GK offer no evidence to back their recipe for making college-ready 18-year-olds out of children with below-average ability, and particularly for children born into adverse family settings. They barely mention “parental choice” and quickly express doubts (348). They neglect the indirect evidence that strongly argues for an expanded role for market signals and entrepreneurship in K-12 education (see Walberg 2007 for an overview).

GK ignore direct strategies to remove regulatory obstacles at the lower end. For example, GK might have suggested the liberalization of occupational licensing as a way of raising the lower end of the income scale. Occupational licensing affects more than 25 percent of US workers, and is thought to raise the cost and restrict the number of practitioners (Kleiner and Krueger 2008; Kleiner 2006).

Finally, GK neglect the possibility that there is some inevitability in technology outpacing modal skills and capabilities. To our mind, it makes sense that
advancing technology can give ever more astonishing productivity to those in the upper tail. Also, to our mind, it makes sense that a formative period is naturally built into the limits of the human mind—an idea raised by GK (22, 325, 336) but rejected without solid grounds, in our view. There’s no reason to think that everyone can just add more and more years of schooling and get a constant improvement in capability. For these reasons, GK may be building false hopes of “keeping up” with technology. Perhaps technology will “win the race” against model capabilities and be a source of increasing inequality. GK produced a book that is a call to action to enact policies intended to raise the college graduation rate. It is likely to influence politicians and pundits. Its rhetoric promotes what Murray (2008) calls the “romantic view” that nearly everyone should go to college. Murray introduces readers to a large body of education research debunking the romantic myths.

Goldin and Katz have produced a work with a strong theoretical core, an impressive array of methods, and a vision that everyone should admire for its breadth, learning, and relevance to important issues. With suitable revisions in execution, the investigation might actually generate diagnoses and prescriptions quite contrary to those found in the book.

Appendix: Commentary on the David Card and Philip Oreopoulos works that Goldin and Katz cite to support the claim of high rates of return to further schooling.

As noted, Goldin and Katz support for their claims of high rates of return to further schooling by citing three works. The first two are survey articles by David Card (Card 1999; Card 2001), the third is a book chapter by Philip Oreopoulos (2008). Both of the articles by Card survey essentially the same set of papers, only a handful of which purport to be natural experiments occurring in the United States. Typical of these papers is Card (1995), in which growing up near a four-year college is treated as a natural experiment that would lead youths with less ability to complete more education, thus allowing the econometrician to separate ability from education.

Card looked at how educational attainment and earnings vary according to how close an individual lived to a four-year college when he or she was growing up. His assumption is that, regardless of one’s ability level, those who grow up closer to colleges have lower costs of deciding to attend college. Thus, growing up a closer to colleges is a bit like having assistance or a price discount to attend college. The approach supposedly helps the investigator to capture the marginal value added of college attendance, rather than have this value be confounded with ability.

Card estimated earnings functions, where the parameter of interest is the
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additional salary from an additional year of schooling. He found that this coefficient was higher for those living near a college. His interpretation is that students at the lower end of the wealth scale benefit more at the margin (in terms of boosted earnings) from easier access to college than do students at the high end. He suggests that much of the marginal gains accrued to students at the low end of the ability spectrum.

Card’s suggests that increased access to college produces high benefits at the margin. However, that is not the only possible factor that could account for his results. For example, the economies in the regions surrounding colleges could be more skill-biased, such that students from those regions do especially well after they conclude their schooling. Card controlled for observable family characteristics, such as family income and educational attainment, but families living in college neighborhoods could have unobserved characteristics that make for higher return from college for their children. It is quite plausible that regions with more colleges excel in imparting skills, curiosity, confidence, sophistication, and aspirations to their children—by institutions, culture, and peer effects—such that those children go on to do better than their college-years counterparts who grew up in regions less steeped in academics.

The third citation is a forthcoming book chapter by Philip Oreopoulos (2008). He looked at states that changed the age of compulsory schooling from the 16-year norm to either 17 or 18 years. The data are summarized in Table two, below.

Table 2: Proportion of Young People in School, by Age and State

<table>
<thead>
<tr>
<th>Compulsory School Age</th>
<th>Compulsory age 16</th>
<th>Compulsory age 17</th>
<th>Compulsory age 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage in school</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at age 16</td>
<td>96.6 %</td>
<td>96.3 %</td>
<td>97.1 %</td>
</tr>
<tr>
<td>Percentage in school</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at age 17</td>
<td>92.3</td>
<td>92.4</td>
<td>93.9</td>
</tr>
<tr>
<td>Percentage in school</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at age 18</td>
<td>75.4</td>
<td>75.2</td>
<td>74.8</td>
</tr>
</tbody>
</table>

Source: Oreopolous 2008, Table 2, p. 35

As Oreopoulos writes, “Indeed, most 16 year-olds are attending school, regardless of the minimum school leaving age in the state in which they reside. The fraction of students in school at age 16 is about the same across states with different school leaving ages. Contrary to what we would expect, the fraction of 17 year-olds in school does not spike up for youths in states with a school leaving age of 18: 6.1 percent of 17 year-olds in states with a leaving age of 18 have dropped out, compared to 7.7 percent in states with a leaving age of 16” (8). Another striking aspect of the table is the large decline of the fraction in school between age 17
and age 18. Oreopoloulos makes no comment about this, nor does he offer any explanation. Overall, most of the variation in school attendance is not accounted for by differences in state laws.

Undaunted, Oreopoulos proceeds with a regression methodology in which the dependent variables are various measures of an individual's schooling and earnings, while the independent variable of interest is an indicator of whether the age of compulsory schooling in the individual's state is 16, 17, or 18. The results of the regression models are that living in a state with a higher age of compulsory schooling correlates with slight increases in each of the following probabilities: completing high school, going on to have some college, being employed, and having higher earnings. Given the raw data in table 2, it is difficult to view this as a convincing study. Oreopoulos asks us to believe that compulsory school laws that are ineffective in raising attendance rates are nonetheless valid instrumental variables in regression equations.

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Some Anomalies Arising from Bandwagons that Impart Upward Sloping Segments to Market Demand

Micha Gisser1, James McClure2, Giray Ökten3, and Gary Santoni4

ABSTRACT

Harvey Leibenstein’s (1950) seminal QJE article, “Bandwagon, Snob, and Veblen Effects in the Theory of the Consumers’ Demand,” defines the bandwagon effect as “the extent to which the demand for a commodity is increased due to the fact that others are also consuming the same commodity” (Leibenstein 1950, 189). A key aspect of his formulation is that scarcity precludes runaway bandwagon effects. Leibenstein posits a “diminishing marginal external consumption effect”:

[T]he income constraint is sufficient to establish that there must be a point at which increases in a consumer’s demand must fail to respond to increases in demand by others. Since every consumer is subject to the income constraint, it must follow that the principle [of diminishing marginal external consumption effect] holds for all consumers (Leibenstein 1950, 193).

Invoking this principle, Leibenstein hypothesizes demand curves for bandwagon goods are everywhere negatively sloped.

Gary Becker’s (1991) model ignores Leibenstein’s scarcity constraint in favor of bandwagons that impart positive slopes—despite the fact that there is no

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empirical evidence that bandwagon effects have ever imparted a positive slope to market demand. Back in 1971, Becker wrote: “Perhaps the most fundamental finding in economics is the ‘law’ of the negatively sloped demand curve” (Becker 1971, 11)—and yet his 1991 article contradicts that most fundamental finding without ceremony. Amplifying the importance of this reversal, a large body of literature now cites Becker’s bandwagon model uncritically without any mention of Leibenstein’s scarcity-constrained hypothesis on bandwagon effects.

This comment explores the theory underlying analytics of Becker’s (1991) model. We show that straightforward parameterizations of the upward sloping demand he models are inconsistent with the requirement that quantities demanded be non-negative. We also show that, even if the problem of negative consumption could be finessed via more subtle parameterizations and/or specifications, the comparative static results implied by the upward-sloping segments of his hypothesized demand curve fail Milton Friedman’s (1970, 28) maxim that a theory’s assumptions ought not to cause it to produce unworldly implications.

### Contrasting Literatures

Leibenstein developed the constrained bandwagon hypothesis (with its everywhere downward sloping market demands) with scrupulous reference to the literatures of both economics and sociology: Citing, among others, A.C. Pigou (1929 and 1913), Henry Cunynghame (1892), and sociologist John Rae (1905), Leibenstein chided Melvin Reder (1947, 64) for his assertion that economists rarely “if ever” analyze situations “where the utility function of one individual contains, as variables, the quantities of goods consumed by other persons.” Leibenstein’s analysis captured the idea that people want “to get into ‘the swim of things’; in order to conform with the people they wish to be associated with; in order to be fashionable or stylish; or, in order to appear to be ‘one of the boys’”(189). His article is widely cited in social science scholarship on conformity, fashion, style, and peer acceptance. A Web of Science search (26 June 08) for the years 1970 to 2008 found 218 citations to Leibenstein’s article. The prominence of Leibenstein’s article is also affirmed by its appearance in a widely disseminated book, *Readings in Microeconomics* (1968 and 1971 editions), edited by William Breit and Harold Hochman.

In contrast, Becker’s bandwagon, with its upward-sloping demand, neither uses the term “bandwagon effect” nor makes reference to the contributions of

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5 To arrive at the 218 total we searched using: 1) “Leibenstein” as the author and “Q J ECON” and “Q J EC” as the journal; 2) “Leibenstein” (misspelling Leibenstein) as the author and “Q J ECON” and “Q J EC” as the journal. Not all of these are listed in our bibliography, but we will provide the list upon request. Because the Web of Science database only goes back to 1970, we also inspected the volumes of the Social Science Citation Index for the period from 1966 (when those volumes start) to 1970 to get a rough count of the number of citations to Leibenstein’s article during that period. We found 16. Combining these with the count for 1970 to 2008 brings the total to 234. And this still leaves our citations that occurred between 1950 and 1966.
Leibenstein, much less those of Pigou, Rae, or Duesenberry (1949), also referenced by Leibenstein. The oversights are puzzling. In a 1974 article Becker acknowledges Leibenstein’s contribution on the “...‘bandwagon’ and ‘snob’ influences on ordinary consumption theory” (1065).  

An extensive body of literature diverges from Leibenstein’s constrained approach, instead embracing Becker’s approach. Our search of the Web of Science database (on 10 June 08) found 101 articles that cite Becker (1991). This literature is mostly confined to the model-building genre, and, as indicated in Table 1, 99 percent of the articles accept Becker (1991) as uncontroversial; 87 percent eschew Leibenstein’s hypothesis that scarcity keeps bandwagon demands downward sloping, and none provide evidence of a bandwagon demand relationship for which the own price coefficient of quantity demanded is positive. The only existing empirical estimation of a bandwagon demand relationship we are aware of is by Biddle (1991, 383) in a study of bandwagon effects in the demand for vanity license plates; it indicates that: “sales [of license plates] are related negatively to both current and lagged prices.”

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6 In the concluding paragraph, Becker (1991) writes: “Fortunately, social interactions finally are being incorporated into economic models” (1116). Maybe Becker has omitted Leibenstein (and all the earlier economic literature) because he thinks they do not qualify as economic models. But some of the then-more-recent literature he cites is no more mathematical than Leibenstein.

7 The search actually turned up a count of 102 articles, but one of them was erroneous and did not actually cite Becker’s 1991 paper.

8 Of the 101 articles citing Becker (1991), 28 involved empirical analysis.

9 Two articles have challenged Becker (1991): Haddock and McChesney (1994) provide an alternative theory of why businesses might contrive shortages, producing the kind of queues that Becker (1991) sought to explain. Their alternative, unlike Becker’s (1991), maintains downward sloping demand. Of particular note are the queuing practices of Parisian restaurants during peak tourist season that Haddock and McChesney cite in support of their theory (573). Secondly, Plott and Smith (1999) conducted experiments on Marshallian and Walrasian stability conditions that arise in the presence of experimentally created upward-sloping demand. Plott and Smith (421) concluded, specifically with regard to the theories of Becker (1991) and Karni and Levin (1994), that: “their presumption about market dynamics is wrong and their presumption about the application of game theory is wrong as well.” Neither challenge has altered the pattern of uncritical citation to Becker’s (1991) upward-sloping demand model.

10 Leibenstein’s article was uncited by 86 of the articles, but the count of articles that “eschew” his hypothesis (again, that bandwagons leave market demands downward sloping) rises to 87 because Wolfgang Pesendorfer (1995) errantly attributes to Leibenstein the notion that bandwagon effects make market demands slope upward.

11 A search of the Web of Science database (17 June 08) indicated that Biddle’s 1991 paper had been cited a total of 8 times. None of the 101 articles that cited Becker (1991) cited Biddle.
It is peculiar that such a substantial body of literature has found Leibenstein’s hypothesis less compelling than Becker’s. Beyond the nonexistence of evidence that bandwagons give rise to market demands that slope upward, the specific shape of market demand hypothesized by Becker introduces scientific ambiguity because for a broad range of prices the quantity demanded takes on three distinct values. As shown in Figure 1, Becker hypothesizes that market demand is downward sloping for small quantities, upward sloping for larger quantities, and downward sloping for the largest quantities:
One reason that Becker’s hypothesis has displaced Leibenstein’s might be because Leibenstein presents the “principle of diminishing marginal external consumption effect” via a meticulous discussion (190-196) that guides the reader step-by-step through a “conceptual experiment” and a “diagrammatical method” rather than via concise mathematical symbols. Whatever the reasons, the consequences of ignoring Leibenstein’s hypothesis are unfortunate. Our exploration of the analytics of Becker’s model shows that nonsensical implications attend the upward sloping segment of the demand he hypothesizes—negative quantities demanded—as well as anomalous comparative static results.

**The Inconvenient Implications of Becker’s Bandwagon Demand**

The touchstone of the literature that breaks from Leibenstein’s theory is Becker’s (1991) formalization of a bandwagon effect that can impart positive slopes to segments of market demand curves. We begin with a brief review of his formalization.
We write the market demand functions as:

\[ Q = \sum_{i=1}^{n} q_i(p, Q_E) = F(p, Q_E) \]  

(1)

where \( q_i(p, Q_E) \) denotes the demand of the \( i \)th consumer; \( Q \) denotes quantity demanded in the market; \( p \) denotes the relative price of the commodity; and \( Q_E \) denotes the market demand quantity expected by each consumer.\(^{12}\) Consistent with the presence of a bandwagon effect, assume that \( Q \) and \( Q_E \) are positively related (that is, \( \partial F/\partial Q_E > 0 \)). In addition, assume that the direct effect of a change in price on quantity demanded is negative (that is, \( F_p < 0 \)).\(^{13}\) At this level, the model does not necessarily conflict with downward-sloping demand. The conflict will arise as a result of an assumption made about the magnitude of \( \partial F/\partial Q_E \).

Closing the demand model in equation (1) requires a specification of consumer expectations. The standard assumption in this literature is that consumers’ expectations immediately converge on the actual aggregate quantity demanded in the market. The equilibrating condition is that:

\[ Q = Q_E. \]  

(2)

Substituting equation (2) into (1), the equation for market demand is:

\[ Q = F(p, Q). \]  

(3)

In this model, the presence of a bandwagon effect \( (F_Q > 0) \) is not sufficient to make market demand slope upward.\(^{15}\) This requires that the magnitude of

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12 See Becker (1991) for a similar specification. Becker's formalization of individual demand as a function of market demand is not precisely representative of the notion that the bandwagon effect depends on what “others” are consuming. A truer specification of individual demand is that \( q_i = q_i(p, Q - q_i) \). This is of little consequence if market demand \( Q \) is large relative to individual demand \( q_i \). Again, Leibenstein (189) defines the bandwagon effect in terms of “others”; so does Becker (1991).

13 Both Leibenstein and Becker (1991) analyze bandwagon effects exclusively in terms of their impact on demand functions, eschewing more complicated modeling alternatives. Like theirs, our analysis is in terms of demand functions.

14 This condition is implicit in Becker’s (1991) paper; making it explicit clarifies that issues of risk, uncertainty, and imperfect information are absent. Stiglitz (1987) provides an extensive discussion of demand and supply where product quality is uncertain. Because there is no quality uncertainty in Becker’s model, these difficulties apply neither to his model, nor to our critique of it.

15 Becker (1991, 1111) called this a function for “aggregate quantity demanded”, but as mentioned in the text above used different notation. And again Becker labels the curve in Figure 1 above as “d”, exactly as we have reproduced it. Elsewhere in his article Becker alludes to a “positively inclined demand curve” (1112), and finally mentions “shocks that lower demand” (1115). Our comment takes Becker at his word that his is a model of market demand.
the bandwagon effect be sufficiently large; specifically, upward sloping demand is implied only when $F_Q > 1$. To show this, take the total derivative of equation (3):

$$dQ = F_p dp + F_Q dQ.$$  

Upon rearranging terms, it follows that

$$\frac{dp}{dQ} = \frac{1 - F_Q}{F_p} > 0 \quad \text{as} \quad F_Q > 1.$$  

From equation (4) it is clear that in Becker’s model when $F_Q > 1$, market demand has a positive slope, and when $F_Q < 1$ it has a negative slope. The purpose of this comment is to bring to light previously unnoted, and peculiar, implications that attend Becker’s hypothesis that $F_Q$ can be large enough to result in an upward sloping portion of market demand.

**Linear Parameterization Makes Consumption Negative for Positively Sloped Demand**

In this section, we examine the implications of a linear parameterization of Becker’s bandwagon model as presented in equations (1) through (4) above. First, assume that the good is private in consumption, and, to ease exposition, assume $n$ identical consumers. Let the demand of the $i$th individual for the good, $q$, ignoring any bandwagon effect, be $q_i = f(p)$, where $p$ is price per unit and $dq_i/dp < 0$. Since negative quantities are nonsensical, it must be that $f(p) \geq 0$.

As previously mentioned, the bandwagon effect is “the extent to which the demand for a commodity is increased due to the fact that others are also consuming the same commodity” (Leibenstein, 189). In line with this definition, suppose the individual’s demand for $q$ contains a bandwagon effect of size $c > 0$ such that the increment in the individual’s demand caused by the demand of others for the good is

$$c \sum_{j=1}^{n-1} q_j, i \neq j.$$  

Assuming that the bandwagon effect enters individual demand linearly,

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16 See, as well, Corneo and Jeanne (1997, 64) who show that this type of condition leads to an upward sloping market demand curve for their “conspicuous good.”

17 In addition, see Biddle (375).
our parameterization of the $i^{th}$ individual’s demand is as follows:

$$q_i = f(p) + c \sum_{j=1}^{n-1} q_j, \ i \neq j.$$  \hspace{1cm} (5)

Since the individuals are identical, $q_i = q_j$ in equation (5), which allows the $i^{th}$ individual’s demand to be expressed as $q_i = f(p) + c (n-1) q_i$.$^{18}$ Solving this expression for $q_i$ yields:

$$q_i = f(p)/[1 - c(n-1)].$$  \hspace{1cm} (6)

Market demand, $Q$, is equal to $nq_i$ or

$$Q = nf(p)/[1 - c(n-1)].$$  \hspace{1cm} (7)

A positive relationship between price and quantity demanded can result if the bandwagon effect is large enough.$^{20}$ To see this, differentiate $Q$ with respect to $p$:

$$\frac{\partial Q}{\partial p} = nf'(p)/[1 - c(n-1)].$$  \hspace{1cm} (8)

In equation (8), $\frac{\partial Q}{\partial p} > 0$ if and only if $c(n-1) > 1$; in words: Becker’s market demand has a positive slope if and only if the bandwagon effect is sufficiently large. The dilemma this parameterization exposes is that for bandwagons large enough to make market demand slope upward, consumption is negative. Equation (7) makes it is clear that if $c(n-1) > 1$, it follows that $Q < 0$. Of course, negative consumption makes no economic sense.$^{21}$ This anomaly vanishes when

$^{18}$ Parameterizations of the bandwagon effect that arise out of the consumption of others avoid the problem of a person’s own consumption contributing to the bandwagon effect. As we mentioned in footnote 9 this is of little consequence if market demand is large relative to individual demand: in terms of this parameterization this translates into $n$ being large. But if $n=1$, it is clear that our parameterization, which is in terms of the consumption of others, avoids the possibility that even though there is only one consumer there would still be a bandwagon effect; letting $n=1$ in $q_i = f(p) + c (n-1) q_i$ one finds that the bandwagon term vanishes as $q_i = f(p)$. This technicality does not alter any of the qualitative results derived in this paper.

$^{19}$ This parameterizes equation (3).


$^{21}$ Readers who like geometry might consider a two-dimensional illustration as follows: Consider two consumers with two “reaction functions” $q_1 = f_1(P) + c_1 q_2$ and $q_2 = f_2(P) + c_2 q_1$. A selection of relatively small c-coefficients would result in an intersection of the two reaction functions in the positive quadrant (quadrant I). Moreover, a small price reduction would lead the intersection point to move in the northeast direction -- an indication of a negative slope. A selection of relatively large c-coefficients would result in an intersection of the two reaction functions in quadrant III. Moreover, a small price reduction would lead the intersection point to move in the southwest direction -- an indication of a positive slope. A perceptive reader will recognize the second case (large c-coefficients) as a freak of mathematics. The economic
the bandwagon effect is constrained sufficiently to ensure that $0 < \epsilon(n-1) < 1$, for in this case: (a) $\partial Q/\partial p < 0$, from equation (8); and (b) $Q > 0$, from equation (7).

To rule out negative consumption in the parameterization, one would have to rule out upward sloping demand entirely.\textsuperscript{22}

An objection to the above criticism of Becker’s model would arise if someone were to produce a sensible specification of it that conforms to Figure 1. To address this possibility, we explore some of implications of Becker’s (1991) model under the assumption that there does in fact exists a sensible specification of the model for which positive consumption corresponds to upward sloping demand exactly as in Figure 1.

**Upward-sloping Demand Reverses Standard Comparative Static Implications**

In this section we set aside issues of parameterization and negative quantities demanded. We simply accept Becker’s model as he specified it, and proceed as if the demand appears just as Becker hypothesizes (reproduced in Figure 1). On the basis of equations (1) through (4) we derive the comparative static implications that attend bandwagon effects in two separate cases: 1) when the effect is so unconstrained ($F_Q > 1$ in equation (4)) that market demand slopes upward; and 2) when the effect is constrained ($F_Q < 1$ in equation (4)) so that market demand slopes downward. This methodology comports with remarks by Milton Friedman (1970, 23 and 28): The analysis of assumptions “sometimes facilitate an indirect test of the hypothesis by its implications … [W]hat are called assumptions of a hypothesis can be used to get some indirect evidence on the acceptability of the hypothesis …. in so far as the assumptions may call to mind other implications of the hypothesis susceptible to casual empirical observation.” In other words, we should look askance on assumptions that carry strange implications.

To derive the comparative static implications of bandwagon models under alternative assumptions about the size of $F_Q$, we introduce a shift variable, $Z$, which, by definition, has a negative impact on individual demand; symbolically this is expressed as $\partial q / \partial Z < 0$. Standard examples of $Z$ include: a) the announcement of evidence of heretofore unknown health hazards associated with product usage; b) a decrease in the price of a substitute good; and c) an increase in the price of a complementary good or service. It immediately follows from the aggregation process used in equation (1) that the partial derivative of $Q$ with respect to $Z$ is...

\textsuperscript{22} This is consistent with Leibenstein’s hypothesis (192). It is also consistent with Biddle which is the only paper we are aware of that attempts to empirically isolate the bandwagon effect.
negative (symbolically, $F_Z < 0$).

To derive the impact of changes in $Z$ on market demand, begin by inserting $Z$ into market demand equation (3) as follows:

$$ Q = F(p, Q, Z). $$

Taking the total derivative of (9), rearranging, and assuming $dp = 0$ yields

$$ \frac{dQ}{dZ} = \frac{F_Z}{1 - F_Q}. $$

The assumption that $dp = 0$ in equation (10) allows us to examine the change in the amount demanded in the market, holding price constant. Intuitively, the sign of equation (10) indicates whether market demand shifts horizontally to the left or to the right. If $dQ/dZ$ is positive, then the amount demanded in the market increases at each price (shifting market demand rightward). Conversely, if $dQ/dZ$ is negative, then the market quantity demanded decreases at each price (shifting market demand leftward).

**Case 1: Downward Sloping Market Demand**

Recall that in Becker’s model if the bandwagon effect is constrained so that $0 < F_Q < 1$, then market demand slopes downward as in two of the segments of the curve in Figure 1. Given this constraint on the bandwagon effect, shifts in market demands conform with the direction of the shifts in the individual demand schedules and the expression in equation (10) takes on a negative sign (that is, $dQ/dZ < 0$). Shifts in market demand relationships possessing bandwagon effects conform to those predicted by the standard comparative statics that constitute traditional demand theory so long as market demands everywhere slope downward.

**Case 2: Upward Sloping Market Demand**

If the bandwagon effect in Becker’s model is sufficiently large (with $F_Q > 1$), market demand slopes upward as along the positively sloped segment of the curve in Figure 1. In this case, the expression in equation (10) is positive: that is, $dQ/dZ > 0$.

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23 Although this equation is not in Becker’s (1991) article, it can be found, in different notation, in the ninth chapter of a book by Becker and Murphy (2000). This co-authored book reasserts the results of Becker’s (1991) article, sans acknowledgement of Becker’s preceding article.
When bandwagon effects are so large as to lend positive slopes to market demand curves, shifts in market demands are in the direction opposite of shifts in the individual demand schedules. Despite the decrease in marginal valuation at the level of the individual, this model implies that quantity demanded in the market rises at each and every price due to the increase in $Z$. This is polar to conventional demand analysis; shift a downward sloping demand curve vertically downward (illustrating a decrease in marginal valuation) and the horizontal view of the demand shift implies a decrease in the amount demanded at each price.

The implications of comparative static analyses are contrary to everyday experience and common observation (Friedman’s test) in the case of positively sloped demand. For bandwagon effects so large that $F_Q > 1$, market quantities demanded at constant prices would increase in the wake of: 1) the release of evidence about heretofore unknown product risks; 2) a rise in the price of a complementary good; and 3) a fall in the price of a substitute product. In Milton Friedman’s (1970; 28) words, these implications are inconsistent with “casual empirical observation.”

Because these results follow directly from Becker’s formulation along the upward sloping portion of the market demand he hypothesizes, objections to these comparative statics are, ipso facto, an objection to Becker’s hypothesis that the market demand curve for bandwagon goods contains a positively inclined segment as shown in Figure 1.

**Summary and Conclusion**

In 1971, Gary S. Becker characterized the “law” of “negatively sloped demand” as “perhaps the most fundamental finding in economics.” In 1991, he hypothesized that restaurant pricing can be explained by assuming a bandwagon effect is present that is so large that it implies a “positively inclined demand” (II12) over a range of positive quantities. This comment shows that 1) if a bandwagon effect is large enough to make Becker’s market demand slope upward, straightforward demand parameterizations are inconsistent with the economic requirement that quantities demanded be non-negative; and 2) parameterizations aside,

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24 Although this paper focuses exclusively upon the anomalous demand shifts that arise from upward sloping bandwagon effects ($F_Q > 1$), there are other potential anomalies. It has long been recognized that if the slopes of demand and supply are of like sign, then either Marshallian or Walrasian equilibrium stability is compromised; for a detailed discussion of these stability issues see Henderson and Quandt (1971). As they conclude (134): “The ordinary supply-demand situation [with downward sloping demand intersecting upward sloping supply], is therefore stable according to both the Walrasian and Marshallian definitions.” The authors thank Jeff Biddle for commenting on an earlier draft that we should not allow other anomalies (beyond the anomalous shifts derived above) to go unmentioned. As noted earlier (see footnote 5 above): as a results of experiments they conducted on Marshallian and Walrasian stability conditions in the presence of upward-sloping demand, Plott and Smith (421) concluded that the theories of Becker (1991) and Karni and Levin (1994) are wrong.
if a bandwagon effect is large enough to make Becker’s market demand slope upward, the hypothesis will fail Milton Friedman’s test by generating comparative static implications that are untenable. Consequently, it came as no surprise that we could find no empirical estimate of a bandwagon demand relationship for which the own price coefficient of quantity demanded is positive.

Throughout this comment we assumed that Becker (1991) used the term “demand” in the conventional sense: a function that tells us the quantity demanded given a price (in footnote 11 we stated our reasons for this assumption). If the zigzagged curve that Becker (1991) labeled “d” shown in Figure 1 is not really a demand curve then the question becomes: What is it?

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Yet Another Refutation of the More Guns, Less Crime Hypothesis – With Some Help From Moody and Marvell

Ian Ayres¹ and John J. Donohue III²

Abstract

Armed with the weight of a single new regression for each of seven crime categories, Carlisle Moody and Thomas Marvell (2008) conclude their remarkable paper, “The Debate on Shall-Issue Laws,” stating that they are “confident” that “the evidence, such as it is, seems to support the hypothesis that the shall-issue law is generally beneficial with respect to its overall long run effect on crime” (292). The paper is remarkable because the evidence Moody and Marvell present thoroughly undermines (yet again) the conclusion that RTC laws “generally” have any beneficial effect on crime.

Moody and Marvell essentially make four points, which simultaneously grow in the level of both their ambition and error. First, the authors present a somewhat tendentious summary of the previous research evaluating the more guns, less crime hypothesis. Moody and Marvell affectionately summarize the shrinking and aging portion of the literature that purports to find that “right-to-carry” (RTC) laws allowing citizens to carry concealed handguns reduce crime. Moody and Marvell are less thorough and generous in their summary of the ever-expanding literature questioning the more guns, less crime hypothesis. Second, they provide an incomplete and somewhat inaccurately categorized list of studies that is apparently designed to suggest numerical superiority supporting their own views on the impact of RTC laws. With an appropriate quality-adjustment, how-

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ever, most of the “supportive” studies on their list would be deemed to have little or no current value.

Third, Moody and Marvell turn their gaze to Ayres and Donohue (2003a), which in 119 pages arrayed an enormous amount of information raising doubts about the more guns, less crime hypothesis. Moody and Marvell ignore virtually all of this discussion and instead challenge a single table, which showed that using state-specific regression estimates from 1977-1997 county data implied that RTC laws increased crime costs over the period up to five years following adoption. Of course, if the challenge succeeded, we might be inclined to ask whether Moody and Marvell were now ready to contend with the rest of that article. Moody and Marvell have a tall mountain to climb if they are to reach their destination, but they have failed even in their first step.

The basis of their challenge is that Ayres and Donohue’s estimated five-year post-passage linear trend should be extrapolated further. Such extrapolation is a perilous enterprise. In the single table Moody and Marvell criticize, we were estimating post-passage trends for 25 jurisdictions when we only had 1-3 years of post-passage data for 12 of these 25 states. Accordingly, we felt we were already pushing the boundaries of what the data allowed by extrapolating out to five years.

Indeed, given the fact that the falling crime rates of the 1990s came to an end by the year 2000, the idea that we should engage in extended extrapolations of a linear trend beyond 1997 makes little sense. This is particularly true since the presence of more recent crime data now enables researchers to extend the data forward well past 2000 when the crime trend flattened out and even turned up, particularly in many jurisdictions adopting RTC laws (see Figures 1-3, below). Making use of more recent data is clearly preferable to engaging in the risky enterprise of trying to extrapolate so far beyond the data that was previously employed. Therefore, the discussion of the Ayres-Donohue crime calculations on 1997 data would seem to be beside the point since county data extending three years past that date now has been used by Ayres and Donohue (2003b), Moody and Marvell (2009), and the National Research Council (2004), and even more data is now available to extend the 1977-2000 dataset, thereby reducing the need for extrapolation.

Fourth, armed with the 1977-2000 county dataset, Moody and Marvell seem to conclude that the correct path to establishing the impact of RTC laws is to follow the estimation approach of the Ayres and Donohue table just discussed, which used a state-specific hybrid model with state trends on county da-

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3 Table 7 of Ayres and Donohue (2003a, 1242) shows that in our state dataset, which extended through 1999, we had at least three years of post-passage data for all RTC states. Our county data in that paper extended only through 1997, however, thereby limiting us to one year of post-passage data for the three states that adopted RTC laws in 1996, two years of data for the five adopters in 1995, and three years for the four adopters in 1994.
Moody and Marvell ignore the concerns Ayres and Donohue (2003a, 1259) expressed about the use of county data, and proceed with their own specification that contains two suggested improvements – adding a measure designed to capture the criminogenic influence of crack and adding a lagged dependent variable. Based on the state-specific estimates they generate from this new model, Moody and Marvell conclude that RTC laws are beneficial because one state – Florida – outweighs the overall harmful effects estimated for the other 23 jurisdictions. We discuss below, however, how their own estimates powerfully undercut their suggestion that RTC laws are generally beneficial. Moody and Marvell then labor to refute their own findings by once again unwisely extrapolating linear trends beyond the period of their data.

I. Moody and Marvell’s Inaccurate and Incomplete Literature Review

A. The Original Sin: Lott and Mustard’s Data Ended in 1992

Moody and Marvell begin with a reference to the initial 1997 Lott and Mustard paper, which originated the claim that RTC laws reduce crime. In that paper, which spawned a robust literature, Lott and Mustard did a creditable panel data analysis of RTC laws for the period 1977-1992. It has now become clear, however, that the timing of the Lott and Mustard’s study was fatal to their mission. Crime rose sharply in the late 1980s and the early years of the 1990s. Lott and Mustard’s data period caught the sharp run up in crime but not the huge decline that started just when their data series ended.

Trying to estimate the impact of an intervention affecting crime during a massive, unexplained, geographically disparate crime boom is a daunting task if the intervention is not randomly assigned. RTC laws were not randomly adopted: RTC law adoptions were clearly influenced by the patterns of crime that were unfolding around the country during that turbulent time. Indeed, the latest published study examining the impact of RTC laws on murder – which does not appear on Moody and Marvell’s list of studies refuting the more guns, less crime hypothesis -- found that “in the five-year period before law passage, the 25 states passing shall-issue laws between 1981 and 1996 had an increasing trend on average in murder rates relative to the U.S. murder rate. Rather than a random sample of slopes, we have selection for positive slopes. State governments tended to pass shall-issue laws when murder rates were relatively increasing.” (Grambsch 2008: 292-93).

4 A hybrid model estimates both a change in levels of crime (like the dummy model) as well as a shift in the trend in crime (like the trend model).
B. State v. County Data and the Lott, Plassmann, and Whitley Coding Errors Fiasco

In their discussion of the contribution to the RTC literature of Ayres and Donohue (2003a), Moody and Marvell focus only on that paper’s state-specific county data analysis. In so doing, they neglect the 53 pages of analysis of state data for the period 1977-1999, and fail to acknowledge, let alone address, the Ayres and Donohue claim that errors in the county data raise concerns about whether it is advisable to prefer regression estimates on state crime data.5 Similarly, Moody and Marvell have not addressed a litany of other cautions about model specification and data reliability that were discussed at length in that paper. Instead, Moody and Marvell tackle only one part of a much longer paper, which they describe as “the method of Ayres and Donohue."

Thus, Moody and Marvell (274) tell us that they “offer a fresh statistical analysis based on the method of Ayres and Donohue, but our investigation improves the method and extends the data through 2000 (Ayres and Donohue’s data was through 1997).” But their literature review neglects to mention that we did analyze the very county data set that they employ (hence with data through 2000) in Ayres and Donohue (2003b). Moody and Marvell also fail to recount the history of the flawed county data set and its impact on the work of Lott and Plassmann and Whitley (2003). John Lott originally created this 1977-2000 county data set for his 2003 book, The Bias Against Guns.6 Lott then joined with Plassmann and Whitley to respond to Ayres and Donohue (2003a), once again relying on this same Lott-created county data set. As we detailed in Ayres and Donohue (2003b), the Lott, Plassmann, and Whitley reply used this expanded county data in an attempt to show that RTC laws reduced crime. We uncovered numerous coding errors in their data set. Correcting these errors reversed the conclusions of the Lott, Plassmann, and Whitley reply and revealed that there was no evidence that RTC laws reduced crime.

5 Missing data is a much bigger concern in the county data than in the state data. A leading researcher on the quality of the state and county crime data, Michael Maltz, deems the county data to be severely flawed, especially if one extends the county data across the break in the series that occurred in 1994 when new imputation procedures were adopted for county crime data (Maltz 2006; Ayres and Donohue 2003b: 1392). These concerns are particularly problematic since the states with the worst data are more likely to have RTC laws:

County-level crime data cannot be used with any degree of confidence...The crime rates of a great many counties have been underestimated, due to the exclusion of large fractions of their populations from contributing to the crime counts. Moreover, counties in those states with the most coverage gaps have laws permitting the carrying of concealed weapons. How these shortcomings can be compensated for is still an open question, one that we are attempting to answer in our ongoing study of different methods of imputation. It is clear, however, that in their current condition, county-level UCR crime statistics cannot be used for evaluating the effects of changes in policy (Maltz and Targonski 2002: 316-317).

6 Lott (2003; Appendix Figures 1.3-1.8, 237-239) presents estimates of the effects of right-to-carry gun legislation on violent and property crimes, analyzing effects for the years 1977 to 2000.
Specifically, Table 3B of Ayres and Donohue (2003b) re-ran on corrected data the identical regressions that Lott, Plassmann, and Whitley had originally presented, which were subsequently published in Plassmann and Whitley (2003). When we corrected the coding errors in this Lott data set, all of the results presented in the attack against us by Plassmann and Whitley (2003) vanished. Table 3B of our 2003 paper illustrates that, across nine crime categories, whether one used a dummy model, a spline model, or a hybrid combination of the two (both a dummy and a spline), there was not a single statistically significant coefficient that would be suggestive of a decrease in crime. Instead, Table 3B demonstrated that the only statistically significant results from the county data suggested RTC laws increased property crime, auto theft, and larceny.

Amazingly, Moody and Marvell cite Plassmann and Whitley (2003) in their list of articles finding that “Shall-Issue Reduces Crime,” even though everyone now recognizes that all of the regressions used in that paper were using seriously flawed data (Mooney 2003, 2005).7

As we stated in the last paragraph of our comment documenting the serious coding errors in Plassmann and Whitley’s paper (previously Lott, Plassmann, and Whitley): “These serious data errors infect every regression presented in the PW response. Consequently, researchers and policymakers should not rely on any of the new regressions that PW present in their response” (Ayres and Donohue 2003b: 1394). Apparently, that message did not come through to Moody and Marvell, who make no reference to these problems as they blithely cite Plassmann and Whitley’s paper as supporting the more guns, less crime hypothesis.

C. The NRC Report Mischaracterized

In the summer of 2001, a committee of 16 experts began a two-year evaluation of the literature and data concerning the impact of RTC laws, which culminated in a report for the National Research Council (2004). In referencing this report, Moody and Marvell make the very misleading statement: “the Committee did some independent analyses that indicated that shall-issue laws reduce murder.” Like Moody and Marvell, one member of that committee – James Q. Wilson – decided he would ignore the lessons of the vast literature on the impact of RTC laws and just focus narrowly on a few isolated regression results to draw a conclusion that appears absurd in the context of the broader knowledge that has been revealed by the extensive literature. Wilson, a non-econometrician who reviewed the evidence in an oddly wooden and unsophisticated way (while saying he wished he knew more econometrics), found that one could not conclude anything about the impact of the RTC law on any crime, except that RTC laws reduced murder. The

7 After we pointed out that our corrections of Lott’s errors had rendered statistically insignificant all of the Lott, Plassmann, and Whitley results, Lott removed his name from the reply to Ayres and Donohue (2003a), which then was published – with the errors uncorrected – as Plassmann and Whitley (2003).
other 15 members of the Committee – which included an array of top econometricians, including John Bates Clark award winner Steve Levitt, Joel Waldfogel of Wharton, Joel Horowitz of Northwestern – unanimously responded to Wilson’s puzzling and unconvincing statement by noting that “The scientific evidence does not support his conclusion” (2004, 275).

D. More Counting of Useless Studies

Moody and Marvell’s exercise of counting the number of studies supporting Lott also seems to have missed the finding, emphasized in Ayres and Donohue (2003) and the NRC report (see Tables 6-5 and 6-6), that estimates based on data only through 1992 are of questionable value since adding additional years of data invariably weakens Lott’s initial findings. In fact, 7 of the 10 references that Moody and Marvell cite as “referred journal articles and books” that support the more guns, less crime hypothesis were based on the exact same Lott and Mustard dataset ending in 1992, just prior to the great American crime drop of the 1990s. Relatively little is left of the literature supporting the more guns, less crime hypothesis if you subtract out the studies examining RTC laws that analyze data only through 1992.

Each year that one extends the Lott and Mustard data set predictably weakens their claim. This is not surprising, given the fact that the Lott and Mustard apparent finding of a beneficial effect of RTC laws was caused not by having more armed citizens out on the streets but rather because other forces not well controlled in the RTC literature had caused crime to soar in the states that did not adopt RTC laws. Figures 1-3 document the pronounced crime increase, later reversed, that occurred in the late 1980s in the states that did not adopt these laws. Of course, numerous explanations have been given for the sharp crime drops in the 1990s, which were particularly great in the non-RTC states — perhaps mean reversion due to the end of the crack boom, the legalization of abortion, better policing, a tipping effect from the decades long growth in incarceration, the superheated economy, or some combination of these. Notice that none of these listed factors are adequately captured in any of the studies that Moody and Marvell reference. If any of these omitted factors played an important role in reducing crime and are correlated with RTC law adoption, then one must be very cautious in interpreting regression estimates of the impact of RTC laws. States with a major crack problem were, on the whole, less willing to roll the dice by adopting a RTC law in the late 1980s or early 1990s.

E. Moody and Marvell Overlook Some Important Studies — and Lessons

Moody and Marvell fail to cite Donohue (2004), which illustrated that model sensitivity plagues virtually all of the studies that they list as supportive of the more guns, less crime hypothesis. Using state level panel data for the period from 1977 – 1999, Donohue (2004) underscored how sensitive the estimated effects of RTC laws were to minor alterations in the Lott and Mustard specification. This lack of robustness creates the concern that a researcher will erroneously fixate on a specification that generates an appealing estimate. To address this fear, Donohue supplemented his analysis of a modified version of the Lott and Mustard model by examining the crime models previously employed by three other research papers that analyzed interventions other than RTC laws. An array of different specifications were estimated for each of the four different crime models, and the striking fact was that for a number of the crime categories, the estimates were all over the map – some positive, some negative, some significant, some not significant. Interestingly, though, the vast bulk of the estimated effects for the different permutations on the four basic crime models were suggestive of crime increases caused by RTC laws for seven of the nine FBI Index I crime categories. (For murder the estimates were more mixed, and for rape RTC laws were associated – albeit not necessarily causally – with crime declines.)

Even for robbery – the crime for which one would most suspect that RTC laws would cause crime to fall if the Lott and Mustard thesis were true – Donohue (2004; Figure 4, 646) presented a very discouraging picture for the more guns, less crime hypothesis. Forty of the 48 different assessments depicted therein suggested RTC laws increased robbery. Of course, it is true that one could pick one of the eight specifications that was more supportive of the Lott and Mustard thesis. One had better have a very good reason, though, for preferring an outlier estimate against the weight of the evidence to the contrary.9

Nor do Moody and Marvell reference Grambsch (2008), which argues that the endogenous adoption of RTC laws during periods of spiking murder rates that will ultimately regress to the mean has biased the estimates of the impact of these laws in the direction of finding a benefit. Grambsch summarizes her finding as follows: “We find that controlling for regression to the mean changes the sign of the estimated intervention effect on murder rates slopes from negative to positive, has strong impact on statistical significance, and gives no support to the hypothesis that shall-issue laws have beneficial effects in reducing murder rates” (289; italics supplied).

### II. Moody and Marvell Add a New Specification While Analyzing an Old Data Set

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9 Strnad (2007) has an interesting discussion of Bayesian techniques that can be used to choose among different specifications used in estimating the impact of RTC laws.
Moody and Marvell attempt to shed new light on the impact of RTC laws by using a specification that builds on the basic structure of the initial Lott and Mustard specification and then mimics one of the numerous approaches offered in Ayres and Donohue (2003a) – a hybrid, state-specific model which included a control for state prison population – while adding two new variables. Once again, they are estimating this tweaked model on our corrected version of Lott’s original county data set, which has previously been analyzed by Ayres and Donohue (2003b) and the panel of the National Research Council (2004).10

So what are the two new variables? Moody and Marvell add a control designed to capture the criminogenic influence of crack on crime and they introduce a lagged dependent variable into their model.11 Once they obtain their state-specific estimates of the impact of RTC laws, Moody and Marvell follow Ayres and Donohue in providing a dollar estimate – by state and cumulated for the entire country – of the impact of RTC laws on crime. Given their conclusion that RTC laws are “generally beneficial with respect to [their] overall long run effect on crime” (291), one would assume that generally RTC laws would lower the costs of crime. But here is where the first surprise comes in their paper.

A. Moody and Marvell’s Overall Conclusions Depend Entirely on an Florida’s Right to Carry Law Generating an Enormous Drop in Crime

What do Moody and Marvell mean when they say RTC laws are “generally” beneficial in the long run? They state that “Fourteen states experienced cumulative benefits while ten states experienced cumulative costs” (290). Unfortunately, they have the numbers backwards: fourteen of the 24 states are shown in Moody and Marvell’s Table 10 to have cumulative costs – that is, according to their own estimates, RTC laws lead to higher crime costs for the majority of states!

But perhaps Moody and Marvell use the term “generally” to mean that the cumulative estimated effect of RTC laws across all states is crime-reducing, which they claim is supported by their Table 10. Specifically, Moody and Marvell’s analysis indicates that the overall impact of RTC laws on crime through 2000 has been to lower crime by $28 billion nationally. But the same table reveals that Florida’s RTC laws alone experienced a crime cost reduction through 2000 of almost $31 billion. In other words, across the 24 states that they analyze, they attribute a benefit of almost $31 billion to the Florida RTC law and estimate an overall harmful

10 While there are differing opinions concerning the proper identification of the date of passage of RTC laws, Moody and Marvell use the coding of Ayres and Donohue. (See Appendix Table 1, column A in Ayres and Donohue (2003a) for the coding that Moody and Marvell employ in their current paper.)
11 Moody and Marvell note that they originally added an execution rate variable to see if the death penalty had any impact on murders. They tell us that the execution rate variable was statistically insignificant and therefore was dropped. In other words, Moody and Marvell appear to have bolstered the empirical evidence against the claim that the death penalty is a deterrent to murder. See Donohue and Wolfers (2005).
effect of about $3 billion of RTC laws across the other 23 jurisdictions. So much for “generally beneficial.”

Now let us pause to reflect on this finding for a moment. If you had an intervention that had a net harmful effect in 23 out of 24 jurisdictions, while at the same time you estimated a massive benefit from the same intervention in only one state, would you assert that the intervention was “generally beneficial”? Indeed, if you were attentive to the findings in Ayres and Donohue (2003a, 2003b), Donohue (2004), Strnad (2007), and the report of the National Research Council (2004), about the poor fit and lack of robustness in the estimates of the impact of RTC laws, one would likely look at data showing a huge benefit in Florida coupled with a net harmful effect in the combined remaining 23 states and at least wonder whether the estimate of the impact of the 1987 Florida RTC law was spuriously picking up the impact of some other factor that caused crime to drop in Florida some time after 1987. Indeed, as Donohue (2003) noted, the Mariel boat lift in 1980 depositing countless undesirables from Cuba on the shores of Florida led to a massive increase in crime in Florida in the early 1980s. Thus, much or all of the crime reduction in Florida that Moody and Marvell attribute to the adoption of Florida’s RTC law may well be simply owing to a regression to the mean effect – consistent with a general finding of Grambsch (2008).

We have already alluded to the general problems with the quality of county data and noted that these problems tend to be more severe with states that have adopted RTC laws. Importantly, Florida’s crime data quality has degraded dramatically since it adopted its RTC law in 1987. As a result, Moody and Marvell’s data set is missing crime data for 23 out of 67 counties in 1996 and they have no Florida crime data entered for 1988 and 1997, and they erroneously excluded all murder and rape data for 1998 including that of Florida. Their murder totals for 1999 and 2000, moreover, are substantially below the actual statewide totals, as reported in the FBI’s Uniform Crime Reports. Indeed, the number of murders in Florida fell much less during the late 1990s than Moody and Marvell’s data suggest, as Figure 1 illustrates. The serious problems with Florida’s county crime data after the state passed its 1987 RTC law underscores once again the concerns about county data in general, and about the anomalous finding from the Moody and Marvell regression that makes Florida look like such a big success story.
Certainly, Moody and Marvell have not offered even a hint of a suggestion as to why RTC laws should be generally harmful across 23 states, yet be so massively beneficial in Florida. But another surprise awaits our readers.

B. Moody and Marvell Ignore Kovandzic and Marvell’s Assessment of the Florida RTC Law as Providing No Net Benefits

Having identified Florida as an extreme outlier that completely drives their conclusion that RTC laws have “generally” reduced crime, Moody and Marvell would be expected to reflect on whether any studies had actually looked at the impact of Florida’s RTC law on crime. Happily, Marvell himself was one of the coauthors of a major paper doing exactly that – Kovandzic and Marvell (2003). Indeed, Donohue (2003) published a comment on Kovandzic and Marvell that appeared simultaneously with that paper in the journal *Criminology and Public Policy*. Donohue (2003) offers the following observation while quoting from the original
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version of the Kovandzic and Marvell paper on which the journal editors asked Donohue to comment:

Kovandzic and Marvell collected county data on crime and concealed handgun permits across Florida from 1980 to 2000 and concluded, “we find no credible statistical evidence that increases in permit rate growth (and presumably more lawful gun carrying) leads to substantial reduction in violent crime, especially homicide. Similar to Ayres and Donohue (2003), we find that our best, albeit admittedly imperfect, statistical evidence indicates that increases in permit rate growth may actually lead to slight increases in crime.” (Donohue 2003, 399; italics supplied)

In other words, the initial conclusion of the Kovandzic and Marvell paper endorsed the view that the best evidence on the impact of the RTC law in Florida was that it slightly increased violent crime.

Interestingly, the final version of the Kovandzic and Marvell paper retreated from the claim that the best evidence showed that RTC laws increased crime, but it did conclude that Florida’s RTC law did not decrease crime. In the words of Kovandzic and Marvell: “we find no credible statistical evidence that permit rate growth (and presumably more lawful gun carrying) leads to substantial reductions in violent crime, especially homicide” (2003, 387). Kovandzic and Marvell then went on to offer their explanations for why the Florida RTC law did not reduce crime:

The fact that permit rate growth had no deterrent effect on violence rates is likely due to one of three reasons. First, few people wanted to obtain concealed carry permits. Despite millions of Floridians being eligible for permits, apparently only a handful of people were willing to go through the hassle of applying for one. By mid-year 2000, some twelve years after the law was in effect, there were only 248,049 valid concealed weapons permits in Florida, representing 2.1 percent of the Florida resident population (see Table 1). Second, the law did not actually affect rates of gun carrying among prospective victims – people already carrying merely legitimated what they were doing by getting permits. Third, it may be that gun carrying actually did increase (though perhaps only to a slight degree, among those few who would carry guns only if they could get a permit), but the crime-increasing effects of a few violent people (who nevertheless had no criminal convictions) getting permits balanced out the crime-decreasing effects of many nonviolent people getting permits. Such an explanation implies that rates of lawfully
permitted gun carrying may have no net effect on crime rates for the same basic reasons that gun ownership levels in general have no net effect, guns among criminals may increase violence while guns among noncriminals decrease it, with the two opposite-sign effects canceling each other out…” (Kovandzic and Marvell 2003, 387-389; bold and italics supplied)

C. If The Florida RTC Law Was Feckless, Then Moody and Marvell’s State by State Estimates Refute the More Guns, Less Crime Hypothesis

What are we then to take from the Moody and Marvell paper? Given their finding that, for 23 of the 24 jurisdictions they examined, RTC laws had an overall crime-increasing effect, one would assume that this would be taken as evidence against the more guns, less crime hypothesis. If one could establish that the one state that seemed to have an unusually good crime experience after the adoption of the RTC laws had really benefited from the passage of the law, then one might alter this generally pessimistic assessment concerning RTC laws. But if Kovandzic and Marvell are correct that Florida’s RTC law conferred no benefit, then the estimated $31 billion benefit that Moody and Marvell claim to have found in their latest state-specific analysis is simply a mirage. Remarkably, despite their claims to the contrary, Moody and Marvell have inadvertently presented yet more evidence that RTC laws do not reduce crime.

Moody and Marvell are aware of the divergence between their evidence and their more guns, less crime conclusion, as they note: “Since the net effect across all states is $28 billion, the other states have experienced a net increase in crime amounting to a cost of $2.8 billion” (291; italics supplied). Moody and Marvell state:

even without Florida, there is a long run net benefit of $183 million per year, which is significantly different from zero. If the ethically proper discount rate is reasonably low, then the only relevant result is the ongoing long-run effect, which is less crime. Therefore, even excluding Florida, the state which has apparently benefited most from a right-to-carry law, the overall long run impact of these laws is lower crime. (291)

But Moody and Marvell have already told us that, with Florida excluded, the “cumulative effect over all the years the law has been in existence in each state, up to the year 2000” is a crime increase of $2.8 billion. If we take their $183 million figure as the annual “long run net benefit,” it will be some time before we see any positive result from the RTC laws in those 23 jurisdictions. Even using a zero discount rate, this would mean that the long term trend that Moody and Marvell have
estimated through the year 2000 would have to continue for over 15 years – that is, beyond the year 2015. Add in a positive discount rate, and this number would only grow.

In other words, the Moody and Marvell analysis is obviously flawed. Of course, Moody and Marvell realize that, even if RTC laws were beneficial, they could not cause crime to fall forever, since ultimately a new, lower-crime equilibrium would be reached. At that point, the decline relative to the state of the world in which the RTC law had not been adopted would end. As the data on U.S. murder rates in Figure 2 clearly demonstrates, crime did not keep falling after 2000 but instead flattened out and then started rising. Similar patterns can be seen in Figures 3 and 4 for robbery and aggravated assault. In fact, this is one reason that every year that the data has been extended has only served to weaken the claims that Lott and Mustard made in their initial paper with data ending in 1992. Extending Moody and Marvell’s data set to capture additional years would presumably only weaken their case still further. Indeed, earlier in their paper when Moody and Marvell were trying to attack Ayres and Donohue for only projecting their trend out for 5 years, they recognized the folly of long-term extrapolation: “We grant that an analysis should not allow an ‘eternity’ of the trend effect [to] determine the results. Rather, the analysis should extend for some appropriate finite span. [W]e think that a ten-year span is appropriate….” (273). While projecting ten years out from 2000 seems imprudent to us, it would still leave Moody and Marvell with the conclusion that RTC laws generally increase crime (for 23 of 24 states).

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12 As Figure 3 indicates, only one group of states has experienced a continuing drop in aggravated assault after 2000 – the states that never adopted RTC laws.
Figure 2: Aggregate Murder Rates in States With and Without Shall-Issue Laws, 1977-2006

Source: FBI Uniform Crime Reports, via the Bureau of Justice Statistics.
Notes: States that have not adopted shall-issue laws: Alabama, California, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Iowa, Kansas*, Maryland, Massachusetts, Nebraska*, New Jersey, New York, Rhode Island, and Wisconsin.
From 1997 to 2000, no state adopted a shall-issue law, and hence the third group consists of the six states that passed such laws after 2000. In addition, Kansas and Nebraska adopted shall-issue laws in 2006, with the Kansas law taking effect on July 1, 2006, and the Nebraska law taking effect on January 1, 2007.
Figure 3: Aggregate Robbery Rates in States With and Without Shall-Issue Laws, 1977-2006

Source: FBI Uniform Crime Reports, via the Bureau of Justice Statistics.
Notes: Same as for Figure 2.
III. Using Moody and Marvell’s Specification and Data to Generate Aggregate Estimates of the Impact of RTC Laws

Virtually all of the studies that Moody and Marvell cite as supporting the more guns, less crime hypothesis provided aggregated rather than state-specific estimates of the RTC impact. To test whether the conclusions of the earlier aggregate studies remain robust when data runs until 2000, this section explores whether the aggregate estimates that emerge from using Moody and Marvell’s specification tell a story similar to that emerging from the state specific estimates. Once again, the aggregate regressions using the Moody and Marvell variables and specification undermine their claims.

Table 1 provides estimates of the impact of RTC laws for the full array of seven FBI Index I violent and property crimes. The hybrid model in row 3 estimates any shift in the level of crime and in the trend of crime following the
ANOTHER REFUTATION OF MORE GUNS, LESS CRIME

adoption of a RTC law, and is identical in every respect to what Moody and Marvell have estimated (that is, same data, same specification) with four exceptions:
1) Table 1 provides aggregated rather than state-specific estimates of the impact of RTC laws; 2) Moody and Marvell somehow erroneously dropped 1998 murder and rape data from their analysis, and we correct this error by including the missing 1998 data for these two crime categories; 3) Moody and Marvell treat Philadelphia as having a shall-issue law in effect for the same time period as the rest of Pennsylvania (post-1989), and we correct this by re-coding the Philadelphia post-passage dummy variable to represent the correct time period (post-1995); and 4) Moody and Marvell erroneously omit the trend variable for the District of Columbia when controlling for state trends, and we correct this programming error. To be consistent with the literature that Moody and Marvell cite, we also present in rows 1 and 2 the comparable aggregate estimates for shifting levels of crime (the dummy model), and for changing trends (the spline model). The bottom line is that these estimates provide no support for Moody and Marvell's more guns, less crime suggestion. Specifically, in all of Table 1, there are only two statistically significant coefficients – both highly significant at the 1% level – and they suggest that RTC laws increase the rate of aggravated assault.

Table 1: The Estimated Impact of Shall-Issue Laws, All Crimes, Controlling for State Trends, 1977-2000 Moody & Marvell County Data

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<th></th>
<th>Murder</th>
<th>Rape</th>
<th>Aggravated Assault</th>
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Note: Table 1 provides three different aggregated estimates of the impact of RTC laws using the county-level data set for the period 1977-2000 that Moody and Marvell use in their paper. These estimates are computed after correcting Moody and Marvell's erroneous omission of 1998 data on murder and rape, their incorrect dating of the RTC law for Philadelphia., and their omission of the D.C. trend. While Moody and Marvell present state-by-state estimates of the effect of RTC laws using the hybrid model, this table presents a dummy variable model (row 1) and a spline model (row 2), in addition to the hybrid model, which generates both a dummy shift and a trend change estimate (beginning in row 3). The estimated effects of RTC laws on murder and rape are computed using the Moody and Marvell method of adding .1 to the murder and rape crime rates before taking the natural log. This procedure is followed in order to avoid dropping a considerable number of observations when the county has no murder or no rape in a given year (thereby preventing the taking of the natural log). Moody and Marvell also control for the violent crime arrest rate for all crime categories (including property crimes). Moody and Marvell use the coding for RTC passage dates provided by Ayres and Donohue (2003a).

Apart from the aggregate estimate (as opposed to state-by-state estimates), the specification and data used to generate the
impact of RTC laws on crime are identical to what Moody and Marvell present in their article. Robust standard errors, clustered at
the state level, are in parentheses. Estimates significant at the 1% level are bolded and underlined. No other estimate is statistically
significant at even the 10% level. Note that, with the exception of aggravated assault, which shows a positive and highly significant trend
estimate in models 2 and 3, none of these results is statistically significant. For murder, every estimated effect is less than its standard
error.

We are uncertain how committed Moody and Marvell are to the elements of the one set of regressions they present. The factors that they emphasize are
the state-specific estimation, the hybrid model, the state trends, the new crack measure, a lagged dependent variable, and their decision to add .1 to every rape
and murder crime rate (to avoid losing county year observations with no rapes or murders). While some may question these choices (and many others that Moody
and Marvell do not mention), it turns out – with one exception – that one can alter any of the above features (at least individually) without altering the Table 1
story that RTC laws are associated with higher rates of aggravated assault and no other statistically significant effect. The one factor that can influence the RTC
estimates is the inclusion of state trends, to which we now turn.

13 For example, the murder regressions have 65,902 observations when .1 is added to each murder rate,
but only 37,113 when it is not added. The difference represents county-year observations in which there
were no recorded murders, which get dropped when one takes the natural log of the murder rate.
The massive number of zero observations should not be as consoling as it might first appear.
When a zero exists in the county data, one might expect this to indicate that no crime occurred for a
particular county in a given month/year. According to Maltz (2006), however, a “0” datum could also
indicate that: (1) an agency was not yet reporting data because it did not exist at the particular time (or
alternatively, it did not have a crime reporting unit), (2) an agency’s crime data was reported through
another agency, (3) an agency ceased to exist (perhaps by merging with another agency), (4) due to local
policy, an agency reported quarterly, semiannual or annual data, rather than the monthly data required for
the FBI’s compiled set, or (5) an agency simply did not submit a particular month’s data. This presents
another concern about the use of county data.

14 To list four of these additional concerns raised in Donohue and Ayres (2003a) that apply to the
Moody and Marvell specifications in their current paper: (1) There is a mismatch between some of their
key variables such as the level of incarceration (appropriately lagged one year), which is measured at the
state level, and crime rates, which are measured at the county level (as we will see below, the same criti-
cism exists for Moody and Marvell’s crack control); (2) the key arrest rate variable is poorly measured at
the county level and not a true clearance rate since it is simply the ratio of arrests to crimes for a particu-
lar crime category, which because of the existence of multiple offenders often exceeds one. Conversely,
when a mass murder occurs, the ratio is completely misleading as in the case of Tim McVeigh who
killed 168 individuals in the Oklahoma City federal building. McVeigh’s arrest would suggest a miserable
“clearance rate” of 1/168 under Moody and Marvell’s accounting, when in fact all 168 murders had been
cleared. Moreover, while Moody and Marvell suggest that they are using the violent crime arrest rate to
explain violent crime and the property crime arrest rate to explain property crime, they actually use the
violent crime arrest rate for all crimes. Finally, by using the contemporaneous arrest rate as an explana-
tory variable for crimes that are included in the denominator of that arrest rate, there is a concern of
endogeneity and ratio bias; (3) there is extreme multicollinearity in the 36 demographic controls that
Lott (and now Moody and Marvell) employ, as well as non-trivial measurement error in annual county
data measures of these variables; and (4) there is a considerable degree of model sensitivity for all of the
RTC estimates, which may reflect in part problems with endogenous adoption of RTC laws and the lack
of controls for regression to the mean in the aftermath of the geographically disparate crime jumps of
the late 1980s.
Table 2 exactly replicates the aggregated specifications of our Table 1 with a single change – it now drops the control for state trends that Moody and Marvell employed. As Table 2 reveals, dropping state trends only serves to reinforce the conclusion that RTC laws increase crime. While in Table 1 only aggravated assault appears to be increased because of RTC laws, in Table 2 we see statistically significant estimates suggesting RTC laws increase not only aggravated assault, but rape, robbery, larceny, auto theft, and burglary as well.

**Table 2: The Estimated Impact of Shall-Issue Laws, All Crimes, Dropping State Trends, 1977-2000 Moody & Marvell County Data**

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<th>Murder</th>
<th>Rape</th>
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Note: Table 2 provides three different aggregated estimates of the impact of RTC laws using the county-level data set for the period 1977-2000 that Moody and Marvell use in their paper. As in Table 1 above, these estimates are computed after correcting Moody and Marvell's erroneous omission of 1998 data on murder and rape, and their incorrect dating of the RTC law for Philadelphia. While Moody and Marvell present state-by-state estimates of the effect of RTC laws using the hybrid model, this table presents a dummy variable model (row 1) and a spline model (row 2), in addition to the hybrid model, which generates both a dummy shift and a trend change estimate (beginning in row 3). For the murder and rape estimates, Moody and Marvell add .1 to all county murder and rape rates in order to avoid dropping a considerable number of observations when the county has no murder or no rape in a given year (thereby preventing the taking of the natural log): We again follow this approach in our estimations. Moody and Marvell also control for the violent crime arrest rate for all crime categories (including property crimes). Moody and Marvell use the coding for RTC passage dates provided by Ayres and Donohue (2003a).

Apart from the aggregate estimate (as opposed to state-by-state estimates) and dropping state trends, the specification and data used to generate the impact of RTC laws on murder are identical to what Moody and Marvell present in their article (with the exception that we include murder and rape data from 1998 in our analysis). Robust standard errors, clustered at the state level, are in parentheses. Estimates significant at the 10% level are underlined. Estimates significant at the 5% level are bolded. Estimates significant at the 1% level are bolded and underlined.

Note that Table 2 is identical to Table 1, except that Table 2 does not control for state trends. The primary difference in the two tables is that, while Table 1 suggested RTC laws increased aggravated assault and had no statistically significant effect on other crimes, Table 2 provides some evidence that all crimes other than murder are exacerbated by RTC laws.

Of course, we have always cautioned about too quickly rushing from findings of statistically significant coefficient estimates to strong causal conclusions about the impact of RTC laws – a concern that we wish Lott, Mustard, Moody, Marvell, and other champions of RTC laws would begin to heed – but the bottom
line from examining Moody and Marvell's approach while generating aggregate estimates (as opposed to state specific estimates) is only in the direction of RTC laws increasing crime.

As Donohue (2004) concluded almost five years ago after presenting an analysis of state data through 1999:

Where does that leave us? Based on the current evidence, it would seem that one needs to make a judgment about whether the crime models presented in this Essay are working well. If the judgment is that they are, then one would have to embrace the finding that property crime will be higher when RTC laws are adopted. Conversely, some might contend that the fact that the models suggest that the RTC laws increase property crime is itself the best evidence that the statistical models are not working well. In any event, there is no evidence here that would support the more guns, less crime hypothesis. (638)

These concerns are still worth considering today. It is not clear why property crime should rise when RTC laws are adopted. Much evidence suggests that guns in the home are very attractive to burglars but RTC laws probably don't increase the number of guns in the home enough to make a difference to the massive amount of gun theft that occurs in the United States each year (Cook and Ludwig 2003). It may well be that the evidence in Table 2 of property crime increases resulting from RTC are spurious and should be taken as indications that the Table 2 model is not working well. This might push us towards the belief that state trends should be included in the regression, and therefore might further be taken to bolster the Table 1 conclusion that RTC laws increase aggravated assault.

But if aggravated assault goes up, one might ask, why isn't there Figure 1 evidence that RTC laws increase murders significantly? While this is an interesting issue that likely merits closer scrutiny in the future, for now, we can only speculate. Beginning with our first examination of RTC laws – Ayres and Donohue (1999) – we have been consistent in our belief that the murder spree that the crack trade induced made non-adopting states look bad relative to adopting states (since the non-adopters got a big jump in murder from crack while the adopting states during the problematic years of crack were less influenced by crack). If so, the ostensibly lack of influence of RTC laws on murder may be the product of omitted variable bias obscuring a murder-inducing effect.

But hasn't the Moody and Marvell control for crack (secured from Fryer et al 2005) eliminated this problem? Unfortunately, no. While Moody and Marvell pronounce that their crack control deals with this vexing influence on murder, it does not. Moody and Marvell are estimating data on crime in counties but are
using a statewide measure of the severity of crack. This means that a rural county with absolutely no crack problem is given the same value on this control as the most densely urban county in the same state where crack is a serious concern. The Moody and Marvell measures assigns the same crack problem to the Bronx and Lake Placid, New York. Fryer et al created the crack index to measure severity in urban areas, but their city index is not useful for the RTC estimation that Moody and Marvell employ. Therefore they rely on the Fryer et al statewide crack index, despite the qualifications from Fryer et al that: “One important difference relative to the city sample is that overall crime is not positively and statistically related to crack in the state sample,” and “Not surprisingly given that crack was concentrated in large cities, the rise and fall of crack has less explanatory value at the state level.” It is likely for this reason that the crack variable does not influence the RTC estimates in Moody and Marvell’s county data estimation, even though crack and the subsequent regression to the mean from its aberrant increase in murders have been shown to badly bias the estimates of the impact of RTC laws on murder in a way that makes these laws look more benign than they are (Grambsch 2008).

IV. Conclusion

Moody and Marvell have given us a single new regression using the Lott county-level data that we corrected back in 2003 and analyzed in Ayres and Donohue (2003b) and that the National Research Council analyzed in its 2004 report. Moody and Marvell use this single regression – a state-specific hybrid model estimated on county data for the years 1977-2000 – to estimate the overall change in the cost of crime attributed to RTC laws for the period that these laws have been in effect for the 24 states they evaluate. Their own table indicates that RTC laws on net increase the costs of crime (albeit statistically insignificantly) in aggregate for 23 of the 24 jurisdictions they examine, but cause massive benefits in the single state of Florida.

In our view, Moody and Marvell’s state-specific estimates support the view that RTC laws generally do not lower and may increase overall crime costs – at least if one endorses Marvell’s own paper (with Kovandzic) arguing that the issuance of RTC permits did not alter crime in Florida. Since the Kovandzic and Marvell paper examining the impact of RTC law on Florida crime is listed in Moody and

15 A number of anomalies plague the state crack index that Moody and Marvell employ. For example, New York state’s crack index is always higher (except in the year 2000 when they are roughly the same) than the crack index value that Fryer et al assign to New York City. At the same time, Rochester and Syracuse have virtually zero crack values over the span of the Moody and Marvell data, but their counties would still be assigned the high and variable New York state crack value. Similarly, the crack value for the state of Maryland, which Moody and Marvell assign to all counties in the entire state, is always substantially higher than the crack value for the city of Baltimore.
Marvell’s Table 2 as standing for the proposition “Shall Issue Has No Significant Effect on Crime,” one might assume that they conclude that RTC laws have not lowered crime in Florida.

This generally pessimistic conclusion about the value of RTC laws would be broadly consistent with our previous demonstration that Plassmann and Whitley’s RTC regressions (estimated on the same 1977-2000 data set that Moody and Marvell use) show that no crimes are reduced by RTC laws and most property crime is increased (Ayres and Donohue, 2003b, 1388).

When we use Moody and Marvell’s data and their preferred specification, modified in only one respect – to follow the aggregated models used in the published studies they argue support the more guns, less crime hypothesis (such as Plassmann and Whitley) – we again find no support for the more guns, less crime hypothesis. Indeed, when controlling for state trends (as Moody and Marvell do), we see statistically significant evidence that RTC laws increase aggravated assault. Omitting state trends, we see that all index I crimes except for murder appear to be increased by RTC law passage.

Thus, we have three different explorations of county data for the period from 1977-2000, which, when coupled with Kovandzic and Marvell’s assessment of RTC laws in Florida, paint a fairly uniform picture that RTC laws have no beneficial effect on crime and evidence from the corrected Plassmann and Whitley model and the aggregated form of Moody and Marvell’s state specific regression suggest that RTC laws increase certain crime categories.16

Indeed, the fact that adding more years of data has consistently made RTC laws look worse, coupled with the impressionistic, visual evidence in Figures 1-3, suggests that as more years of data are systematically evaluated and better controls for endogeneity and regression to the mean are implemented (see Grambsch 2008), the picture of the impact of crime on RTC laws is likely only to get darker. For example, compare the aggravated assault rates in the 26 states that adopted RTC laws between 1980 and 1996 with the same crime rate for the 15 states (plus the District of Columbia) that had not adopted the law at least through 2005. At the beginning of that time frame, the states that did not get RTC laws had rates of aggravated assault that were about 17% higher than the states that were to soon to launch the RTC experiment. By the year 2006, the pattern had reversed and the states with RTC laws now had aggravated assault rates close to 15% higher. The pattern is even stronger for robbery: before they adopted their RTC laws, the prospective RTC states shown in Figure 2 had robbery rates that were almost 55% lower than the non-adopting states; now these RTC states have robbery rates only about 16% lower. If RTC laws reduce crime, it certainly isn’t showing up in the aggregate data.17

16 All three of these U.S. panel data studies use county data and cluster the standard errors by state, as Moody and Marvell recommend.
17 Even for murder where the story is a bit more complicated, we see that in about 1987, which was the
As for now, we note that Phil Cook and Jens Ludwig – two of the top researchers on crime in general and guns in particular – have written that “the best empirical evidence does not support” the “more guns, less crime hypothesis” (Cook and Ludwig, 2004). We agree.

References


start of the period of widespread adoption of RTC laws, the two sets of states had similar murder rates. In 2006, murder rates were 6% lower in the non-adopting states than in the RTC states. If one compares the murder rates in the two sets of states in 1980 and in 2006, one would see essentially no change.


About the Authors

Ian Ayres is Townsend Professor at Yale Law School. He earned a Ph.D. in economics from MIT in 1988 and a J.D. for Yale in 1986. He is the author of nine books (including *Super Crunchers: Why Thinking-By-Numbers is the New Way to be Smart*) and several empirical studies. In 2006, he was elected to the American Academy of Arts and Sciences.

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INVESTIGATING THE APPARATUS

Does Economics Have a Gender?
Christina Jonung¹ and Ann Charlotte Ståhlberg²

ABSTRACT

We are pleased that our paper on gender balance in the economics profession incited a number of commentaries on “Why few women in economics?” (all in May 2008 Econ Journal Watch). The commentators include one sociologist, one psychologist, and three non-traditional economists—making for great breadth. Here we address the issues that seem most important to us.

Our paper provided original documentation of the low representation of women in academic economics in Sweden, and drew on other studies for Australia, Canada, Great Britain, and the United States. Across the five countries, the trends are remarkably similar. From being totally absent or having a very low presence among doctoral students in economics in the 1970s, women have since made significant gains. Today they account for about one third of the PhDs granted in the five countries. Nevertheless, that figure is lower than the percentage of women among the doctoral degrees as a whole, today approaching one half, and even more so compared to the share of women PhDs within the other social sciences. This brings out the question: Why is the representation of women in economics low relative to other fields?

An answer must account for a second matter; namely, why we have seen a strong inflow of women to economics during recent decades—especially pronounced in Sweden during the 1990s and 2000s. We find that our commentators are more eager to point out explanations of why women would not be attracted to economics than to analyze the forces which have in fact enhanced women’s interest in economics in recent years.

Another issue is women’s lack of progress in academic faculty rank, especially to full professor in economics. Despite women’s inroads in economics, many countries still count only a handful of women full professors, their proportion in

¹ BE-1150 Brussels, Belgium.
Acknowledgement: The Swedish council for Working Life and Social Research gave financial support.
the five countries we studied ranging between 5 and 9 percent. Figures presented at the 2008 meeting of the American Economic Association (CSWEP 2008) show a rising female proportion of newly completed PhDs (35 percent), but lagging female shares of assistant and associate professors, and women full professors hovering around 8 percent.3

Yet another question is whether it matters whether more women learn economics and gain position of influence in academic economics. Will it bring about any changes in economics or in society at large?

An Economic Approach

The approach taken in our paper to analyze the inflow and advance of women in economics is the standard economic one (see e.g. Jacobsen 2007, Ginther 2006). Employment outcomes are assumed to emerge from demand and supply. Women and men choose jobs and occupations by weighing costs, such as years of education, input of time and effort, against benefits, like pay, power, and prestige according to their preferences. Employers compare the contribution to output by workers to costs like wages, non-monetary benefits and costs of absence and turnover. Institutions such as educational systems, labor market regulations, taxation, social security programs, and family policies—as well as traditions and social norms - play a role by imposing costs and benefits as well as by restricting choice or opening up opportunities.

Economists do not take the approach described above because they necessarily think that women and men are exactly alike genetically, or that discrimination, socialization, and power have no effect on outcomes. However, economists aim to explain as much as possible of the different behavior and achievements of men and women concerning education, the labor market and the family by economic motives and considerations, without having to assume innate gender differences in preferences or abilities.

In the opening article, we drew on researchers who apply the economic approach. They relate women’s increased investment in higher education and in math and sciences to changed patterns of marriage, child-bearing, and work in the labor market (e.g. Goldin et al 2006). Today in Sweden and the United States women outnumber men at colleges and universities. According to this view, changes in family-work patterns have made studying economics an increasingly rewarding career investment for women, thus explaining women’s rising interest in the field.

As noted in our earlier paper, when using an economic approach to explain the rarity of women full professors, other than a cohort effect, economists have studied the effect of factors that may influence the relative productivity of women

3 By July 2008 another woman had obtained the title of full professor in Sweden, bringing women’s share up to 7 percent. Through correspondence with Christina Neill, we have received data from 2006 for Canada showing that women full professors then constituted 8 percent, up from 5 percent in 1999.
and men, such as marriage, the presence of children, and job disruption, as well as time in research relative to time in teaching, choice of research field, number of publications etc. A significant portion of the gender promotion gap remains unexplained by these factors, and what is more, the various characteristics explain less in economics than elsewhere (Ginther and Kahn 2006).

All of our commentators take a different view than the one that is traditional in economics with its focus on the family distribution of labor and on acquired productivity traits. They suggest the following. Firstly, women may be genetically less able than men in capacities needed to succeed as an economist (Garett Jones). Secondly, women have different preferences than men. They less often like to work in the market or to take on demanding or responsible jobs (like a professorship), preferring time at home and with the children (Catherine Hakim). They less often like the occupational characteristics of the profession of economist (John Johnson). Or they think the present formalistic state of economics is silly and un-rewarding (Deidre McCluskey and Ann Mari May). Thirdly, men still hold the power in the field of economics, controlling the access to positions and to funding. It is in their joint interest to keep women out (Ann Mari May).

Thus in various ways the commentators suggest that economics does have a gender. It is a male subject, developed by men and controlled by men, with characteristics adjusted to the male brain and men’s preferences, rewarding the type of research that men like to do, with careers organized in a way to suit the life of men. In order to keep up the power, pay, prestige, and political influence of the subject, men tend to keep women out. No wonder that women give up and leave!

### Ability

Women and men are not alike in all respects. Drawing on studies of sex differences in genetics, brain anatomy and functioning, and hormones, Garett Jones shows that men and women differ genetically and argues that this may be related to gender differences in the advanced skills useful in economics. In particular, he emphasizes test results pointing to differences between men and women in mathematical abilities. In fact, Jones suggests that various forms of affirmative action may have already pushed the proportion of women in economics higher than it should be.

But Jones overstates the consensus of the literature on the size of the gender differences in mathematical ability, as well as on whether the origin is biological or social. We read the meta-analysis article by Hyde (2005) on psychological gender differences quite differently than Jones does. As the title indicates, Hyde argues for a “gender similarities hypothesis”—that men and women are alike rather than dif-

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4 For a collection of essays covering recent research on women in science, see Ceci and Williams (2006).
Does Economics Have a Gender?

Different. Stressing the stereotypes creates problems in schooling and the workplace, as well as in relationships.

Tests of girls’ and boys’ mathematical abilities have generally found their average mathematical aptitude and performance to be the same or only slightly different (Hyde 2005, Hyde et al 2008, Spelke 2005). Girls excel in computational skills and spatial memory, and boys in geometry, spatial rotation, and complex problem solving. It is also the case that the variance in men’s ability is greater. Thus it is more likely to find men at the highest and lowest levels of performance. More importantly, however, these differences have become successively smaller over time, they seem to be culturally related, and math performance seems to be related to the context of the tests (Guiso et al 2008, Goldin et al 2006, Hyde et al 2008).

An explanation for the decrease in differences in mathematical ability over time is that today girls more commonly enroll in advanced mathematics and science courses than before. Hyde et al (2008) also find that among Asian Americans, girls do better than boys. A study based on the PISA student assessments finds that the gender gaps vary widely by country (Guiso et al 2008). In Iceland, for example, girls perform better than boys, also within the 99th percentile. In addition, the study finds that in more gender equal countries (using an index of gender status) the math gap disappears, even in the tail of the distribution, and the reading gap (favoring girls) becomes even larger. Other studies have focused on the so-called stereotype threat: the cultural stereotype that women are not good in mathematics makes them under-perform. If women are told before a test that women and men generally perform equally on the test, women perform as well as men.

Taken together, these observations make it unlikely that the gender gap in mathematical ability is related to biological differences between the sexes, but rather points to social conditioning as the cause. Economists would say that men and women have been exposed to different incentives to develop their capacities.

Historically, women’s lack of training in mathematics and science should be related to their low presence in economics, as in the sciences. But, as we have seen, as women have approached men in mathematical skills they also take up studies in economics. The problem today is their advancement within the academic system.

Is a lower or different mathematical performance also related to the few women among tenured professors? First, since the women who study economics

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5 In Sweden, boys do not perform better than girls in mathematics neither when gauged on national tests, nor on final school grades (Lindahl 2008).
6 To our great surprise, Jones uses IQ-data from 1932 to support the hypothesis. Not only have the opportunities for and attitudes to girls schooling changed during the three quarters of a century that has since passed, but also—hopefully—the quality of IQ-tests have improved. We doubt strongly the relevance of Jones’ data for today’s situation.
7 Incidentally, of 8 full professors in economics in Iceland, none are women (information supplied by Lilja Mösesdóttir).
8 For references to studies in this tradition see http://reducingstereotypethreat.org.
have been relatively few, they should be a more select group than the men. Second, we know of no research on the IQ or mathematical abilities of professors of economics. Are they the students with the highest mathematical ability? Are spatial rotations skills represented to a higher degree than other mathematical skills, or indeed than other cognitive skills? Or do other personality criteria determine who becomes a tenured economics professor?

Preferences

Even if men and women were equally able, they might differ in their preferences. This is the other major explanation for women’s under-representation at higher ranks. However, the commentators refer to different preferences schemes. Various, women choose not to study economics because they do not like the subject, the methods, the work characteristics of economic research, to work in the market, to take on jobs that demand a lot of time and responsibility.

Reading the comment by psychologist John Johnson, it is not clear to us how various professions other than economics have been classified by the Holland RIASEC scheme for occupations. But we do know that during the 50 years it has been used, a great many occupations, especially those demanding advanced education, have changed from being male to female. Medical doctors, psychologists, lawyers, clergymen, biologists, and veterinarians are examples of occupations where today in many countries we see a majority of women. How does the RIASEC scheme handle this? Have the occupations meanwhile changed in character? There has in fact been a rising inflow of women into graduate studies of economics. How is this handled by the scheme as an explanatory system?

While keeping to its core of thinking, the subject of economics also changes through time and with technology. The last decades have seen the development of computers and the rapidly expanding possibilities to analyze vast amounts of empirical data. A recent study projected the future of economics by collecting the CVs of all assistant professors at the top-10 economics departments in the United States (Oswald and Ralsmark 2008). The authors find that the vast majority of these young economists are involved in empirical work, and conclude that the future of economics seems to lie in applied work rather than abstract theoretical work. Women amount to about 25 percent of their sample.

According to economic analysis, you cannot simply ask persons what they prefer to do and then classify the result as their “preferences.” Yet in the thinking of sociologist Catherine Hakim, it seems, women can freely choose what they wish to do and the outcome shows their preferences. Societal changes such as the introduction of contraceptives, the provision of equal access for women to education and jobs, the growth of white collar occupations and part time opportunities, and changing social attitudes have eliminated constraints on women’s choice. As
a result they can pick the lifestyle they like. It has been said that “economics is all about choices, while sociology is all about why there are no choices to make”. In Hakim’s analysis, this take seems to be reversed.

Economists, while focusing on the action of choice, hold that choices are made under constraints, and would emphasize constraints totally ignored by Hakim, those of price and income. According to Hakim, women’s choices are freer in the UK and US, because there is less public-policy interference with the division of labor between men and women. However, in each country there is a set of wages and gender wage differentials, economic policies affecting taxes, wealth, and inheritance, social policies including social insurance, social assistance and unemployment insurance, family legislation, population policies including regulation of abortion, child care institutions (formal or informal, private or public, subsidized or not subsidized), educational policies, transport policies, housing policies, and more. All these factors together determine the price and income constraints under which men and women choose when to live together, have children, how many, and how to divide work inside and outside the home, et cetera. Not until we have studied the influence of the various factors are we able to identify the underlying preferences.

Further, the differences in tastes, values, and preferences that Hakim refers to, if they could be found, imply that women prefer a work-home balance and are less inclined than men to give priority to making a career. This could possibly explain why we see fewer women in leadership positions in business as well as at the universities, but it does not explain the exceptionality of economics, i.e. why women are less well represented in economics than in other disciplines. A professorship would seem to be demanding, whether in literature, sociology, economics, biology, or physics.

Establishing differences in preferences is indeed a difficult task, and economists have tried a new and exciting mode of investigation, experimental economics. Since individual decisions depend on the context in which they are made, in

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9 Hakim attacks the Swedish model of family policy and gender equality and Swedish social scientists as spreading Swedish propaganda. Suffice it to say that Swedish economists doing research on the situation of women in the labor market have long pointed out that while the mix of Swedish family and tax policies has enabled women to combine work in the market and work at home, it has reduced the incentives for career advancement. Some references to such research can be found in Hakim’s comment, others in her books.

On page 214, Hakim gives a confused discussion of the relationships between women’s labor force participation, gender wage differentials and occupational sex segregation, asserting myths and outdated assumptions. At a seminar in which they both participated and in a book to which they both contributed, Jonung laid out the conflicting sex equality trends in gender pay differentials and in occupational segregation that can be expected as women enter the labor market from home. Jonung there argues that measures of occupational segregation should include work at home as an occupation, in order to give a more accurate picture of the development of gender equality (Jonung 1996, revised version Jonung 1998).
order to reveal deep preferences investigators must put individuals into situations simple enough that one factor can be isolated, such as risk preferences, altruism, or impatience. This is the approach of experimental economics. We are surprised that our commentators have not brought such studies to attention, as some of them point to gender differences in preferences which clearly could be relevant for the under-representation of women in leadership positions.

A survey of studies in experimental economics documents gender differences in preferences in three relevant areas, risk preferences, social preferences, and the reaction to competition (Croson and Gneezy 2008). Women are found to be more risk-averse than men. An academic career typically involves many years of uncertain financing without tenure, dependence on scholarships, research funding, and publication success, in hopes of a tenured position in the distant future. Pre-tenure employment is often concurrent with having children and building a family. Women, being risk averse, may thus opt for a stable job, usually with a higher initial salary. Studies also show that women shy away from competition, and while they may be less productive than men under competitive pressure, in fact are more productive under non-competitive conditions (Örs et al. 2008). The academic environment today, no doubt, is highly competitive—Brad De Long (2005) terms it a tournament. Women may thus rightly conclude that they have a comparative, or even an absolute, advantage in pursuits outside academia. Finally, women’s social preferences seem to be more sensitive to context and social cues. This may lead them to choose professions and work tasks which feel socially appropriate.

Preference differences may thus contribute to the choice of women with a doctoral degree in economics to follow a path outside the universities. It is still not clear, however, why the effects of such preferences would be stronger within the field of economics.

Also, even if experimental results find differences in women’s and men’s preferences, we do not know if these are biological or socially acquired, possibly the result of pressures to conform to gender stereotypes. Thus, they may change as a result of the changing roles of women in society, e.g. women’s rising education, incomes, wealth and participation in competitive sports. For example, Gneezy et al. (2007) found that women are more competitive than men in a matrilineal society, while the contrary is true in a patriarchal society. Booth and Nolan (2008a, 2008b) found that girls’ competitiveness and risk taking increases if they attend single-sex schools instead of co-ed schools. In addition, gender differences are sensitive to the gender mix of the experimental group, with girls being more competitive and more risk taking in an all-girl group. Thus, social learning and gender identity may influence preferences.

10 Another difference found by Dreber and Johanneson (2007) is a higher likelihood for men of lying in order to secure a monetary benefit.

11 Preferences regarding family-career trade-offs have not yet been possible to illuminate through experimental methods, thus they are not included in the survey (Croson and Gneezy 2008).
Finally, we want to air a warning from researchers in the area of experimental economics (Croson and Gneezy 2008, Dufwenberg and Gneezy 2005). There is a clear risk of a bias in published results, such that papers that document the existence of gender differences are more likely to get published, than those that find no ability or behavioral differences. Therefore, researchers will also put more effort into finding differences. In addition, there is a great demand from media and the popular press for the Martian men and the Venusian women.

**Power**

Ann Mari May brings up power relations and status maintenance. We take her to suggest that economics is a discipline with high status and that men have a joint interest and the power to preserve the situation by keeping women out. The conjecture raises a number of questions. Does economics have higher status than mathematics, medicine, engineering, biology, physics, or law? Why are men in economics more interested or more successful in keeping their cartel than men in other areas? Is the political influence of economics a partial answer to these questions?

No doubt, shared tacit knowledge, academic rituals, and hierarchy, as suggested by May (193) create constraints that may be difficult for outsiders to understand and overcome—whether distinguished by sex, race, class or origin. But why would these forces be stronger in economics than elsewhere? Do economists have more to lose than others by letting women into their ranks, for example in terms of wealth and political influence? And would we not expect the rising inflow of women at the PhD level during a number of decades to have eroded some of these barriers? At least in the United States, the share of women in economics has been large enough for some time to enable women to build their own networks. In addition, it is not uncommon today for a male economist to have a wife of the same profession—or daughters in the same line of studies—how does this affect the vested group interests?12

We think that the internal culture in economics, as well as in the natural sciences, is one factor holding back talented women. But we think this is more the result of informal structures related to the low proportion of women. In her presidential address at the annual meeting of The European Association of Labour Economists, Alison Booth (2008) provides a long list of factors that strengthen the glass ceiling for women in business and government, many equally relevant to

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12 For an interesting analysis of how men’s interest in their daughters may make them voluntary renounce power in favor of women, see Doepke and Terrila (2008). Note also the finishing statements of a blog comment by Brad De Long (2005) of which Garrett Jones in his commentary quotes an earlier section: “I am, after all, the parent of a mathematically precocious daughter. I now have less than a decade to build a society that is properly open to her use of her talents. Put me down as demanding a backing-away from the work-intensity tournament model.”
academia, including institutional arrangements made with a (more than) full-time working man in mind, promotion criteria, control over resources, cultural values, willingness to bargain or market oneself, homosocial preferences, and questions of gender identity. With few women it may also be difficult to find supporting and encouraging friends and colleagues with whom to cooperate or collaborate, and it may be difficult to get included in informal networks or selection processes. Women do not yet fit the norm of a traditional scientist, especially within the sciences and in a similar way in economics, and it reduces their self-esteem. Adding everything up, women economists may well find that their comparative advantage lies outside the universities.

**Why Care?**

What difference does it make whether there are more women in economics and more women among the full professors? According to McCloskey, it will make no difference as long as these women stick to “Max U” and other formal modes of discourse. Yet economics is a strong and important tool for understanding the workings of society. In most countries, economists are very influential in public debate and policymaking. May emphasizes “agency,” meaning that knowledge of economics will enable women to engage in the economic arena and influence economic decisions. The different positions of men and women in the economy, e.g. work in the market versus at home, sectors and occupations, income and wealth, the form of responsibility taken for children and elderly, means that virtually every economic policy area—stabilization, growth, wage, social security, international, finance or development - will involve different consequences for men and women. Even if male and female economists would employ the same tools, they will view the social construction from different angles, and thus, as suggested by May, perceive different shortcomings. Women would revise and innovate in different areas, create new designs, invent new tools, apply different methods, and use different language and metaphors. A great deal of space and light should be added as a result.

Even if we accept the view of our commentators that women and men have different basic abilities and preferences, a greater gender mix could in fact enrich economic analysis. While praising the virtues of economics modeling, Paul Krugman, winner of the 2008 prize in economics to the memory of Alfred Nobel, in his comment on “how I work” states: “More important, however, I suddenly realized the remarkable extent to which the methodology of economics creates

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13 The European Commission has since almost a decade recognized the need to establish female networks, mentoring schemes, exchange of knowledge and policy proposals etc., in order to promote the participation of women in research in the sciences. See European Commission 2008.
blind spots. We just don’t see what we can’t formalize.” A social science like economics—and let us not forget it is a social science and not mathematics—should prosper from mixing persons of varied cognitive skills, modes of problem solving, and life experiences.

Another advantage, from the point of view of those of us who appreciate the wisdom of economics and would like to see more of it applied in public discourse, derives from more women studying economics and thus understanding economic reasoning. In addition, we will find more women among those who publicly advocate an economic approach to political and social issues, and who, in their positions as role models, may reach out to other women. Perhaps men and women voters would come to agree more than they do today.14

Finally

Does economics have a gender? Our commentators suggest that this is so and that economics is a male subject reflecting basic differences in men’s and women’s life preferences and abilities. We are not convinced. Economics may have a social gender, but gender roles change over time. New roles for women in the economy have made an increasing number of women discover the usefulness, strength, and charm of economics. The challenge now is to enable and encourage more women with an interest in the subject, not only to study economics, but also to remain at the universities and partake in the research and development of the field.

14 Studies find a gender gap in the views of men and women on important economics issues, such as protectionism. Men “think more like an economist” than women. A proposed explanation is that fewer women study economics at college. See the entry on “The Gender Gap of Economics” by Bryan Caplan (2006).
References


About the Authors

Christina Jonung obtained an MA from UCLA and a licentiate in economics from Lund University in 1985. She worked for many years as lecturer, administrator, and researcher at the department of economics at Lund University. Her research has focused on gender and economics, in particular occupational segregation. She edited (with Inga Persson) Economics of the Family and Family policies (1997) and Women’s Work and Wages (1998). During 1987-88 she served (with AnnCharlotte Ståhlberg) as editor of Ekonomisk Debatt, a Swedish economic policy journal. She is now retired, works free-lance, and lives in Brussels. Her email address is Christina.Jonung@skynet.be.

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Rent control is usually introduced to economics students as a price ceiling and an unambiguous source of inefficiency. Early rent controls mirrored price ceilings, but by the late 20th century the majority of controls had developed into complex systems. This paper organizes the judgments of economists regarding the impact of rent controls in the American context. Research is limited to journal articles listed by the American Economic Association’s electronic bibliography, EconLit, under the subject search “Rent Control” performed February 18th, 2008. Articles must also meet the following criteria: the article focuses on rent control policies; data come from U.S. cities; and at least one author must be an economist. An economist is defined as any individual who holds a degree in the field of economics. I focus on the articles generated by the search in EconLit, but also include articles not in the EconLit search, but referenced by articles that are. I have been scrupulous to include any such once-removed articles that go against the main tendency of the literature, and hence assure the reader that my efforts have not accommodated a “picking and choosing” bias on my part. I find that the preponderance of the literature points toward the conclusion that rent control introduces inefficiencies in housing markets. Moreover, the literature on the whole does not sustain any plausible redemption in terms of redistribution. The literature on the whole may be fairly said to show that rent control is bad, yet as of 2001, about 140 jurisdictions persist in some form of the intervention.

A Brief History of Rent Control in the United States

European countries first practiced rent control after World War I. Many
European governments imposed rent freezes, also called first generation rent controls. Rent increases were not allowed. European reconstruction struggled and most rent controls continued after World War II. Over time, however, controls became more pliable and rents were allowed to fluctuate somewhat in response to market pressures.

US governments first imposed rent controls in response to wartime difficulties. During World War II, housing markets in many cities were overwhelmed as soldiers and their families were relocated around the country. A declared goal was to “ensure affordable housing and to prevent profiteering” by landlords who may have taken advantage of the extreme market pressures (Arnott 1995, 100). The U.S. Emergency Price Act of 1942 established the rent controls of New York City. By November 1943, rents in New York were fixed to their March 1943 levels in an attempt to prevent “‘speculative, unwarranted, and abnormal’ rent increases during the war” (Gyourko and Linneman 1989, 55). Although the Federal Housing and Rent Act of 1947 relieved rental units built after February 1947 from rent control, New York City continued to adopt control policies into the 1950s. After the original legislation expired in 1950, the New York Emergency Housing Act of 1950 continued to impose traditional first generation rent controls throughout New York City.

New York City’s extended adoption of rent control was not typical of the 1950s. For most of the United States, this time period was characterized by the expiration and removal of rent controls. The housing boom of the 1940s and 1950s met the demands of returning soldiers, allowing for plentiful and affordable housing. By 1960 all jurisdictions, except for New York City, had removed rent controls.

The 1960s and 1970s saw a resurgence of rent controls. Double-digit inflation rates caused rental levels to increase abruptly. In response, tenants found power in assembly, leading demonstrations, such as the Harlem Rent Strikes of 1963, and forming organizations such as the Chicago Tenants Union. By the 1970s, rent control had been re-enacted in California, New Jersey, New York, Massachusetts, Baltimore, Maryland, Seattle, Washington and Washington, D.C. The majority of re-established rent controls occurred “in the Northeast and California where the rent pressures were most severe and tenant organization[s] were strongest” (Keating and Kahn 2001, 1).

Another source of support for rent controls is the idea that landlords might take advantage of tenant “lock-in” and increase rent. Rent controls are an attempt to prevent landlords from acting opportunistically. Since increasing rents under such conditions is generally considered “taking advantage” of a tenant, “efficiency is deliberately sacrificed in favor of fairness,” resulting in rent controls (Ho 1992, 1184).

Controls enacted in the 1960s and 1970s are categorized as second generation controls.
rent controls. Instead of simply freezing rents, these policies allowed for minor increases. Rent control creates a classic intervention dynamic, resulting in a cluster of controls including politically administered maintenance codes and requirements, response requirements, tenant-protection measures, rent reductions, eviction controls, relocation measures, apartment-access guidelines, subletting controls, and restrictions on condominium conversion. The regulatory cluster tends to attenuate ownership of rental properties and create investment uncertainty. Private agreement is supplanted by political administration. Throughout the revival of rent controls, landlords had assembled to limit such regulations. By the 1980s the majority view had changed and fewer voters favored government interference with market forces. As of 2001, about 140 jurisdictions in the United States regulated rents (Rent Control: Policy Link.org).

Rent Control as a Price Ceiling

Rent controls prohibit prices from rising above politically-determined levels. Under a price ceiling, fewer housing units are supplied than demanded, resulting in a shortage. While some tenants clearly benefit from the constraints, property owners experience a loss. However, the loss to landlords and would-be tenants is not completely redeemed by the gains of the benefiting tenants, resulting in a dead weight (net) loss and inefficiency (Varian 1996, 14).

The results of first generation controls are uncontroversial. Writing in the Journal of Economic Perspectives, Richard Arnott (1995) offers an exceptionally ambivalent “revisionist” view of rent control. Yet he wrote: “I shall not dispute that first-generation controls were harmful (they almost certainly were)” (102). While temporary price freezes might be beneficial under certain extreme situations, such as during “wartime [when rent controls] provide a way to ration housing without imposing undue hardship,” long-term rent freezes are undoubtedly harmful to economies (Arnott 1997, 8).

Arnott (1997) notes the existing evidence of the negative impacts of rent freezes:

[T]he cumulative evidence – both quantitative and qualitative – strongly supports the predictions of the textbook model [of rent freezes] in virtually all respects. The decay and shrinkage of the rental housing markets in Britain and Israel caused by long-term rent control are persuasively documented in Coleman (1988) and Werczberger (1988), respectively; Friedrich v. Hayek (Fraser Insti-

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3 Aside from Arnott’s avowedly “revisionist” article, the EconLit search found no other articles published by the Journal of Economic Perspectives or the Journal of Economic Literature.
tute, 1975) provides evidence of the harmful effects of hard rent controls in interwar Vienna, including their adverse effects on labor mobility; and Bertrand de Jouvenel (Fraser Institute, 1975) and Milton Friedman and George Stigler (Fraser Institute, 1975) argue strongly that the retention of controls immediately after World War II adversely affected the Paris and U.S. housing markets, respectively. (Arnott 1997, 7-8)

Knight (1950) expresses the inefficiency of first generation rent control and pondered the sources of support:

[R]ent freezing for example, occurs not at all merely because tenants have more votes than landlords. It reflects a state of mind, a mode of reasoning, even more discouraging than blindness through self-interest—like protectionism among our Middle-Western farmers. (Knight 1950, 4)

Since there is a clear consensus among economists, including even Arnott, that first generation controls are bad, we will consider studies that examine other forms of rent controls, often referred to as second generation controls.

**Second Generation Rent Control**

Lind (2001) defines one form of second generation rent control:

Sitting tenants are protected against (certain types of) increases in market rents and there is also a ceiling for rent increases in new contracts. The ceiling is set so high that it smooths increases in rent, but does not keep the rent in new contracts below the market level in the longer perspective. (Lind 2001, 54)

Other forms of second generation controls allow rents to increase relative to inflation rates. In one form or another, they allow rental levels to change over time. Because second generation controls do not fit the typical model of a price ceiling, it is difficult to know their effects. Based on this lack of certainty, Arnott (1995) argues that economists must reevaluate their opinions of second generation controls:

[Se]cond-generation rent controls are so different that they should be judged largely independently of the experience with first-gener-
Economists’ Theorizing the Effects of Rent Control

I organize the literature by theory and empirics. First we examine effects as treated theoretically. Later we will survey the effects as studied empirically.

Misallocation of Extant Housing Units

One dimension of the resulting inefficiency of rent control is that, because they may act as a price control, units are in excess demand and hence it is not necessarily the highest-benefit users who get in. Tenants may apply for or remain settled in apartments that do not well suit their needs simply because the apartment carries a low price. In other words, many of those who do not get in have higher willingness-to-pay than many of those who do get in. Price is not functioning to help assure that resources flow to highest valued uses.

Further, since the gain to tenants who obtain rent controlled apartments might be great, tenants may engage in a lengthy search for an apartment with controls. Whereas rationing by free prices works as an efficient transfer of money, rationing by transaction costs induced by controls are a social waste—like sitting in traffic on an underpriced highway. The following economists suggest that rent controls lead to increased search costs, misallocation, and inefficiency:

[A]ll forms of rent control limit landlords’ abilities to raise rents on long-term tenants. This creates an incentive to stay in the same apartment, which leads people to remain in the same apartment even if their tastes and conditions change. As the taste and needs of individuals change over time, there will be a misallocation of houses across people, even if goods are allocated efficiently initially. (Glaeser and Luttmer 2003, 1031)

The reduction in rent due to rent control causes the reservation mismatch cost to increase; households become less fussy as the cost of search relative to tenancy rises. (Arnott and Igarashi 2000, 260)

The more severe the rent control, the higher the mismatch cost …

4 Lindsey (2006) shows that economists reach a conclusion in favor of highway pricing.
Thies (1993) states collateral manifestations of inefficiency, outcomes ultimately harmful to tenants of controlled and uncontrolled units:

Alternative mechanisms that can potentially equilibrate supply and demand in housing markets include discrimination, quality deterioration, substitution of tenant for landlord maintenance, forced ties, finder's fees, side payments and bribes, and “spillover” into the noncontrolled sector. (Thies 1993, 159)

It is shown that tenants as a class do not benefit, but rather—ignoring dead-weight losses—some tenants are benefitted (those in the controlled sector), and other tenants are hurt (those in the noncontrolled sector). Taking dead-weight losses into account, even some of the tenants in the controlled sector are hurt. (Thies 1993, 159)

Rent controls provide an added incentive for residents to remain in the unit. Arnott (1995) suggests that it might be good to inhibit movement:

Mobility in an unregulated market may be excessive since neither the landlord (in the event of eviction) nor the tenant (in the event of moving) pays the full social cost of a separation; lower mobility in the controlled sector may therefore be welfare improving. (Arnott 1995, 114)

Many economists portray the inhibition of movement in a negative light:

A second, potentially more serious cost can be traced to the immobilization of tenants that rent control induces. Because of the rental bargain that tenants in controlled units enjoy and because controls can make it difficult to find similarly-priced accommodations elsewhere, there is a tendency for tenants to ‘stay put.’ (Navarro 1985, 93)

To the extent that artificially low rents reduce the mobility of the population they impose inefficiency People who would otherwise move away decide to stay in a controlled unit to keep the advantage of an artificially low rent. (Sims 2007, 144-145)

The one clear impact that all rent control regulations will have is
to reduce rents for some groups of existing tenants and create a wedge between their housing costs, if they stay in their existing unit, and their housing costs if they move. This wedge has been found to severely reduce mobility. (Glaeser 2002, 5)

Rapaport also believes rent controls induce tenants to stay too long, “reduc[ing] the inflow into vacancy” (Rapaport 1992, 446).

The following economists suggest potential efficiency losses as a result of reduced mobility:

Whether or not population is growing, housing market reform does affect the equilibrium allocation associated with long-run growth. If we restrict our setting to parameter values which ensure a unique steady-state equilibrium, then the lifting of restrictions lowers the steady-state capital-labor ratio. (Hardman and Ioannides 1999, 334)

…rent control might decrease the mobility of the labor force. As sitting tenants are reluctant to move from a rent-controlled apartment, they are less likely to accept a higher paying job in another city. (Basu and Emerson 2000, 959)

In addition to the inefficient use of time and resources associated with extended commutes, it is not too much of a leap to postulate that a related consequence of rent control must be a decline in the quality of job matches for residents. (Krol and Svorny 2005, 435)

If households are less inclined to move due to rent control they are also less inclined to react to changes in labor market conditions. (Munch and Svarer 2002, 557)

One consequence of the ‘lock-in effect’ is increased unemployment as workers are less willing to commute longer distances to find and hold jobs. (Navarro 1985, 94)

Economists predict that both first and second generation rent controls will result in misallocation, particularly in relation to the inhibition of movement.

**Maintenance**

Basic economic theory would suggest that rent controls will induce landlords to reduce the maintenance of controlled units. With lower rental rates and
excess demand, why should a landlord maintain a $1000-value property for which she can only collect $750? She might as well skimp and let it deteriorate to a $750 value. This basic logic is affirmed by many economists, but of course reality is more complicated, and there are models in which positive maintenance effects are found.

Kutty (1996) developed a “dynamic model to analyze various cases of rent control” in an attempt to analyze the relationship between rent control and rental maintenance (7). She applied her model to typical first generation controls as well as to numerous forms of second generation rent controls:

It is only in the simplistic case [first generation rent controls] that the prediction of negative maintenance holds unambiguously. (Kutty 1996, 8)

In all other cases, positive maintenance is possible under rent control. (Kutty 1996, 8)

We find that the impact of rent control on housing maintenance, theoretically, is ambiguous. (Kutty 1996, 8)

Olsen (1988) offers a similar conclusion:

Models are seriously deficient in that they ignore essential features of actual rent control ordinances and important responses to them. When these features and responses are taken into account, the effect of rent control on maintenance is theoretically ambiguous. (Olsen 1988, 305)

Self-maintenance is an important matter to consider, since both tenants and landlords have an effect on a unit’s upkeep. No doubt a tenant’s assistance often partially offsets a landlord’s neglect. Moon and Stotsky (1993) make such a hypothesis:

Long-term tenants in rent-controlled dwellings are more likely to engage in self-maintenance, compensating for any under maintenance on the landlord’s part. (Moon and Stotsky 1993, 1139)

Gyourko and Linneman also note that tenant maintenance as an important factor:

While the landlord’s incentive to maintain the unit falls, that of the tenant to self-maintain increases. Since landlords are responsible for
Rent Control: Do Economists Agree?

maintaining the entire building including common areas and support services, free-rider problems probably prevent tenants from maintaining those areas as effectively as landlords. Still, those receiving relatively large implicit subsidies have a greater incentive to see that the building does not become unsound, thereby reducing the value of their implicit subsidy. (Gyourko and Linneman 1990, 402)

Olsen (1988) notes that self-maintenance as an important yet frequently overlooked component of rent control and maintenance levels, especially since some second-generation rent controls limit a landlord’s ability to evict tenants. He finds that if a tenant remains in the same rent-controlled unit, “the tenant will maintain the unit better than his landlord due to the income effect [subsidy] of rent control” (Olsen 1988, 302). However, Olsen notes the complexity of the maintenance issue. While tenant maintenance is a notable impacting factor, there are many other elements to account for:

Consideration of other aspects of reality such as the superiority of the landlords in providing certain types of maintenance and the possibility that the tenant will move before receiving all of the benefits of a particular maintenance activity obviously cannot restore the unambiguous conclusion of the usual analyses. (Olsen 1988, 302)

Whether or not tenant maintenance is a deciding factor regarding unit upkeep depends on whether it is substantial enough to counter the expected lack of maintenance from landlords. Many other economists suggest that all rent controls, including second generation rent controls, will simply result in reduced maintenance on controlled units:

[T]he price-taking landlords will allow maintenance expenditures to fall, perhaps to zero, in response to a control on rental revenue below the equilibrium levels. (Albon and Stafford 1990, 236)

The landlord will let unit quality deteriorate to the point where the controlled rent is actually the market price. After all, the landlord has no incentive to make the apartment any nicer than he must in order to keep it occupied… I continue to believe that even second generation rent control creates strong disincentives for quality provision when the unit is occupied. (Glaeser 2002, 10)

[L]andlords cut back on operating and maintenance expenses and
allow their property to deteriorate, the quality and flow of housing services to tenants are reduced: Heat may be lowered and supplied more erratically, halls may be swept less frequently, the exteriors may be allowed to chip and peel, the plumbing may drip and leak, and there may be an increase in roaches or mice infestations as exterminator visits are reduced. (Navarro 1985, 96)

Rent control will generally lead to a decline in maintenance expenditure by the landlord… (Ho 1992, 1188)

In the short run landlords have some latitude to vary the quantity of housing services from the existing housing stock by increasing or decreasing variable inputs (maintenance and repairs)… In the long run landlords will tend to permit the portion of their output that yields no revenue to disappear through deterioration. (Turner and Malpezzi 2003, 37-38)

A final explanation of the decline in owner cost is that rent control leads to less maintenance and more rapid depreciation of controlled rental units. Since prices are not permitted to adjust to clear the market, quality adjustment will tend to perform this task, ultimately causing the market value to fall to the ceiling rent with the owner's cost falling to zero. (Ault and Saba 1990, 39)

Arnott and Shevyakhova (2007) focus on the impact of vacancy allowances, a form of second generation control where rent levels are “controlled within a tenancy but free to vary between tenancies” (24). They believe vacancy allowances lead to a decrease in maintenance. Once a new tenant moves in and a new rental rate is established, the rental revenue received from the tenant is “independent of the landlord’s maintenance expenditure, and hence reduces his incentives to maintain” (24). However, the enforcement of vacancy allowances varies across districts.

Some other forms of second generation controls are designed to punish landlords for allowing rent controlled units to deteriorate. Olsen (1988) summarizes the intentions of such rent controls:

It is easy to show that, if the reward for upgrading and the penalty for downgrading a unit are sufficiently large, the apartment will be better maintained under rent control. (Olsen 1988, 298)

Mengle (1985) argues, however, that such constraints might be incapable of preventing this problem:
One of the alleged advantages of second generation controls is that they are designed to minimize quality deterioration. At the same time, maintenance levels are costly for tenants and local officials to police, and cutbacks are typically slow to show their effects. For example, tenants may be unaware that landlords under controls may now repair leaking roofs rather than replace them, or that formerly annual services may now be performed every two years. (Mengle 1985, 5)

Housing Availability

Basic economic theory suggests that at controlled rates, quantity supplied is reduced and controlled housing is less available. Further, the regulatory cluster attenuates ownership, creates uncertainty, and increases the costs of supplying housing. Thus, basic economic theory would suggest that both short-run and long-run effects will reduce housing availability.

Ho (1992) discusses the possibility that, under certain circumstances, rent controls can increase available housing for low income tenants. Because controls might “lead to faster deterioration” (1188), Ho suggests that rent controls might lead middle and high income housing to deteriorate to the level of low income housing, “temporarily rais[ing] the supply of low-quality housing” (1188).

Hackner and Nyberg’s (2000) model makes the assumptions that individuals “have an equal chance of getting a rent controlled apartment” and that the production of housing is reversible (312). Under these assumptions, they formulate the possibility that “rent control may actually increase the aggregate housing stock” (324).

It is interesting to note that the increase in aggregate demand that follows from a reduction in the regulate rent leads to construction of new housing in the less attractive area. (Hackner and Nyberg 2000, 324)

However, in the long run, controls lead “market-determined rent in the less attractive area [to] be lower than the marginal construction cost” reducing the incentive to build (324). While rent controls might provide a temporary increase in low income housing, overtime controls appear to eliminate all incentive to construct in less attractive areas since even market-level rents do not provide a potential profit to new construction there.

McFarlane (2003) predicts a correlation between rent ceilings and the density of rent-controlled unit development. As a rent ceiling rises, the landlord profits more from each rental unit, allowing for growth and “capital-intensive land
conversion” (330). Therefore, development occurs but at a slower pace and higher density. Conversely, as a rent ceiling is decreased, the landlord’s losses increase, allowing for less growth. Development is accomplished at a quicker pace, but with less capital intensity.

Early and Phelps (1999) suggest that if rent controls have prevailed for a long period, developers might eventually come to build more uncontrolled units because uncertainties and apprehensions are abated:

The reduction in the importance of rent control over time fits well with the notion that the supply of uncontrolled housing falls when investors are concerned that future ordinances will control the rents of new construction. It seems reasonable that the probability of new controls being implemented would decrease as the number of years since implementation increases. If investors become less wary of future controls, they will be more willing to supply housing. (Early and Phelps 1999, 276)

Some models raise counter-intuitive possibilities – perhaps a case of the n-handed economist. Still, many economists expect rent controls will undoubtedly decrease the supply of controlled rentable units:

The aggregate output of housing services will decline…The representative firm…will allow its dwelling units to deteriorate until the flow of housing services declines… (Frankena 1975, 306)

It is important, however, to note that, despite the increase in the number of landlords in the controlled zone, the output per landlord is reduced throughout the zone and the net effect on the aggregate production of housing services within the zone is negative, as commonly predicted. (Heffley 1998, 765)

Having closed off the main means of defending cash flows, profit maximizing landlords will look to other alternatives. The most likely results, given that returns to rental housing in controlled markets will decline relative to other investments, would be either sale at depressed price or abandonment. (Mengle 1985, 15)

Mengle (1985) continues his discussion by relating maintenance levels and housing availability. As discussed, rent controls are expected to lower maintenance levels. In an attempt to prevent the deterioration of rent controlled housing, the regulatory cluster often punishes landlords for allowing maintenance levels to de-
precipitate. Mengle suggests that, instead of dealing with the cluster of controls, landlords may find it advantageous to convert to condominiums or office space. The result is a decrease in rental availability. Mengle (1985) concludes “it is difficult to see how anyone could benefit unless one’s hidden agenda is to remove housing from the private sector” (15).

Early and Phelps (1999) also find reason that rent controls might result in less available housing over time since the incentive for developers to build decreases:

...the supply of uncontrolled housing falls when investors are concerned that future ordinances will control the rents of new construction. (Early and Phelps 1999, 276)

Glaeser (2002) makes a similar observation by noting the difference in construction of uncontrolled rental units between Chicago and New York City:

[I]t is hard for the casual observer not to notice the difference in the supply of new construction for rental purposes in Chicago (which is very much a non-rent controlled city) and New York City (which has among the most Byzantine and volatile rent control rules...). Chicago’s lakefront is dotted with apartment buildings built after World War II for rental purposes. New York’s Upper East Side is filled with one-time rental buildings that were gradually turned into cooperatives and lacks new rental buildings despite the fact that technically these buildings would be free from rent control. (Glaeser 2002, 12)

Converting apartments to non-rentable units is a route by which rent controls may decrease housing availability:

[D]evelopers will choose to build de-controlled new homes, condominiums, office buildings, or simply not to build at all, investing their funds elsewhere. (Navarro 1985, 90)

It is worth mentioning that rent control also creates an incentive to demolish rental buildings prematurely – either legally or through arson – and to build uncontrolled dwellings in their place. (Navarro 1985, 91)

[R]ent control can reduce the stock of low-quality housing, by inducing upgrading (from rent level decontrol), rehab (to convert to owner-occupancy), and abandonment. (Arnott 1995, 116)
Conversion activity increases when the market rent surpasses the rent ceiling. (McFarlane 2003, 328)

The theoretical conclusion that rent controls result in a decrease of the stock of rent controlled units is compelling. The effect of rent controls on uncontrolled units, however, is more ambiguous. As noted above, some economists regard the uncertainty and decreased maintenance levels as an element which prompts a decrease in overall stock of rentable units, not just controlled units. However, the magnitude of conflicting factors causes other economists to reach other complex conclusions. The theoretical effect of controls on the aggregate supply of rentable housing is therefore ambiguous.

The Effect of Rent Controls on Controlled Rents

Whether the consumer can find “affordable” housing depends not only on the number of housing units available but also on whether rents are “affordable.” Nagy (1997) believes that, under second generation controls which allow for vacancy allowances, landlords may find a way around rent controls by “offer[ing] a price higher than what would prevail in an uncontrolled market” (76). Therefore, the ability of rent controls to lower rents is hampered by the landlord’s ability to set the initial price. This effect may be seen as a kind of inverse to a possible consequence of minimum wages: That employers make the schedule of pay raises flatter on account of the initially high wage paid in compliance with the minimum-wage law.

Again, the allowing of landlords to set the initial rental level may, as Nagy (1997) states, reduce a rent control’s effect as a price control. The landlord may chooses to set the rental level at a rate higher level since the rate will remain fixed until the tenant decides to move. This alters the stories about the lost return to landlords; a decrease in maintenance level, a decrease in the supply of apartments, a potential increase in homelessness, and a potential increase in the rental level in the uncontrolled sector.

Basu and Emerson (2003) provide another analysis of vacancy allowances, also termed tenancy rent control. They suggest that the allowance to set incoming rent leads to results similar to those of first generation controls.

Given tenancy rent control [vacancy allowances], the presence of even a small positive inflation gives rise to an adverse selection problem. Landlords now prefer short-staying tenants to long-staying tenants (as long-stayers impose greater costs on landlords because of the erosion of real rents during a single tenancy), but they have no way of telling the types apart…. Long-staying tenants
know their type but have no interest in revealing this information to prospective landlords. (Basu and Emerson 2003, 225)

The combination of asymmetric information and monopolistic landlords leads vacancy allowances to result in very low rental levels, similar to a typical first generation rent control.

[Vacancy allowances] can cause landlords to operate in a way that mimics the old-style rent control. To wit, they hold down price, even with excess demand, to attract a better-‘quality’ tenant (i.e. one that will not stay too long). (Basu and Emerson 2003, 230)

Therefore, Basu and Emerson (2003) find some second generation rent controls lead to lower rental levels, but this comes at the cost of inefficiencies like those of first generation controls.

By their nature, rent controls provide rental levels lower than short-run free-market levels. Yet, queuing, waiting lists, bribes, and high search costs are additional costs not reflected in rental rates. In the spirit of Tullock’s transitional gains trap (1975), the beneficiaries of rent control may not extend much beyond those who were situated at the time of imposition. Moreover, the attenuation of ownership might discourage supply such that even controlled rates are, in the long run, not lower than the rates that would have prevailed if the regulatory cluster had never been created.

The Effect of Rent Controls on Uncontrolled Rents

If rent controls reduce housing availability, this will lead to a shortage in the entire housing market. A shortage will increase in outward demand shifts in the other, substitute uncontrolled markets, resulting in higher rental rates. Therefore those who do not live in rent controlled units must pay a higher rent as a result of local rent control. This effect is analogous to how minimum wage laws may increase demand for high-skilled labor and mechanization.

Hubert (1993) does not draw the same conclusion. Instead he suggests that second generation rent control might decrease rents in the uncontrolled sector:

If the rationing system induces tenants in the controlled sector to accept a reduction of housing consumption – compared to the case of an unregulated market – rent control effectively acts like a subsidy to decrease consumption. Not surprisingly, this would lower the rent in the free sector of the market. (Hubert 1993, 58)
Also, Heffley’s spatial equilibrium model of rent control derives this unconventional conclusion:

[N]either the price per unit of service nor the rental payment rises in the uncontrolled area when the control is imposed elsewhere. This result, too, is sensitive to model specification and parameter values, but it suggests that the external effects of rents control may be quite complicated and counter to the conventional story when the long-run economic and locational adjustments of both tenants and landlords are considered. (Heffley 1998, 766)

However, other economists are confident that controls will lead to higher rents in the uncontrolled housing market.

[W]e can be quite confident that the greater the extent of rent control in an urban area, the higher will be the supply price in the uncontrolled market… (Early and Olsen 1998, 804)

While rent control unquestionably reduces rents of tenants in rent-controlled units, it actually increases rents of tenants in uncontrolled units. (Navarro 1985, 96)

[T]he greater imbalance as a result of rent control forces the unsatisfied renters to look for more expensive substitutes, which therefore becomes even more expensive. (Ho 1992, 1188)

**Homelessness**

Standard analysis would suggest that rent controls increase homelessness since controls are expected to reduce housing availability.

[I]t might reasonably be argued that rent control leads to homelessness by impeding new construction due to a fear of future regulation and hastening removals form the existing stock. This decrease in supply should lead to a higher rental price of housing in the uncontrolled sector and a lower vacancy rate. Since the worst units are the most likely to be converted to non-residential uses, households with the highest propensity to be homeless, namely the extremely poor, are likely to be the households displaced. They are also the most susceptible to eviction for non-payment of rent. Since landlords of controlled units ration based on non-pecuniary characteristics, these households are unlikely to find a controlled unit and the
higher rental price or housing and lower vacancy rate in the uncontrolled sector may make homelessness their best choice. (Early and Olsen 1998, 799)

Yet, many results suggest the relationship is ambiguous:

With these lower rents, poor households are less likely to be evicted for non-payment of rent when they experience financial difficulties. So there is at least one mechanism through which rent control could lead to less homelessness. (Early and Olsen 1998, 799)

An increase in the lower bound on housing consumption should induce some households to occupy better housing at the same time that it makes homelessness the best choice for others…(Early and Olsen 1998, 805)

But since no empirical studies adequately account for the many possible linkages between rent control and homelessness, whether rent control contributes to homelessness remains an open issue. (Arnott 1995, 116)

Economists show no preponderant prediction on homelessness. As homelessness is a complex matter, the ambiguity is understandable.

**Targeting the Benefits of Rent Control**

Does rent control successfully target benefits to less fortunate individuals? Landlords and superintendents use non-price forms of rationing. In sifting through credit reports, references, and other components of applications, they are likely to select the individuals or families that appear to struggle the least. Both Arnott (1995) and Glaeser (2002) raise doubts about targeting to needy tenants.

The traditional advocates of controls emphasize distributional concerns. Specifically, they argue that controls redistribute from rich to poor and ensure cheap housing. I find little merit in either argument. Whatever redistribution controls achieve is poorly targeted…For related reasons, cheap housing, as distinct from a reduction in inequality or poverty, is a dubious goal of social policy. (Arnott 1995, 108)

In most cases the landlord or superintendent may allocate apartments on the basis of the tenant characteristics or a tenant bribe. If
landlords get to choose among prospective renters, then it seems quite possible that the reduced rents from rent control may actually end up increasing segregation. After all what will landlords look for? Tenants who make the building more attractive to other tenants. In general, this will mean tenants who resemble the existing stock of tenants, or richer tenants. This will tend to exacerbate segregation, at least in richer communities. (Glaeser 2002, 9)

The benefits of rent controls go to individuals selected by landlords. Navarro (1985) further explains how this allocation occurs and who is more likely to benefit from rent controls.

As an example of this form of discrimination in Cambridge, Jeffrey Sterns has noted that ‘due to the high demand for housing in the city, landlords prefer and are able to rent their units to higher income tenants not receiving public subsidies.’ (Navarro 1985, 94-95)

While some tenants win, other tenants unquestionably lose. (Navarro 1985, 96)

**Effects on the Community**

The primary goal of rent control is to provide affordable housing. Yet the controls affect other facets of a community. Glaeser (2002) expects these to be negative: “If the city is getting poorer, then rent control may tend to exacerbate poverty and stop rich people from renting the more desirable apartments” (Glaeser 2002, 6). Glaeser (2002) notes the correlation between rent controls and poverty in New Jersey. He suggests that rent controls result in decreased growth “because rent control[s] limit new construction or because other factors [make] these places less attractive” (18). Navarro (1985) explains that rent controls can negatively affect a community by affecting the community’s tax base; “Because tax assessments are based on a property’s market value, the amount of taxes the owner pays shrinks with the reduction in rents” (Navarro 1985, 92). In an attempt to replace the taxes lost from rent control, taxes in the uncontrolled sector might be increased. In effect “the tax burden is shifted not only to single family homeowners, but also to tenants in the uncontrolled market” (Navarro 1985, 96).

Heffley (1998) also remarks on the potential tax base erosion caused by rent control:

In moving to the rent control case…the level of public spending
and the tax rate are maintained. But the control’s negative effect on aggregate housing rents (the tax based in this model) reduces tax revenues and causes a deficit. (Heffley 1998, 767)

In reality, rent controlled communities should be expected to pursue some mixture of these strategies: general increase in effective property tax rates coupled with selective abatements to some landlords, cutbacks in public spending, increased efforts to secure non-local sources of income, and greater reliance on other forms of local taxation. (Heffley 1998, 769)

Navarro (1985) suggests that controls may lead to an increase in energy consumption:

[T]he ‘lock-in effect’ leads to longer commutes, workers consume more gasoline… the city’s rent control mechanism provides little incentive for landlords to conserve fuel because of a ‘dollar-for-dollar’ clause which allows landlords to pass any increase in fuel expenses directly through to tenants. This gives the renter little incentive to conserve and the landlords little incentive to install conservation devices. (Navarro 1985, 94)

**Empirical Research on Rent Control**

The preceding review of theoretical effects is now paralleled by a review of effects in empirical findings.

**Misallocation of Extant Housing Units**

Glaeser and Luttmer (2003) offer some empirical evidence of the misallocation caused by first generation controls:

[New York City, 1990:] [A]t least in theory, ignoring the misallocation costs of price control may result in a far too positive view of these regulations… Our methodology suggests that 21 percent of New York apartment renters live in apartments with more or fewer rooms than they would if they were living in a free market city. (Glaeser and Luttmer 2003, 1028-1029)

[O]ur procedure suggests significant misallocation. Our estimates indicate that 11 percent of the renters are misallocated and 15.9
percent of the owners are misallocated. (Glaeser and Luttmer 2003, 1044)

Gyourko and Linneman’s (1989) analysis of New York City’s rent control system during 1968 finds that controls “encourage excessive immobility among controlled sector renters” while they “encourage excessive mobility among families hoping to obtain controlled apartments” (72-73). Therefore, they find the effect of rent controls on a tenant’s movement depends on whether the tenant is lucky enough to reside in a rent controlled apartment.

Nagy’s (1995) regression analysis of data from New York City in the years 1978, 1981, 1984, and 1987 gives similar results: “between 1978 and 1987 tenants in the controlled sector were less mobile than those in the stabilized sector” (137). However, Nagy notes that rent controls do not necessarily reduce mobility, as those who live in the controlled sector tend to be less mobile individuals:

It appears that much of the difference in mobility can be explained by differences in tenant characteristics across sectors. (Nagy 1995, 137)

[T]enants in the controlled sector are predominantly white. They also tend to be older and have less income. Because these characteristics are associated with immobility, this suggests that tenants in the controlled sector may move less often because they tend to have the characteristics of immobile tenants. (Nagy 1995, 133)

However, the majority of researched articles agree with the results that individuals who currently live in rent controlled units are significantly more likely to stay put:

[New York City, 1981:] [R]esidents of the controlled sector receive significant rental subsidies relative to those of the stabilized and uncontrolled sectors and hence remain in their units significantly longer than they would otherwise be expected in order to realize these subsidies. (Linneman 1987, 22)

[New York City, 1968:] [T]he “average” rent control tenant would choose to remain in his or her residence about 18 years longer than an otherwise identical tenant in an identical residence which was not rent controlled due solely to these differing marginal effects... Clearly rent control results in large distortions in the way changes in personal and structural characteristics change the preference for residential stability. (Ault, Jackson, and Saba 1994, 156)
Tenants will still have longer duration than those in an uncontrolled sector. Increased duration may have detrimental consequences … Tenants may be willing to live in a crowded apartment because they cannot find an apartment that is properly sized. Increased duration may have positive benefits as well. A tenant will have a greater incentive to maintain the apartment if he or she has a long duration. (Nagy 1997, 76)

Krol and Svorny find that tenants in rent controlled apartments appear to sacrifice shorter commutes for lower rents:

Using New Jersey census tract data… we are able to show a positive and statistically significant relationship between rent control and the percent of the working population that has a long commute for 1980, 1990, and 2000. (Krol and Svorny 2005, 435)

The most constraining types of controls are systematically empirically associated with longer commute times. (Krol and Svorny 2005, 435)

Another consequence of rent control has to do with a tenant’s potential to become a homeowner. Because rent controls make renting more attractive and lead tenants to stay put, controls generally decrease renters’ incentives to become homeowners:

A potentially large efficiency effect of rent controls is that the expectation of subsidized rents induces nonoptimal homeownership patterns (Gyourko and Linneman 1989, 69)

Consumers with large expected rent control benefits had lower demands for homeownership. (Gyourko and Linneman 1989, 71)

The tenancy duration results in combination with our findings of substantial influences on homeownership propensities and housing trait prices indicate that the small redistributive impacts associated with rent controls were achieved at the expense of substantial efficiency costs. (Gyourko and Linneman 1989, 73)
Maintenance

The model of rent control as a strict price ceiling predicts maintenance levels in controlled units will depreciate. Yet Arnott (1995) reports: “the empirical literature has been unable to uncover significantly higher levels of maintenance in the uncontrolled sector” (114).

In an empirical research paper on New York City’s first generation rent controls in the 1970s and 1980s, Moon and Stotsky (1993) reached an ambiguous conclusion on maintenance:

[New York City, 1978, 1981, 1984, and 1987:] [W]e find little evidence that the rent control status dummy variable influences housing quality change… It suggests that housing units that stay under control from the beginning to the end of the transition period are less likely to deteriorate. (Moon and Stotsky 1993, 1139)

With the subsidy measured in level form, we again observe no significant relationship between rent control and housing quality change. (Moon and Stotsky 1993, 1139)

Some economists, however, find a negative relationship between rent controls and maintenance levels:

[A]lthough tenants may pay less for their rent-controlled apartment, over time, the regulated landlord provides less. For example, in their analysis of Los Angeles, Rand researchers found that 3.5 percent rent reduction from controls was partially offset by a 2.2 percent deterioration, for a net rent benefit of only 1.3 percent to tenants. (Navarro 1985, 96)


Some economists also find maintenance controls to be ineffective:

[Boston 1985, 1989, 1993, 1998:] Though rent control does not seem to lead to catastrophic maintenance failures, it appears to reduce the maintenance performed on rental units. As landlords can be fined for allowing water and heat failures, but not for cracked paint, this result is not surprising. (Sims 2007, 144)

Sanctions against landlords who cut back maintenance expenditures have not realized their intended results. (Mengle 1985, 14)

Gyourko and Linneman (1990) find “a change in the rent control status of the building’s apartments from uncontrolled to controlled reduces the probability of the building being in sound condition” (405). While these findings correlate with the expected negative relationship, Gyourko and Linneman find these results are highly subject to certain rental units and certain locations:

[New York City, 1968:] Rent controls have had their biggest adverse quality effect on the already relatively deteriorated rental housing stock in smaller buildings. The impacts are largest in Manhattan. For smaller pre-1947 buildings in Manhattan, there is an 8.96% higher probably of being in unsound condition if the building’s units are rent controlled versus uncontrolled. The analogous effects for Brooklyn and Bronx are around 7.5%. The adverse impact on quality is smallest in Queens at 3.42%. (Gyourko and Linneman 1990, 408)

The impacts are much less in newer smaller buildings and are nonexistent for units in buildings under ten years old. (Gyourko and Linneman 1990, 408)

While other factors such as age and initial building quality play a clear role in apartment maintenance levels, these elements are erratic and not within human control. Given even a small negative impact on maintenance, Gyourko and Linneman (1990) find “it is virtually impossible to justify this price control as good public policy” (409).

The empirical research pertaining to maintenance reflects the net effect of the upkeep from tenant self-maintenance and the neglect from landlords. Many researchers find decreases in maintenance levels, but the evidence does not offer a clear conclusion. Since the regulatory cluster usually tries to address maintenance, it is not surprising that the empirics are mixed.

**Housing Availability**

Sims’ (2007) empirical examination of rent decontrol in Boston in 1985, 1989, 1993, and 1998 finds that “being in a decontrolled zone leads to an increase of about 0.2 percentage points in the relative quantity of [total] housing supplied” (141). This counts as a “small effect” and Sims concludes “the end of rent control had little effect on the construction of new housing” (141-142).
Rent controls give landlords the incentive to convert units into non-rentable housing, such as condominiums:

[Cambridge, Massachusetts:] Roughly 10 percent of the city’s rent-controlled housing stock was converted to condominiums and moved out from under the grasp of the ordinance. As a result, the share of renter-occupied private units has shrunk from 75 percent in 1970, to 72 percent in 1975, to 66 percent in 1980. (Navarro 1985, 91)

[Boston, Massachusetts 1985, 1989, 1993, 1998:] In summary, there is weak evidence that rent control affected the extensive quantity of housing units supplied in Boston, but much stronger evidence that rent control lead owners to shift units away from renting. The 6-7 percentage point change in rental probability between controlled and uncontrolled zones may seem small, but when applied to all three cities it implies that rent control kept thousands of unit off the market. (Sims 2007, 143)

[T]he end of rent control is associated with a 6 percentage point increase in the probability of a unit being a rental. (Sims 2007, 142)

The Effect of Rent Controls on Controlled Rents

Several studies find that rent control reduces rents in the controlled sector. Studying Los Angeles, California, 1969-1978, Fallis and Smith (1997) find that “the data confirm that rent controls effectively constrained rents on controlled units” (199). Writing of New York City in 1968, Gyourko and Linneman (1989) interpret the lower rents as a subsidy to the tenant: “All benefits are expressed in 1984 dollars. The benefit associated with occupying a rent-controlled unit is quite large, with a mean annual subsidy of approximately $2440 or an average 27.2% of annual income” (61).

Where second generation rent controls involve vacancy allowances, new tenants may be willing to pay higher rents for the promise of controlled future rents. Nagy (1997) finds that “in 1981 new tenants to New York City’s rent-stabilized sector paid on average more than tenants in an uncontrolled sector.” (65). Nagy (1997) explains landlords are able to set the initial rental level, therefore, “tenants forgo low current rent in exchange for low future rent” (65). Therefore, he found the system simply altered the timing of payment rather than the total cost of rent:

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6 The three cities Sims refers to are Boston, Brookline, and Cambridge.
Politicians who wish to soften rent control by adding vacancy de-control-recontrol provisions may be undoing the control altogether. These provisions may be doing little more than altering the timing of payment time. Renters pay the same in the long run. They simply pay higher rent sooner and lower rent later. (Nagy 1997, 76)

Again, this effect eradicates rent controls ability to act as a price control. As discussed earlier this has a notable impact on the level of negative impacts resulting from rent control.

The likely long-run effect of the regulatory cluster is to shift cost curves up and supply curves back, so it is not surprising that there is evidence that, in the long-run, rent control leads to higher rents even in the controlled markets:

[New York City, 1996:] The results suggest that due to the higher price in the unregulated market, on average, tenants in rent stabilized and ‘old style’ rent controlled units would be better off if controls had never been established. If controls had never been put in place in New York City, these tenants would have faced a lower price of housing in the uncontrolled sector and would find units in the free sector that better fit their needs. (Early 2000, 202)

The average estimated benefits are -$4 [a loss, in 1995 dollars] per month for households in ‘old style’ rent controlled housing and -$44 per month for households in rent stabilized apartments. This implies that, on average, households in regulated units would have been better off if rent regulations had never been established in New York City. (Early 2000, 197-199)

Only under the belief that prices in the uncontrolled sector are little changed by rent regulations, between 2 and 4%, are the benefits to households in controlled units high enough to compensate for the loss to households unable to find a unit of controlled housing. (Early 2000, 202)
The Effects of Rent Controls on Uncontrolled Rents

Many empirical studies find rent controls increase rents in the uncontrolled sector:

[New York City, 1996:] The results suggest a positive and statistically significant relationship between the fraction of rental units under rent control and the price of rental housing in the free sector. (Early 2000, 193)

[Los Angeles, California 1969-1978:] After two years, controlled rents had risen an average of 13.7 percent and uncontrolled rents had risen an average of 46.2 percent. (Fallis and Smith 1997, 199)

[The data confirm that rent controls effectively constrained rents on controlled units, but enabled larger rent increases on decontrolled units than would have occurred in the absence of rent controls. (Fallis and Smith 1997, 199)

Caudill (1993) offers a dual analysis of New York City’s rent controls in 1968. He observes the impact of rent controls on the rental level in the uncontrolled market by using both the traditional ordinary least squares regression method as well as the frontier method. Both regressions give similar results. He estimates that if controls are removed, “rents in the uncontrolled sector would fall about 22%-25%” (731).

Sims’ (2007) regression offers an interesting outcome regarding the impact on the uncontrolled sector. He finds that, depending on the uncontrolled unit’s proximity to controlled units, the rent might actually decrease. Sims’ conclusion is based on rent control’s effect on maintenance levels. As stated above, controls often reduce maintenance. As a result, uncontrolled rental units located nearby will fall in value. While economists are not unanimous regarding rent controls impact on maintenance, it is interesting to note the potential negative externalities that might result.

[Boston 1985, 1989, 1993, 1998:] Though the underprovision of housing due to rent control might raise rents in the uncontrolled sector, the reduced care given to rent controlled units may make the zones with rent control less desirable for those living in non-controlled housing. This spillover effect due to sub-optimal maintenance may decrease all rents in an area. (Sims 2007, 148)

The coefficients imply that having 10-12% rent controlled units in
your zone will decrease your rent by 23-28 dollars [1998 dollars] a month. (Sims 2007, 149)

Early and Phelps (1999) conclude that the impact on the uncontrolled rental market is more ambiguous. While they find “the existence of rent control increases rents in the uncontrolled sector by more than 13 percent,” these effects diminish over time (274):

[American Housing Survey, 1984-1996:] [O]n average, the monthly rent of a typical uncontrolled unit is roughly $85 higher [1996 dollars] because of the existence of rent controls. (Early and Phelps 1999, 277)

These results suggest that the introduction of new controls would increase the price of uncontrolled housing. However, policy makers concerned with the second-generation controls that are currently in existence can look to these results as an indication that the detrimental effects on the price of uncontrolled housing have passed. According to our findings, the elimination of current controls would not be expected to alter the price of uncontrolled housing. (Early and Phelps 1999, 279)

**Homelessness**

Several empirical studies find no clear relationship between rent control and homelessness:

[U.S. Metropolitan Areas, 1984:] Rent control, which has been cited as a cause of homelessness … had no effect on either homelessness or crowding… (Honig and Filer 1993, 252)

Rent control does not have a statistically significant effect on homelessness. (Olsen 1998, 677)

[American Housing Survey, 1985-1988:] Our results lend no support to the view that rent control is a major cause of homelessness. If anything, they suggest that it reduces homelessness. Although our estimates indicate that rent control does lead to a lower vacancy rate and higher price per unit of housing service in the uncontrolled sector and they suggest that these lead to more homelessness, they

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7 Olsen’s (1998) conclusion is based on his empirical study with Early (1998).
also indicate that these effects of rent control are more than offset by other effects that decrease homelessness. (Early and Olsen 1998, 799-800)

Grimes and Chressanthis’ (1997) regression finds a clear positive correlation between rent controls and the rate of homelessness. Therefore, it is possible that controls may increase the number of homeless individuals.

[U.S., 1990:] The empirical results, irrespective of the measure of the homeless population, strongly confirm the positive impact of rent control on the level of homelessness. (Grimes and Chressanthis 1997, 33)

Even though the estimated effect is relatively small, this finding suggests that rent controls, while providing economic benefits to special interest groups in society, impose social costs by increasing the rate of chronic homelessness. (Grimes and Chressanthis 1997, 36)

Yet, Gissy (1997) finds a possibility that rent control mitigates homelessness:

[U.S., 1984:] Cities with rent controls may have higher rates of homelessness, but it is due to the high costs of housing. Without the rent controls, which lower the relative rents in these cities, the homeless rate would be even higher. (Gissy 1997, 119)

Gissy (1997) warns that his findings might be influenced by other channels:

[U.S., 1984:] Since rent-controlled cities had higher housing costs than the non rent-controlled cities, it may well be that those cities where rent controls would serve to lower vacancy rates happen to be the ones that instituted rent controls. (Gissy 1997, 119)

There does not seem to be any clear conclusion regarding rent control and homelessness.

**Political and Administrative Costs**

Empirical work has also been done on the costs of administering and enforcing rent controls:
[Cambridge, Massachusetts, 1970, 1975 and 1980:] In Cambridge, for example, the annual budget for the city’s rent control board and related rent control activities runs to about $700,000. That means it costs taxpayers about $40 in regulatory costs for each of the roughly 18,000 apartment units under control. (Navarro 1985, 93)

[New York City, 1981:] The results presented here suggest that the administrative costs associated with the new style controls do little other than to formalize the market forces which would have otherwise occurred through the “invisible hand” of competition… [T]he inefficiency costs of these regulations may be substantial, as they involve both administrative costs and the misallocation of resources. (Linneman 1987, 29)

Measurements of administrative costs remind us that bureaucracies are a player and an interest group.

**Targeting the Benefits of Rent Control**

As stated by the Governor of New York, David A. Paterson (2008), “Rent regulation [including rent control] is intended to protect tenants in privately-owned buildings from illegal rent increases and allow owners to maintain their buildings and realize a reasonable profit.” The general goal of rent controls is to assist those who can barely afford housing. A stereo-typical beneficiary is disabled, elderly, or living on a fixed or limited income. In Gyourko and Linneman’s (1989) empirical study of New York City in 1968, they estimated the benefit of rent control to lucky tenants as $2440, in 1984 dollars (Gyourko and Linneman 1989, 61).

Linneman’s (1987) study of New York City in 1981 concludes rent controls’ targeting abilities are haphazard. While the benefits of controls were found to go to some intended individuals such as those who had “low incomes and were elderly,” the benefits were distributed by chance and therefore, “the targeting of these benefits was poor” (15). Other economists agree with Linneman’s findings:

[Boston, Massachusetts 1985, 1989, 1993, 1998:] Only 26% of rent controlled apartments were occupied by renters in the bottom quartile of the household income distribution, while 30% of units were occupied by tenants in the top half of this distribution… This suggests that much of the transferred surplus may have been received by wealthier households. (Sims 2007, 148)

If much of the benefit accrues to white upper income households, rent control may prove to be an ineffective transfer program as well.
as an inefficient one. (Sims 2007, 150)

[Cambridge, Massachusetts, 1970, 1975 and 1980:] [T]he poor, the elderly, and families – the three major groups targeted for benefits of rent control – were no more likely to be found in controlled than uncontrolled units. (Navarro 1985, 97)

[New York City, 1972; Los Angeles, California, 1991; Santa Monica, California, 1990; Washington D.C., 1988:] We also learned that within a market the distributions of costs and benefits of controls are sometimes “progressive,” sometimes perverse, but virtually always poorly focused. (Malpezzi 1993, 622)

[New York City, 1981:] [T]he rent control subsidies were very poorly targeted. (Linneman 1987, 30)

[New York City, 1968:] [W]hile many poor families received benefits, so too did many higher income families. In a similar vein, while many low-income families benefitted from rent controls, many other equally poor families received no benefits… [T]his indicates that if the primary social benefits of rent controls are their distribuational impacts, they were not successful in New York. (Gyourko and Linneman 1989, 66)

Olsen’s (1972) study of New York City in 1968, however, yields contradictory results. He finds the mean annual income of tenants in controlled apartments to be $6,223, while the mean annual income of tenants in uncontrolled units is $9,000 (Olsen 1972, 1095). Therefore, poorer households tend to receive the benefits of rent controls:

[New York City, 1968:] Though there are many rich people living in controlled housing and poor people in uncontrolled housing … on average the occupants of rent-controlled apartments are poorer than the occupants of uncontrolled housing. (Olsen 1972, 1094)

Therefore, among the set of families who receive a net benefit from rent control, poorer families receive larger benefits…In this senses, rent control achieves some of the objectives desired by supporters of the program. (Olsen 1972, 1095)

While poorer tenants appear to be the recipients of most of rent controls benefits, Olsen mentions that there is no accurate distribution of benefits within
this group. A poorer individual does not necessarily receive more of a benefit than an individual who is considered less poor:

[New York City, 1968:] [T]he extremely low coefficients of determination …suggest a great variance in the distribution of benefits among recipient families… (Olsen 1972, 1095)

There is nothing approaching equal treatment of equals among the beneficiaries of rent control. In this sense, rent control is a very poorly focused redistribution device. (Olsen 1972, 1096)

Ault and Saba (1990) also analyzed the rent controls of New York City. Their research focused on the long-run impact of rent controls and whether the “costs and benefits changed over time…” (26) Their regression applies data from the New York City Housing and Vacancy Surveys of 1965 and 1968. They find that recipients of rent controlled apartments have the following characteristics:

In each year there is a higher proportion of minority families in the controlled sector, and the families in that sector are older and poorer than their counterparts. (Ault and Saba 1990, 36)

Yet, similarly to Olsen’s conclusion, they find the distribution of the benefits of rent controls are erratic.

In all cases the coefficient of determination is very low, indicating that the program of rent control in New York City did a poor job of providing equal benefits to similarly situated families. Among families in controlled rental housing in 1965 and in 1968, benefits are higher for wealthier and older families and lower for larger families and minority families. (Ault and Saba 1990, 37)

Inequalities resulted from the failure of the program to provide equal benefits to similar families in controlled rental housing… (Ault and Saba 1990, 39)

Further empirical analysis provides insight into what type of renters usually receives the benefits. Landlord’s preference of tenants plays a vital role in determining who receives the benefits of rent controls.

[New York City, 1996:] [T]he results suggest that a decrease in the age of the head and an increase in the number of persons lead to a decrease in the estimated benefits of rent control. These relation-
ships may be due to a preference by landlords for older and smaller households. It is plausible that controlled units are rationed. If landlords believe that larger households headed by young persons lead to quicker depreciation of their units, that rationing of units by landlords would lower the probability of larger and younger households finding rent regulated units. (Early 2000, 202)

[New York City, 1981:] The rental subsidy for those residing in the old style sector ... increased with age but was not significantly at conventional confidence levels... Family size significantly reduced the subsidy in the controlled sector for family sizes under four and increased the subsidy for larger families. (Linneman 1987, 25)

[New York City, 1968:] Single renters of each sex fared significantly worse on average than their married counterparts. (Gyourko and Linneman 1989, 63)

[New York City, 1968:] We can be rather certain that blacks receive greater benefits than whites, but we are only moderately confident that households headed by males received larger benefits than households headed by females. (Olsen 1972, 1095)

[New York City, 1965 and 1968:] [W]e find that tenant benefits increase with income and age of the household head and that white families receive larger benefits than do similar minority families. (Ault and Saba 1990, 38)

As stated by Gyourko and Linneman (1989), “economists have long predicted that racial discrimination could result in markets where non-price rationing occurred” (73). The following empirical research describes the impact of race on the distribution of rent-control benefits:

[New York City, 1968:] Blacks and Puerto Ricans in the controlled sector received lower benefits than their white counterparts. However, both groups tended to be overrepresented in the controlled sector relative to their share in the renter population. Thus, although we found significant differences between the rent control benefits expected by blacks and Puerto Ricans relative to their white counterparts, these differences were not as large as the benefit differences found among controlled sectors renters. (Gyourko and Linneman 1989, 73)
While the benefits received by blacks in the controlled sector were not as large as those for whites, blacks do not appear to have been disproportionately denied entrance into the controlled sector. Special-ly, although blacks were 14.4% of the overall sample, they occupied just over 19% of all controlled units. (Gyourko and Linneman 1989, 61)

[New York City, 1981:] Thus, even though minorities are less likely to reside in the controlled sector, minorities with controlled units fare very well. (Linneman 1987, 27)

[New York City, 1981:] [N]o significant race effect on the unconditional subsidy was found. This absence of a significant race effect indicates that the higher subsidies realized by minorities in the old style sector…completely offset the underrepresentation of minorities in the control sector… hence yielding a neutral overall racial impact. (Linneman 1987, 27)

Glaeser’s results find controls might be incapable of preventing segregation, an intended goal of some control systems:

[U.S., 1991:] Neighborhoods in rent controlled cities appear to be as segregated as neighborhoods in free market cities. Finally, when rent control is imposed on declining cities, it seems to make them more, not less segregated. (Glaeser 2002, 21)

Far from eliminating segregation, at least in New Jersey, rent control has appeared to increase it. (Glaeser 2002, 20)

**Summary Assessment of the Findings**

My review of the rent-control literature indexed by EconLit (or cited by such indexed articles) finds that economic research quite consistently and predominantly frowns on rent control. My findings cover both theoretical and empirical research on many dimensions of the issue, including housing availability, maintenance and housing quality, rental rates, political and administrative costs, and redistribution. As Navarro (1985) notes, “the economics profession has reached a rare consensus: Rent control creates many more problems than it solves” (90). I see the literature as supporting the point of view that there are

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8 Glaeser uses 1991 data from the Department of Housing and Urban Development.
few long-run winners from the policy, that it is an example of the transitional gains trap.

If rent-control is such a “no-brainer,” why bother to scrutinize the literature? The cluster of restrictions persists in roughly 140 jurisdictions in the United States as of 2001. As Hazlett (1982) notes, “economists have been notoriously thorough inconvincing themselves of the destructive effects of rent control and notoriously inept at convincing anyone else” (278). Better understanding of the issue might help correct the error, prevent other governments from falling into it, and promote an understanding among more than just economists. Also, better understanding is an end in itself.

The Modal Economist Versus the Issue-Expressive Economist

This investigation provides another installment in the analysis of whether economists reach a conclusion. I have examined the judgments, or indications of judgment, of economists as expressed in published works. Thus, I survey issue-expressive economists and ask whether they reach a conclusion on rent control. Another question is whether the modal economist in the population of economists at large also supports liberalization.

To my knowledge, the last time U.S. economists were surveyed on rent control was in 1990, in the survey of Alston, Kearl, and Vaughan (1992). The question asked for an evaluation of the statement: “A ceiling on rents reduces the quantity and quality of housing available.” The results were:

- Generally agree: 76.3%
- Agree with provisions: 16.6%
- Generally disagree: 6.5%

Although agreement would not necessarily imply support for liberalization, it seems safe to conclude that the modal economist of 1990 favored liberalization.

Rent control, then, is an issue on which we find basic agreement between the modal economist and the issue-expressive economists. Such an agreement is also found for other issues including sports subsidies (Coates and Humphreys 2008) and most likely agricultural subsidies (Pasour 2004, Whaples 2006).

On other issues, however, such as the U.S. Postal Services’s monopoly (Geddes 2004; Whaples 2006) and the Food and Drug Administration (Klein 2008),

9 The results of the postal monopoly question are misstated in Whaples’ article. As Whaples’ appendix shows, less than half of respondents agree that the postal monopoly should be ended.
as well as most likely occupational licensing (Svorny 2004) and rail transit projects (Balaker and Kim 2006), there appear to be significant impasses between the modal economist and the issue-expressive economists. The issue-expressive economists are presumptively more expert and accountable for their published judgments. When they agree, we should have some faith in their conclusion. If economics is to serve the public interest, their insights must permeate the public culture. An intermediate step must be permeation of the thinking of other economists.

What issues show such agreement, and what issues do not? Why is there broad agreement between the two kinds of economist judgment on rent-control, sports subsidies, and agricultural subsidies, but not postal reform and the FDA? What factors affect whether the modal economist and the issue-expressive economists agree? Here, international comparisons of the modal/issue-expressive comparisons may be instructive. These questions deserve scholarly attention.

References


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10 On British opinion, see Ricketts and Shoesmith 1990; on European opinion see Frey et al 1984; on Swedish social scientists (including economists) see Berggren et al 2007; on Italian economists see De Benedictis and Di Malo 2008. Some thoughts on international differences are offered in Frey and Eichenberger 1992.


Rent Control: Do Economists Agree?

28(6): 673-678.


Paterson, David A. Fact Sheet: #1 Rent Stabilization and Rent Control. A Publication of New York State Division of Housing and Community Renewal. Office of Rent Administration. Link.


About the Author

Blair Jenkins graduated from California State University Northridge with her BA in Economics and a Minor in Mathematics in 2008. She has been honored by the CSUN Outstanding Economics Student Award, and by the CSUN College of Business and Economics, Warner K. Masters Award. From 2003-2008, she has worked at the innovative private school, Math Support Services, which specializes in providing affordable private schooling in the subjects of math and science. Her research interests are education, international, and urban economics. Her E-mail address is blairjnkns@yahoo.com.
Desperately Seeking Smithians: Responses to the Questionnaire about Building an Identity

Daniel B. Klein

Abstract

I published an essay and questionnaire in the previous issue of this journal. The topic was whether there is some “we” out there who would gladly identify with Adam Smith, Friedrich Hayek, Milton Friedman, Ronald Coase, and James Buchanan. The idea was to explore whether some “we” can and should find a way to coalesce and build toward an identity functioning in the public culture as well as the economics profession.

As detailed in the essay, the questionnaire was sent to individuals connected to: Institute of Economic Affairs, Mont Pelerin Society, Association for Private Enterprise Education, Society for the Development of Austrian Economics, Public Choice Society, George Mason University Economics Department, Ratio Institute, this journal, Nobel laureates, John Bates Clark prize winners, and past presidents of several economics associations. Together the list came to 408 individuals. Responses were received from only 42.

The responses are compiled below. Readers are invited to make what they would of the responses and the entire enquiry. I make just a few remarks:

1. Most respondents say they would identify with the posited character type.
2. Fewer, but still a majority, generally affirm the value of advancing some identity.
3. Regarding possible names, “Smithian” received very mixed assessments, and none of the names found much support; the name finding most support was “free market.”

1 Professor of Economics, George Mason University, Fairfax, Virginia 22030.
4. When asked to name other economists who represent the character, the following received at least two mentions: Gordon Tullock (17 mentions), George Stigler (13), Ludwig von Mises (11), Armen Alchian (10), Joseph Schumpeter (8), Gary Becker (7), Frank Knight (7), Douglass North (7), Harold Demsetz (6), Murray Rothbard (6), Knut Wicksell (6), Thomas Schelling (4), Israel Kirzner (3), Deirdre McCloskey (3), Carl Menger (3), Julian Simon (3), Frederic Bastiat (2), Peter Bernholz (2), Erik Dahmén (2), Aaron Director (2), Henry George (2), Henry Hazlitt (2), Albert Hirschman (2), David Hume (2), Alfred Marshall (2), John Stuart Mill (2), Richard Posner (2), Lionel Robbins (2), Wilhelm Röpke (2), Vernon Smith (2), and Leland Yeager (2).

5. I find the discussion instructive, somewhat sobering, and sometimes amusing. I hope others find it of interest.

I am very grateful to the individuals who gave of their time, attention, and learning to participate in this enquiry:

- Manuel Ayau-Cordon
- Bruce L. Benson
- Niclas Berggren
- Andreas Bergh
- Charles B. Blankart and Gerrit B. Koester
- Peter J. Boettke
- Bryan Caplan
- David Colander
- Gunnar DuRietz
- Gerald P. Dwyer
- Richard Ebeling
- Lars P. Feld
- Fred Foldvary
- Francesco Forte
- Peter Gordon
- David R. Henderson
- Randall Holcombe
- Steven Horwitz
- Dan Johansson
- Nils Karlsson
- Henrik Lindberg
- Antonio Martino
- Thomas Mayer
- Deirdre McCloskey
Compiled Responses

The first response shows the complete wording of the survey. Thereafter, the survey is abridged to trim away peripherals and allow for easy skimming. The responses are reproduced faithfully, except that typos, grammar, spelling and like have been corrected.

Questionnaire on Building a New Identity within Economics

Dear Sir or Madame,

My name is Daniel Klein. I’m an economist at George Mason University and editor of *Econ Journal Watch*. I write to solicit your thoughts on whether a certain identity of economics would be viable and worthwhile. I will be hugely grateful for your participation.

The spirit of the questionnaire is exploratory—and more an interview than a survey. Feel free to enter discursive remarks at any point. This is Word doc, so it will grow with your responses.
The questionnaire has been composed so that one can respond to it without reading my essay. I invite you to read and refer to it, but that is not the expectation.

It’s OK to keep your remarks brief and to leave individual questions unanswered.

The entirety of your responses will be included in a compendium online and announced at Econ Journal Watch.

This is an interview – with you. We will not accept anonymous responses—your identity will be given with your responses.

The cultural context of the questionnaire is primarily the United States and secondarily the Anglosphere. If you wish to make the context more specific or respond in regard to some other context, please specify the countries or regions you have in mind.

### Questionnaire

1. Kindly provide your name (required): **Manuel F. Ayau-Cordon**  
   Founder and Director, Universidad Francisco Marroquin  
   Basis for Inclusion: MPS

2. One might think of a character-type of economist that is well represented by the following five economists: Adam Smith, Friedrich Hayek, Milton Friedman, Ronald Coase, and James Buchanan. For that character type, which five additional economists would you include in a top-ten list of representatives of that character type? We welcome remarks about each—and feel free to express reservations about the “fit” of any of the five posited so as to better delineate the character type you see as relevant here. Ludwig von Mises, Armen Alchian, Henry Hazlitt, Israel Kirzner, Murray Rothbard

3. List the chief characteristics of such a character type. Elaboration welcome. I would identify them as **Classical Liberals**, even though I’m aware of the way liberalism is generally interpreted in the US. In favor of Individualism versus Collectivism.

   Now, it will be useful to have a term to denote the character type represented by your answers to questions nos. 2 and 3. That character is the type you see in the set of Smith, Hayek, Friedman, Coase, and Buchanan. (Notice that the initials of that set of five economists are SHFCB.) This questionnaire concerns that character type—as you see it, not as portrayed in the opening essay. Accordingly, let’s call it “your-SHFCB.” Again Classical Liberals.
We proceed in the expectation that there is a fair amount of overlap between the characters that people see in the SHFCB set.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? (Put an x above the response you favor.)

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5. Would you agree that your-SHFCB is not well identified today within the public culture?

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6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both?

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7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? (We would welcome elaboration as to why or why not.) They are already identified as free-marketeers, Austrian, conservative, etc. because the group does not aim at achieving a specific goal, are not generally inclined to be activists as in a political party, and they are by nature individualistic, who strive for spreading understanding, trusting that ideas have consequences.

8. Would you consider yourself as one who is of the your-SHFCB character type?

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9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? (Feel free to give multiple identifiers.)

Austrian

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. (Be as brief or discursive as you like.)

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Not likely, because it
resembles stereotyping
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? More than in the academy
13. It would be important that the identity have an effective name. Rate the following names for an economics of a your-SHFCB type. Comments welcome.

A. “Smithian economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

B. “Smith-Hayek economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

C. “Hayekian economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

I believe it is weak to identify with a particular person. That is why I would not give up the name Classical liberals. Besides, it is an instructional topic of conversation.

D. “Spontaneous order economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

E. “Liberal economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

Confusing, misleading

F. “Classical liberal economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

Because it has an ethical foundation, a successful history, it is based on the rule of law (rights) and more.…

G. “Free-market economics”

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Good</th>
<th>OK</th>
<th>Weak</th>
<th>No good</th>
<th>Don’t know</th>
</tr>
</thead>
</table>

H. “Libertarian economics”
14. Is there some other name you’d suggest for a your-SHFCB identity? If so, please do, and explain why.

15. Comments on the issue or questionnaire? Write open-ended remarks here:

Bruce L. Benson
Chair, Department of Economics, Florida State University
http://mailer.fsu.edu/~bbenson/

Basis for inclusion: EJW

2. Which five *additional economists* would you include in a top-ten list of representatives of that character type? Douglas North, Armen Alchian, Julian Simon, Gordon Tullock, Thomas Sowell

3. List the chief characteristics of such a character type. They recognize that institutions provide the foundation of the economy, and that “good” institutions (those that support private property, enforceable contracts, and limited government involvement in the economy) lead to greater prosperity and well being; they recognize that government failure is to be expected; they are classical liberals (they believe in individual freedom and limited government); they recognize that mathematical modeling and equilibrium economics has limited power; they are realists, generally interested in real-world issues rather than the mathematical game playing that dominates the “leading” economics programs today; their work often draws from other disciplines (philosophy, law, political science, cognitive sciences, biology, history).

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree

6. Would you agree that your-SHFCB *stands in need of better identification*, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Probably although it depends on how the identity is perceived

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Depending on who asks, I have described myself as a (1) New Institutional (or Neo Institutional) Economist; (2) a New Institutional Economist with an appreciation for Austrian
Economics (particularly Hayek); (3) an Economist who does Law and Economics broadly defined (including economics of crime, public choice, comparative institutions, etc.); (4) a property rights economist or property rights–transactions cost economist; (5) Hayekian Public Choice Economist (adding public choice to Hayek); or (6) anarcho-capitalist.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Mathamagical Economists (modern “theorists”), Economagic Economists (modern econometric or empirical economists). I should admit that at various points in my career I have engaged in both of these games. I still do use econometrics in some of my work, but mainly to show that strong policy prescriptions drawn by other economagicians are not robust to other specifications.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes (at least the Coase-North new institutional group), although it is probably considered as a second class citizen, compared to the mathemagicians and economagicians.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? I really do not know if the economics profession has a clear identity with the general population, and I doubt that any effort to distinguish my type from others will have much impact. If we consider various factions of the public or various publics, then my answer would differ. I believe that in at least some publics (libertarians, informed conservatives) my type of economics has an accepted identity that is respected. I also believe that at least within some economic policy institutions (e.g., the IMF & World Bank) the importance of institutions as a foundation for economic development is being recognized, probably due more to Hernando de Soto than any academic economist.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” OK
   B. “Smith-Hayek economics” OK
   C. “Hayekian economics” OK
   D. “Spontaneous order economics” OK
   E. “Liberal economics” No good. The meaning of the term liberal in the U.S. has a different meaning today.
   F. “Classical liberal economics” Good
   G. “Free-market economics” Good
   H. “Libertarian economics” Good

14. Is there some other name you’d suggest for a your-SHFCB identity? Lots of things come to mind, like: The Economics of Institutions and Markets; Skeptical Economists; Government-Failure Economists; Voluntarists; Political Economists; New Political Economists; New Institutional Economists; The Economics of Life, Liberty and Property; and The Economics of Life, Liberty
and the Pursuit of Happiness. None really works great, however (the ones I like best are too long). One that might be considered is “Economic Realists” and “Economic Realism.” Legal Realism has had a good run in law.

15. Comments on the issue or questionnaire? You might consider adding the members of ISNIE (International Society for New Institutional Economics) to your list. There also is a Free Market Environmentalist discussion group run out of PERC in Bozeman that would be good to contact.

Niclas Berggren
Associate Professor of Economics, Ratio Institute
Basis for inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Douglass North, George Stigler, Robert Barro, Joseph Schumpeter, Deirdre McCloskey

3. List the chief characteristics of such a character type. If I were to be part of the creation of an identity of the kind suggested, I would first and foremost try to make it a non-normative one, i.e., I would not include positions on coercion or liberty. I would rather focus on methods, approaches, and areas of interest, e.g., stressing the dynamic character of an economy, stressing the importance of a historical perspective, stressing knowledge problems, stressing incentive problems (e.g., in government), focusing on institutions and entrepreneurship, as well as stressing the importance of institutional comparative analysis, not throwing out either the mathematical modeling of mainstream economics or the econometric approaches utilized by most economists.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Disagree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Disagree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I am skeptical. I fear that attempts to create such an identity could be regarded as odd or even suspicious by most academics, and that it could be seen as a sect endeavor. Furthermore, I don’t feel there is a need for an identity based on normative positions – rather, I share identities with those working in the same areas and with the same methods. If one wishes to influence them on normative positions, I think it is better to work without an explicit identity, which could make them reserved. I also regard it as problematic to “claim” Adam Smith for a particular identity,
as most economists identify with him.

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Institutional economics, public choice, constitutional economics, economic philosophy

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Mainstream economist: works with mainstream methods without reflecting much on normative positions or the limits of the methods used. Heterodox economist: challenges the mainstream paradigm but does so from other bases than the one outlined here, e.g., on feminist or Marxist grounds.

11. Is an economics of a your-SHFCB type viable as an accepted identity within academic economics? I think an explicit identity of that kind could be detrimental, career-wise, with few benefits.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Probably not, but then I don’t pay much attention to that culture as regards my standing as an economist. The public is probably skeptical of most economists, regardless of particular identities, but I don’t think an identity of this kind would help.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good. Most economists identify with Smith, so claiming him for a particular identity would probably be seen as a strange and possibly even hostile act.
   B. “Smith-Hayek economics” Weak. See comments for A and C.
   D. “Spontaneous order economics” Weak. It is important not only to study spontaneous order but also spontaneous disorder (to use a phrase by Buchanan) and non-spontaneous orders and disorders.
   E. “Liberal economics” No good. Too normative.
   F. “Classical liberal economics” No good. Too normative.
   G. “Free-market economics” No good. Too normative.
   H. “Libertarian economics” No good. Too normative.

14. Is there some other name you’d suggest for a your-SHFCB identity? I can’t come up with one, which probably relates to my lack of enthusiasm for the project.
Andreas Bergh
Research Fellow, Lund University and Ratio Institute
Basis for inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Walras, Schelling, Tullock, Wicksell. North perhaps?

3. List the chief characteristics of such a character type. Having given this some thought, I don't believe there is such a character type. Thus, I will not be able to answer the questions below regarding this particular type. I answer question 9 though.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I usually describe myself as doing public economics, institutional economics, and sometimes I claim to do social science. I would even identify with rational choice!

Charles B. Blankart and Gerrit B. Koester
(Professor Blankart was invited to participate, and Professor Koester collaborated in writing this response.)
Professor of Economics, Institute of Public Economics, Competition, and Institutions, Humboldt University
http://lehre.wiwi.hu-berlin.de/Professuren/vwl/oef
Basis for inclusion: EPCS

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Departing by Buchanan we should like to characterize a subgroup: Knut Wicksell, as the important forerunner with politics as economic exchange, Dennis C. Mueller: understanding Wicksell Gordon Tullock: From consensual to non-consensual politics Peter Bernholz: Historical dimension of public choice Bruno S. Frey, for extending the boundaries of economic thought “WMTBF economists”

3. List the chief characteristics of such a character type. Generally we would formulate three important characteristics:
1) to focus on choice (and welfare-enhancing exchange)
2) not to restrict oneself to efficiency but take liberty considerations into account as well
3) to maintain methodological openness for the questions to be answered
We would classify the characteristics mentioned in the opening essay in the
following ranking (by importance):
1) employ the distinction in between voluntary and coercive action
2) economics must be relevant and serve social purposes
3) presumption in favor of liberty
4) sober, non-romantic view of government
5) knowledge is not merely information but also interpretation and judgment
6) sensibility that economic reality is incredible

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Generally we find the concept of several competing schools of thought within economics (which might be called identities) compelling and superior to an approach which tries to define one economic mainstream based on the single criterion of publication record in selected journals.

The importance of these schools of thought is in my view important mainly in the professional/academic economic culture and not so much with respect to the public culture which usually has trouble to identify different schools of thought and their origin.

Within academia we would see the major importance of pushing an SHFCB identity in the possible beneficial effects on young economists, who could profit from a forum enhancing dialogue and cooperation of researchers in the SHFCB tradition.

However, there are critical points as well: We see the creation of an identity in economics to be very closely linked to the development of a scientific paradigm (as defined by Thomas Kuhn - 1962). Proponents of such a paradigm share basic generalizations, a common heuristic or ontological model, a preferred method and a common goal. If these requirements are fulfilled a paradigm and a research community that adheres to it, develop and become – in our view – something like a school of thought or an identity.

For the SHFCB we see especially the problem that the range of economists seems to be “too broad” for one school of thought/paradigm/identity with a “unifying effect”. Furthermore the promotion of such an identity would require the development of institutions (e.g. an academic society to organize conferences also …), which requires substantial resources.

8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Yes. The delineated characteristics of the SHFCB character
come in many aspects close to our own convictions (especially the three points mentioned above: to focus on choice (and welfare-enhancing exchange), not to restrict oneself to efficiency but take liberty considerations into account as well, to maintain methodological openness for the questions to be answered).

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? We are economists who consider political economics as public choice, striving to answer polit-economic questions, with applicable advice for government policy and institutional innovation. We would probably consider ourselves to be described more accurately as “public choice economists”, whose thoughts are linked to those of SHFCB in general and the subgroup Wicksell, Mueller, Tullock, Bernholz and Frey.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Most important to mention would seem to be mainstream economics, who restrict themselves to efficiency considerations in abstract models (mostly with no relationship to real world institutions) but do nonetheless claim to be able to offer meaningful policy advice. A more concrete example of an alternative character is the school of political economics (e.g. Alesina, Tabellini, Acemoglu), who try to take over the field of public choice based on a less encompassing perspective, focusing solely on efficiency, conflicts/trade-off and methodological considerations.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? See answer to question 7

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? See answer to question 7

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Excellent
   B. “Smith-Hayek economics” Good
   C. “Hayekian economics” Okay
   D. “Spontaneous order economics” Weak
   E. “Liberal economics” No good
   F. “Classical liberal economics” Excellent
   G. “Free-market economics” OK
   H. “Libertarian economics” OK

14. Is there some other name you’d suggest for a your-SHFCB identity? No

15. Comments on the issue or questionnaire? We think pushing the debate on the foundations of different economic thoughts is largely neglected within economics. This profits especially the leading mainstream economics, which often would have trouble to justify their positioning. Therefore we highly welcome the project started by you – independently of its final outcome. We liked that this questionnaire requires to take position to particular approaches and not only to particular issues such as minimum wage laws, deficit spending etc. etc.
Peter J. Boettke  
Professor of Economics, George Mason University  
http://www.economics.gmu.edu/pboettke  
Basis for inclusion: EJW, GMU, SDAE

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Ludwig von Mises — methodological individualism and perhaps the most consistent thinker of all of these economists. Mises was influential on Hayek and Buchanan. Gordon Tullock, Armen Alchian, Harold Demsetz, Israel Kirzner, Vernon Smith, Andrei Shleifer --- leading economic thinker today.

3. List the chief characteristics of such a character type. Methodological individualism should be added, all of these thinkers are methodological individualists, and this informs the other characteristics.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Of course --- critical to our efforts. Without it laissez faire gets blamed publicly for things it is not responsible for, and professionally the argument for laissez faire is often misunderstood.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely yes


10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Statism, Positivism, Formalism, Constructivism, SCIENTISM  

My own perspective is that the biggest challenge to sound economics and public policy has been the alliance of statism and scientism, this must be intellectually defeated both in our profession and in our culture in general.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I certainly hope so!!!

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? It better be or we will see our economy nose dive into hell as statism will strangle the economy.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” Good
   C. “Hayekian economics” Excellent
   D. “Spontaneous order economics” Weak
   E. “Liberal economics” Weak
   F. “Classical liberal economics” OK
   G. “Free-market economics” OK
   H. “Libertarian economics” OK

14. Is there some other name you’d suggest for a your-SHFCB identity? I do think there is a unique relationship between the Austrian school of economics and classical liberal political economy that should be remembered.

Bryan Caplan
Associate Professor of Economics, George Mason University
http://www.economics.gmu.edu/bcaplan/
Basis for inclusion: GMU

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Murray Rothbard, Ludwig von Mises, Gordon Tullock, David Friedman, Gary Becker

3. List the chief characteristics of such a character type. They all believe that mainstream economists underestimate the free market and overestimate government. They also see economics as a “science of man,” not just one social science among many.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Disagree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Somewhat Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes, I’m not a Hayek or Buchanan fan.


10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. “Behavioral political economist” – I think the first step in understanding politics is realizing that voters fall far short of
the rationality that neoclassical economics takes for granted.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Weak. Backwards looking, and raises issues about how free-market Smith really was.
   B. “Smith-Hayek economics” No good. I’m not a Hayek fan. He’s muddled, he can’t write, and his policy views aren’t all that pro-market.
   C. “Hayekian economics” No good. See above.
   D. “Spontaneous order economics” Weak. Too long-winded. And normal economists will rightly object that e.g. the Prisoners’ Dilemma is a “spontaneous order” too.
   E. “Liberal economics” No good. In the U.S., liberal means left-wing. Get used to it.
   F. “Classical liberal economics” In the U.S., liberal means left-wing. Adding “classical” brings JFK and FDR to mind, not Adam Smith.
   G. “Free-market economics” Good. It’s familiar, clear, and descriptive.
   H. “Libertarian economics” Good. It’s familiar, clear, and descriptive. It may turn off some people, but at least they’ll understand what they’re rejecting.

14. Is there some other name you’d suggest for a your-SHFCB identity? No. Free-market or libertarian economics fine.

15. Comments on the issue or questionnaire? Keep your eye on the ball, not the umpire. Existing labels are fine. What’s important is for SHFCB economists to do good research and hone their communication skills.

David Colander
Professor of Economics, Middlebury College
http://community.middlebury.edu/~colander/
Basis for inclusion: EastEA, EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? I don’t think the grouping works. There are so many different dimensions that cross over so many different economists that I don’t see this as an answerable question.

3. List the chief characteristics of such a character type. (You may wish to refer to the six numbered characteristics in the opening essay pp 361-62—for example by indicating what you would omit, add, or change.) Same concern here. Again, since I didn’t see the above questions as answerable, I don’t see these as answerable.
Gunnar DuRietz
Associate Fellow, Ratio Institute
Basis for Inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of representatives of that character type? a) Assar Lindbeck: specialist in the working of the market economy, economic systems, marginal taxes, marginal tax wedges and social security contributions. Debater and defender of a decentralized market economy vs. socialism. b) Richard Musgrave: produced a large number of very stringent micro and macro models of the working of the market economy and the role of fiscal policy. c) Martin Feldstein: creative researcher into economic growth and the effect of taxes on labor supply and deadweight losses of taxes. d) Erik Dahmén: Swedish professor now deceased who worked in the field of economic development with entry, exit and expansion of firms. He created his own micro concepts of the importance of building blocks, over-investment etc in economic development and also worked for a long time as economic adviser to the managers of the big Wallenberg firm.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I am specialized in fiscal economics, particularly in the size and effects of taxes in different countries, labor tax wedges (including income tax, social security contributions, pay roll taxes, consumption taxes and capital taxation, particularly corporate taxes, capital income and capital gains taxation).

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” Weak
C. “Hayekian economics” Weak  
D. “Spontaneous order economics” OK  
E. “Liberal economics” Weak  
F. “Classical liberal economics” Good  
G. “Free-market economics” Excellent  
H. “Libertarian economics” No Good  

14. Is there some other name you’d suggest for a your-SHFCB identity? Tax wage economics

Gerald P. Dwyer  
Vice President, Federal Reserve Bank of Atlanta  
http://www.dwyerecon.com/index.html  
Basis for inclusion: APEE

2. Which five additional economists would you include in a top-ten list of representatives of that character type? George Stigler – it’s hard for me to think of this list without including Stigler; Gordon Tullock – a very innovative economist who definitely thinks like one about a large variety of issues; Armen Alchian – a superb economist who would fit in any such list and wrote numerous influential articles; Arnold Harberger – he has had a big influence on economic policy in Latin America; Aaron Director – behind the scenes for a lot of economic analysis over his lifetime.

3. List the chief characteristics of such a character type. One characteristic not explicit in your summary is that these economists think about the world in terms of incentives and people choosing among alternatives. Then again, this probably is implicit in your first point about “voluntary… actions”.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Somewhat Agree. I am not sure what “need” means here.

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Professionally, I think it would be helpful to have more emphasis on economic analysis and less on complex, highly stylized models. I also think it would be helpful to have one or more research outlets focused on informative analyses of things we observe in the world around us.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I don’t think of myself that way. I think of myself as an economist.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Econometrician, Mathematical economist

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Currently, no.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Possibly. Steve Landsberg, for example, has written interesting stuff. Some of the people in your list were very well known by the public.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” OK. I like this name myself, maybe because I am a fan of Adam Smith’s, but I don’t think it would resonate with the public and I don’t care for the word “Smithian”.
   B. “Smith-Hayek economics” No good. I do not like hyphenated names or nouns used as adjectives.
   C. “Hayekian economics” Weak. While Hayek was outstanding at certain things, I don’t think his work encompasses all the related work. Also, using the name of a relatively contemporary economist doesn’t seem helpful.
   D. “Spontaneous order economics” No good. This name focuses on a particular line of argument, not a general way of thinking or set of issues.
   E. “Liberal economics” No good. This name is totally misleading in the U.S.
   F. “Classical liberal economics” Weak. This name is not misleading, but it has no context in popular culture. Also, “classical” sounds dated.
   G. “Free-market economics” Good. For purposes of popular culture, this probably is the best name and it is descriptive of the aspects important for popular culture.
   H. “Libertarian economics” No good. This is tied in with a political party. I like this no better than “Republican economics” or “Democratic economics”.

14. Is there some other name you’d suggest for a your-SHFCB identity? I am afraid that I can’t be helpful about this. Maybe “Smithian economics” -- not resonant but maybe accurate – for professional discourse and free-market economics for popular culture?

15. Comments on the issue or questionnaire? Some of the discussion seems like issues of “branding” versus doing something concrete.
Richard Ebeling  
Visiting Professor of Economics, Trinity College  
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Ludwig von Mises, W.H. Hutt, Murray Rothbard, Henry Hazlitt, Wilhelm Röpke

3. List the chief characteristics of such a character type. Emphasis on (1) individual freedom; (2) benefits of voluntary exchange; (3) central role of property rights and market competition; (4) “Invisible Hand” concept; (5) focus on limits and abuses from government intervention and planning; and (6) suspicious and critical of mechanical model-building that easily opens the door to social engineering.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes, because for better or worse “labeling” does matter.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Yes, the “Austrian School”

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. (1) Incentives mechanisms; and (2) Efficiency

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes

13. Rate the following names for an economics of a your-SHFCB type.  
A. “Smithian economics” No good. For the average person “Smithian” would have as much significance or meaning as “Jonesian Economics.”
B. “Smith-Hayek economics” No good. This could lead people to think that you were for a “Hollywood Economics” – Will Smith and Selma Hayek (by the way, have they been in a movie together?)
C. “Hayekian economics” No good. This could be too narrowly identified as Keynesian Economics vs. Hayekian Economics. The type you are
trying to formulate includes a critique and opposition to Keynesian Economics, but is wider than that. Plus, Hayek is too narrowly identified with the Austrian School to make Chicago School pro-market economists feel comfortable with this label. They might insist on “Friedmanian Economics.”

D. “Spontaneous order economics” No good. I like and believe in the spontaneous order, but then you have the baggage of being confused with Darwinianism, or the misunderstanding that you do not believe in any planning – “Hey, man, just go with the flow.” “Let go, Luke, and just go with ‘the force.’”

E. “Liberal economics” OK. You’re getting warmer.
F. “Classical liberal economics” OK. Almost there.
G. “Free-market economics” OK. Getting closer.
H. “Libertarian economics” No good. No, you’re colder. Libertarian carries too many misconceptions in people’s minds. “Oh, I know about you guys. You’re the ones who believe in selling babies, right?” “And you’re the ones who believe in ‘anarchy,’ right? So your model of society is – Somalia? Sorry I believe in my safe, policed community here is middle-of-nowhere, Iowa.”

14. Is there some other name you’d suggest for your SHFCB identity? This is not an easy question to answer. But my best shot: Market Liberalism. It contains a good word – liberalism, which has the connotation of civil liberties, personal freedom, tolerance, etc. While “market” points to the role and importance of economic freedom: individual choice, private property, voluntary exchange, competition, enterprise, etc.

15. Comments on the issue or questionnaire? I really wonder if an agreed-upon name is that important. How are we known, now? Free-market economist, pro-market economist. I sometimes call myself a “limited government liberal.” (Forget about the anarchy business; that is a non-starter. Let’s get people to agree that, if government exists it should be limited to only protecting life, liberty and honestly acquired property. We can worry about educating people later about the efficacy of privatizing the night-watchman –assuming that he can be.)

Lars P. Feld
Professor of Economics, Philipps-Universität Marburg
http://www.wiwi.uni-marburg.de/Lehrstuehle/VWL/FiWi/f2/Mitarbeiter/feld.html
Basis for inclusion: EPCS

2. Which five additional economists would you include in a top-ten list of
representatives of that character type? Gordon Tullock (he fits well to each of the five mentioned); Frank Knight (close to the thinking of Buchanan, Smith, Coase and Friedman); George Stigler (close to Friedman and Coase); Gary Becker (close to Friedman and Coase); Peter Bernholz (close to Buchanan, Friedman and Hayek)

3. List the chief characteristics of such a character type. I find that the six numbered characteristics describe the SHFCB-economist quite well. I would like to add that this ideal type stands firmly on the ground of the homo economicus assumptions, i.e. methodological individualism, rationality (even if bounded as in the Hayekian or modern senses), selfishness (at least predominantly), existence of relevant alternatives (giving rise to substitution processes).

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Disagree. This question sounds to me a bit too much complaining about modern economics. I guess the situation was worse in earlier times.

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I am most heavily identifying with the Buchanan “type” of economics.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. My SHFCB differs from the pure Hayekian type as the latter is too much emphasizing evolutionary forces. In particular the older Hayek has thus become a conservative. My SHFCB also differs from the pure Friedman/Stigler type as I strongly accept that rationality is bounded.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes, it is as the Buchanan-type of Public Choice or Constitutional Economics has meanwhile entered mainstream economics when we think of modern political economics.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? No, it is not as this identity is denounced as neo-liberal economics at least in continental Europe and thought of as being pure laissez-faire economics.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Excellent
B. “Smith-Hayek economics” Weak
C. “Hayekian economics” No good
D. “Spontaneous order economics” No good
E. “Liberal economics” No good
F. “Classical liberal economics” OK
G. “Free-market economics” OK
H. “Libertarian economics” OK

14. Is there some other name you’d suggest for a your-SHFCB identity? Smith-Buchanan economics because Buchanan has consistently added the application of the economic model of man to politics such that a politics without romance emerged.

Fred Foldvary
Lecturer in Economics at Santa Clara University, California
www.foldvary.net/

Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Francois Quesnay, Henry George, Knut Wicksell, Ludwig von Mises, Carl Menger

3. List the chief characteristics of such a character type. Able to understand the concept of the pure market economy. A term to denote the character type represented by your answers to question nos. 2: Free-market economist

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Neutral

5. Would you agree that your-SHFCB is not well identified today within the public culture? Neutral

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes, with explanations of why criticism of markets is misplaced.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Free-market economist. Alternatively, classical liberal. I understand what is a pure market, and believe it would provide better outcomes.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Statist economist, who believes that there
are several severe market failures, and that government intervention can provide the best remedy.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes. It is based on logic and evidence.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes, when attractively presented.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Weak. It implies the classical approach of Adam Smith in contrast to other or additional theories and methods such as the Austrian or Georgist or Neoclassical.
   B. “Smith-Hayek economics” No good. The identity should not be tied to any economist. It can be interpreted as excluding others. Many besides Smith and Hayek have contributed to the field.
   C. “Hayekian economics” No good. Worse than Smithian or Smith-Hayek; too specific.
   D. “Spontaneous order economics” OK. Non-economists would not understand it, and it sounds like some specific field rather than the general identity.
   E. “Liberal economics” No good. Can confuse welfare-state liberal and classical liberal.
   F. “Classical liberal economics” Excellent because “classical liberal” is a well known and used term, and clearly identifies the identity.
   G. “Free-market economics” Excellent. It clearly identifies economists who believe that free markets function well, and is not tied to any particular name or tradition.
   H. “Libertarian economics” Weak. Some free-market advocates may not identify as libertarian, as possibly too radical, e.g. opposed to all taxation.

14. Is there some other name you’d suggest for a your-SHFCB identity? My specific subset within the free-market or classical liberal set is geo-libertarian.

15. Comments on the issue or questionnaire? It’s a very good project. It’s unclear why you think “free market” or “classical liberal” is pushy or otherwise not the best label.

Francesco Forte
Director, Department of Conservation of Architectural and Environmental Assets, University of Naples Federico II
Basis for inclusion: EPCS

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Marshall, Pareto, Wicksell, Einaudi,
Robbins
3. List the chief characteristics of such a character type.
   1) [Using the six characteristics specified in the opening essay:] Marshall 1, 2, 3, 5, weak or dubious six, gradualism (natura non facit saltus)
   2) Pareto 1, 2, 4, 6 as for 3 economics is not enough, as for 5 politics is often negative, economics is the rational human behavior for whichever end the individuals have, i.e. their ofelimity which should not be confuse with utility, only empirical evidence can tell the economic laws
   3) Wicksell 1, 2, 3, 4, 5 as for 5 and 6 democratic rules of fiscal constitution in which the majority is not enough
   4) Robbins 1, 2, 3, 5, 6 as for 2 ends must be distinguished from means, weak 4, but because ends are conflicting one needs to choose, economics means individual choice, i.e. micro economics
   5) Einaudi 1, 2, 3, 4, 5, 6 macro economics and public economics derive from micro economics

Neo-smithian (i.e. Smithian with adjustments which do not imply a change of the fundamentals)
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Public finance in a public choice perspective, interdisciplinary study of economics with sociology, law and ethics, constantly keeping my neo Smithian economic view, i.e. to be a micro general economist a la Smith.
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Keynes, because for him macro economics and public economics override micro economics. Samuelson, because he thinks that the social welfare function exists with the same status as a demand on the market. Ricardo, because he is able to fix economics with a few iron laws; the man free to choose and acquiring and creating knowledge by trial and error is lost.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” OK. Not enough.
   B. “Smith-Hayek economics” Weak. The Hayekian qualification does not convey at all the Coasian economics, is not enough Friedmanian Paretian (empirically tested) nor Buchananian and Wicksellian (the needed rules do
not merely rise spontaneously).
C. “Hayekian economics” Weak. Worse, because of what already noted above.
D. “Spontaneous order economics” No good. Misleading, because it seems that we are believe in a simplistic anarchic free-trade economics, while the complexity of real life is the reason why we praise a market-economy order. Moreover the term connotes a desirable “design” of the economic setting i.e. a normative economics, not the methodology of researching the economic process, i.e. a of positive economics.
E. “Liberal economics” No good. In Europe it might be nearly good, not in the US where “liberal” economics means an economics a la Stiglitz, and would not connote the methodology of researching the economic process, i.e. of positive economics.
F. “Classical liberal economics” No good. Even worse because among the classics there is Ricardo.
G. “Free-market economics” No good. It could be good if one was able to explain that free market means “free from restraints on competition” not from any rule, but would still be limited because we need to connote the methodology of positive economics.
H. “Libertarian economics” No good. For laymen it sounds like “spontaneous disorder” economics.

14. Is there some other name you’d suggest for a your-SHFCB identity? Neo-Smithian. Reasons are given above.
15. Comments on the issue or questionnaire? The issue is topical, the questionnaire could be improved by experience.

Peter Gordon
Professor of Economics, University of Southern California
http://www.rcf.usc.edu/~pgordon/index.php
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Joseph Schumpeter, Julian Simon, and Deepak Lal
3. List the chief characteristics of such a character type. Appreciation of historical-cultural context and using economic thinking to study it.
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the
professional culture, the public culture, or both? Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes, many find “Austrian” either of uncertain characterization or inviting all sorts of unpacking by people who claim it or who claim to have defined it.
8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I have not been steady but have drifted, as I read and think.
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Not clear what you want.
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Probably not. Most econ PhDs are not steered in this direction.
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Again, probably not. The public culture is an amalgam with plenty of what Arnold Kling calls “folk Marxism”.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Weak
   B. “Smith-Hayek economics” Good
   C. “Hayekian economics” OK. Unfortunately, people have staked out positions on the man, but you are looking for work beyond H.
   D. “Spontaneous order economics” Good. I also like it.
   E. “Liberal economics” Weak. Subject to standard confusions re “liberal”, as in U.S. vs. European political usage.
   F. “Classical liberal economics” Weak. Again, reminds many people of something pre-modern.
   G. “Free-market economics” Weak. Too loaded, as used in popular discourse.
14. Is there some other name you’d suggest for a your-SHFCB identity? We probably agree that neo-classical high theory has been a diversion and a cul de sac. The same applies to Keynesian econ. Schumpeter (in my view) posed economic questions in a proper historic and cultural context. I see Simon and Lal doing the same. I would like to see a label that calls attention to culture, history and economics.
15. Comments on the issue or questionnaire? I had thought that Schools are named by anyone but the members of the school. But your survey may prompt a worthy discussion. Good luck, PG
Which five additional economists would you include in a top-ten list of representatives of that character type? Yale Brozen, Murray Rothbard, Harold Demsetz, Julian Simon, Richard Timberlake. (I tended to think of the previous generation. Had I had gone earlier the list would have include Edwin Cannan and W.H. Hutt.)

List the chief characteristics of such a character type. I would include all 6. I would add: passion, concern for the poor including the poor in other countries.

Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree

Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Agree

Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes

Would you consider yourself as one who is of the your-SHFCB character type? Definitely yes.

How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Strong believer in free markets; I appreciate the wonder that markets have created.

List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Dedicated empiricist: won’t learn at all from theory or personal experience; insists on running regressions before coming to conclusions. Becoming even more common.

Model builder. Throws out common sense (which, by the way, isn’t so common) and says that we can’t say anything about anything unless we have a model.

Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I think so but it’s getting increasingly difficult.

Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? I think so. You can really build a niche and get a following and the web has made this easier.

Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” Good
   C. “Hayekian economics” Good
D. “Spontaneous order economics” Good
E. “Liberal economics” OK
F. “Classical liberal economics” OK
G. “Free-market economics” Good
H. “Libertarian economics” Good

14. Is there some other name you’d suggest for a your-SHFCB identity? Don’t know but don’t strongly like any of the above.

Randall Holcombe
Professor of Economics, Florida State University
http://www.randallholcombe.com/

Basis for inclusion: EJW, SDAE

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Douglass North, Oliver Williamson, Meir Kohn, Mancur Olson, Daron Acemoglu

3. List the chief characteristics of such a character type. Institutions are important; some reservations about neoclassical equilibrium theory (may not fit Milton Friedman as well as others).

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Disagree Strongly

5. Would you agree that your-SHFCB is not well identified today within the public culture? Disagree Strongly

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Disagree Strongly

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? No. In the professional culture those economists fall broadly within the characterization of new institutional economists. That’s probably less true of Friedman than the others both you and I listed, but still holds up, and Friedman did advocate a certain set of institutions.

In public culture there is more of an association with free market economics, deregulation, smaller government, etc. I think the “type” is clearly identified even though it doesn’t have a name (like Marxism or Keynesianism) to go with it.

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes. But, I’m not necessarily trying to identify myself with some particular type. For example, even though I am a member of the Society for the Development of Austrian Economics, some people have “accused” me of harboring non-Austrian ideas, and I’m OK with that. I’m doing what I think is good economics, not trying to advance some school or type.
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? As above, I don’t characterize myself as being any “type” of economist.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Marxist (faulty theory of economic processes); Keynesian (aggregate theories without a good foundation in individual behavior); New Classical (reliance on equilibrium constructs rather than an appreciation of economic processes)

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? This whole identity thing is fuzzy to me. Typically, academic economics accepts particular works (articles, books) and not broad identity types.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Public culture seems to be rather accepting of just about any academic enterprise. If a professor says it, that alone seems to lend some credence to the idea. Also, public culture seems to have more of an acceptance of non-mainstream ideas, both in and outside of economics.

13. Rate the following names for an economics of a your-SHFCB type. I don’t see the advantage here. Take Austrian economics, for example, as an identity type with a name. Austrians often argue among themselves about whether someone is or is not an Austrian. How is this useful? It doesn’t provide any particular cohesiveness among those who argue what it really means to be a member of the school, and it stereotypes “members” to those outside the school. “You’re an Austrian, so I know what you think about this.”

   A. “Smithian economics” You think this refers to Adam Smith, but there are a lot of Smiths in the world. Furthermore, it’s not that descriptive because most economists view themselves as the intellectual descendents of Adam Smith.

   B. “Smith-Hayek economics” What about areas in which Smith and Hayek disagree?

   C. “Hayekian economics” I’m a huge fan of Hayek, so I would not be offended if someone referred to me as a Hayekian. However, the name of any one person restricts the advancement of the group, because the group (e.g. Marxists) is always looking back to check the consistency of its ideas with the group’s namesake.

   D. “Spontaneous order economics” Perhaps more descriptive of the group in a sense, except that most people don’t know what spontaneous order is. Also, most of economics is about how people’s economic activities are coordinated without anyone planning it out, so may be overly broad.

   E. “Liberal economics” Obviously a bad name, because liberal has too many different meanings. On the other hand, it may be a stealth way to
gain some influence in the Obama administration.

F. “Classical liberal economics” Isn’t classical liberalism a political position rather than an approach to economics?

G. “Free-market economics” This term certainly captures the unifying characteristics of the economists in the group. But it seems to suggest that it is a minority viewpoint (just one school of thought) and that mainstream economics is not free market.

H. “Libertarian economics” Isn’t libertarian a political rather than economic identity?

14. Is there some other name you’d suggest for a your-SHFCB identity? I’m not that keen on coming up with a name for my SHFCB identity. What purpose would it serve?

15. Comments on the issue or questionnaire? One advantage of markets over politics is that people only interact when they have interests in common. I want gas for my car. The gas station attendant wants money. So we trade in perfect harmony, even though we may have almost nothing in common except in that one narrow area. In politics, even people who are in broad agreement find themselves in frequent disagreement in those rare instances where they don’t see eye to eye. For example, right now there’s a ballot initiative in Florida to define marriage as a union between one man and one woman. I’m on a libertarian Republican listserv (I’m not a Republican, by the way) where they’re arguing over whether libertarians should vote yes or no on the issue. These people agree on just about everything, and yet their interactions are over one small thing on which they disagree. The same thing happens with academic groups (as I’ve already suggested regarding Austrians). If I identified myself as a SHFCB economist, other SHFCB economists, who I would almost always agree with on everything, would say I don’t fit because of my view on some minor issue. What would be the advantage of starting up such a group identity? Let’s say we did, and then I took a stance you disagreed with. You would be identified with my stance because we both are SHFCB economists. That’s a cost to more precisely creating such a group identity. What’s the benefit?

Steven Horwitz
Professor of Economics, St. Lawrence University
http://myslu.stlawu.edu/~shorwitz/
Basis for inclusion: SDAE.

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Ludwig von Mises, Leland Yeager, Armen Alchian, Doug North, Deirdre McCloskey

3. List the chief characteristics of such a character type. What Caldwell calls
“basic economic reasoning” is one. A distrust of aggregates. An emphasis on process rather than equilibrium. A concern about the epistemic properties of economies. A focus on the role of institutions. A recognition that all analysis is comparative.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? It would be nice to have one name that covers a whole range of sound economics. Ideally, however, it should be one that doesn’t at the same time obscure some of the unique traditions each of the economists represent.
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Austrian first and foremost. But I also will quite freely say I make use of insights from public choice and new institutionalism and that “good” micro also comes from the Chicago-Virginia-UCLA tradition, rightly understood.
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Equilibrium focused – worried about getting the equilibrium solution rather than understanding the underlying processes. Institution-free – pays no attention to the real institutions in play and the knowledge and incentives that they create or destroy.
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I believe so, although there are fewer young people exposed to these traditions.
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? That’s harder to say. I’m not sure any economics has such an identity other than perhaps “Keynesian.”
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good. It’s good for the academic audience, but it will be tough for the public.
   B. “Smith-Hayek economics” Excellent. Smith-Menger-Hayek would be even better ✔ It’s the spontaneous order tradition. It’s the right descriptor, but I’m not sure how “marketable” it is.
   C. “Hayekian economics” Good. In some ways this best describes my own work, but the tradition in play here really is broader than Hayek.
   D. “Spontaneous order economics” Excellent. As noted above, I think
this is the right descriptor – I just doubt it could sell to the masses.
E. “Liberal economics” No good. Won’t work in the US given the use of the word “liberal”.
F. “Classical liberal economics” Weak. “Classical liberal” requires too much explanation (though so does spontaneous order I suppose)
G. “Free-market economics” Good. If we’re going to go with an ideologically “out” name, this is the one. It has the most public currency and it’s accurate. But… I am wary of using an ideologically “out” name.
H. “Libertarian economics” OK. Accurate, but too much baggage from “libertarian.”

14. Is there some other name you’d suggest for a your-SHFCB identity? I wish I had a better one, but I don’t think I do. I would love to be able to get the idea of dispersed knowledge in there b/c I think that is one of the things that underpins all of the theoretical traditions that comprise the identity.

Dan Johansson
Associate Professor of Economics, Ratio Institute

Basis for inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Erik Dahmén, Knut Wicksell, Eli F. Heckscher, Carl Menger, Joseph Schumpeter (esp. the early Schumpeter)
3. List the chief characteristics of such a character type. The six numbered characteristics in the opening essay apply to all of them.
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I have no strong opinion on this issue. I guess that an identity could help to create a community and help people to feel that they are not alone but part of a movement.
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I would say that Smith, Hayek and Coase are good examples. I would also say Knut Wicksell, who made important contributions to economics at the same time as he took part in public debate.
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Paul Samuelson and Kenneth Arrow. Both seem to be blinded by their mathematical models and inclined to support interventionist solutions.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I am doubtful, mainly because there are several “identities” in economics, such as Austrians and Mainstream economics. Also, I think many economists do not want to be identified with a particular group. They simply want to be “economists”. Furthermore, I believe that all economists claim to be Smithian since they recognize Smith to be the “founding father” of economics.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? I do not think so, basically because the public is ignorant about different traditions and identities within economics.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good. Economists of many kinds would claim they are Smithian, since they think that they all stem from Smith’s writings.
   B. “Smith-Hayek economics” No good. Why not Smith-Menger economics, since Hayek is a descendant of Menger?
   C. “Hayekian economics” No good. It is too narrow.
   D. “Spontaneous order economics” No good. Too long expression.
   E. “Liberal economics” No good. “Liberal” is too ambiguous and can include everyone from socialists to classical liberals.
   F. “Classical liberal economics” No good. For many, I would guess, this refers to politics rather than to science.
   G. “Free-market economics” OK. I think this is what it is about.
   H. “Libertarian economics” No good. For many, I would guess, this refers to politics rather than to science.

14. Is there some other name you’d suggest for a your-SHFCB identity? “Free-will economics” or “Free-contract economics”. I guess what characterize the kind of economists you think of are economists that believe in the efficiency of mutual voluntariness in agreements.

Nils Karlson
Associate Professor of Economics, Ratio Institute
Basis for inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of
representatives of that character type? Gordon Tullock, Frank Knight, Israel Kirzner, Albert O Hirshcman, Thomas C Schelling

3. List the chief characteristics of such a character type. Market processes, Evolutionary Spontaneous orders, Unintended consequences, Institutions, Interdisciplinary, Micro-macro connection

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree.

5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly agree.

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree.

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes, for marketing and funding

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely yes.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? See characteristics above

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. (Be as brief or discursive as you like.) Neoclassical, Equilibrium, Game theoretical, Mathematical

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Not really

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? More so.

13. Rate the following names for an economics of a your-SHFCB type.

A. “Smithian economics” OK
B. “Smith-Hayek economics” Don’t know
C. “Hayekian economics” OK
D. “Spontaneous order economics” OK
E. “Liberal economics” Weak
F. “Classical liberal economics” Weak
G. “Free-market economics” Weak
H. “Libertarian economics” No good

Henrik Lindberg
Research Fellow, Ratio Institute
http://www.ratio.se/pages/ResearcherStart.aspx?id=152
Basis for inclusion: Ratio

2. Which five additional economists would you include in a top-ten list of representatives of that character type? George J. Stigler, Frederic Bastiat,
David Ricardo, Gordon Tullock, Ludvig von Mises

3. List the chief characteristics of such a character type. There should be limited central authority over fundamentals such as property, labour, and capital. Liberty should be understood as negative freedom that means a freedom from the coercive actions of others. A fundamental belief that rights (to liberty freedom etc.) exist independently of time, place or government.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Neutral

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I haven't thought much about that, but I assume that it would be beneficial.

8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat yes. In Sweden people would probably put me in that group but I assume that it would be the other way around in the US. Partly depending on the different ideological climates.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? More eclectic than belonging to a particular “tradition” or “identity”. Those economists that I identify with are probably unknown outside of Sweden: Erik Dahmén and Johan Åkerman.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? It is hard to say if it is an accepted identity by economists. I really don't know.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Same answer there. I don't know.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good
   B. “Smith-Hayek economics” No good
   C. “Hayekian economics” No good
   D. “Spontaneous order economics” No good
   E. “Liberal economics” OK
   F. “Classical liberal economics” Good
   G. “Free-market economics” Good
   H. “Libertarian economics” No good
Antonio Martino  
Professor of Economics, LUISS University of Rome  
http://en.wikipedia.org/wiki/Antonio_Martino  
Basis for inclusion: IEA, MPS

2. Which five additional economists would you include in a top-ten list of representatives of that character type? George J. Stigler, Gary Becker, Alan Meltzer, Gordon Tullock, Anthony de Jasay

3. List the chief characteristics of such a character type. The belief that economic analysis is an important tool for understanding the world we live in, and even more the idea that individual freedom is the only principle of social order. 
A term to denote the character type represented by your answer to question no. 2: Liberal scientist.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Disagree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I believe so. The only way we can achieve progress is by liberating human potentialities.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes. Economic liberalism is one of the very few things I strongly believe in.


10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Murray Rothbard. Like many Austrians he did not believe in scientific economics.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” Good
   C. “Hayekian economics” Good
   D. “Spontaneous order economics” Excellent
   E. “Liberal economics” Good
   F. “Classical liberal economics” OK
G. “Free-market economics” OK
H. “Libertarian economics” Weak
14. Is there some other name you’d suggest for a your-SHFCB identity? Liberal political economist.
15. Comments on the issue or questionnaire? I’m not sure I understood the meaning of all questions.

Thomas Mayer
Professor Emeritus of Economics, University of California Davis
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Sowell, Stigler, Becker, perhaps Schumpeter, Hume.
3. List the chief characteristics of such a character type. I wonder whether Smith fits in all that swell with some of the others, e.g., Buchanan, because of Smith’s emphasis (both positively and nominally) on sympathy. On a continuum from Nozick to Rawls, Smith would probably be closer Rawls than most of the others you list.
You might want to add something relating to the Rawls – Novick debate to your six points. Skepticism about the good effects of well-intentioned but not well examined policies might also be relevant for your list.
“Smithian” strikes me as about as close as one can get, despite my earlier reservation.
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? The public has not heard about most of them.
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Somewhat Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes, as long as it avoids dogmatism and the formation of schools.
8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Agree. I am actually part way between “yes” and “somewhat.”
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Eclectic
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Republican: Pro-business, strongly opposed to equalitarian redistributive policies, very enthusiastic about market
processes.

Formalist: Good economics is applied mathematics. What is relevant is not whether a proposition is true, but whether it has been rigorously derived.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Perhaps. I certainly hope so since I just wrote a book (Invitation to Economics, Blackwell-Wiley) for a general audience presenting such a type of economics.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Excellent
   B. “Smith-Hayek economics” Weak. There are big differences between Smith and Hayek.
   C. “Hayekian economics” No good
   D. “Spontaneous order economics” Weak. Too much focus on Hayek.
   E. “Liberal economics” No good. The word has too many meanings.
   F. “Classical liberal economics” Weak
   H. “Libertarian economics” No good. Same as above.

14. Is there some other name you’d suggest for a your-SHFCB identity? Yes, exemplary, praiseworthy, balanced. No, seriously, I can’t think of one.

15. Comments on the issue or questionnaire? An excellent job dealing with a very hard topic.

Deirdre McCloskey
Professor of Economics, History, English, and Communication, University of Illinois at Chicago
http://www.deirdremccloskey.com/
Basis for inclusion: EastEA, EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Here are eight more: Alexis de Tocqueville, Harriet Martineau, John Stuart Mill, Knut Wicksell, Joseph Schumpeter, Albert Hirschman, Thomas Schelling, Robert Nozick

3. List the chief characteristics of such a character type. Liberals in the old sense; They are wary of social engineering; They see the economy in a wider cultural context without abandoning prudence – what I call prudence-plus; They exhibit philosophical pragmatism, they are not dogmatically theoretical; They are scholarly; they are engaged in the culture of their society and civilization.

4. Would you agree that your-SHFCB is not well identified today within the
professional culture of academic economics? \textit{Strongly agree.} It’s driven out by Max-U theorizing.

5. Would you agree that your-SHFCB is not well identified today within the public culture? \textit{Strongly agree.}

6. Would you agree that your-SHFCB \textit{stands in need of better identification}, within the professional culture, the public culture, or both? \textit{Strongly agree.}

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? \textit{Yes, strongly, it would change the course of professional economics, it would change course of the polity.}

8. Would you consider yourself as one who is of the your-SHFCB character type? \textit{Definitely yes.} Once I wasn’t, now I am.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? \textit{Smithian}

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB.
   1) Samuelsonian – Max U theorizing. We should stop call it “neoclassical” or “mainstream”
   2) Marxist – especially the old historical materialist school; vulgar Marxism.

11. Is an economics of a your-SHFCB type \textit{viable} as an accepted identity (assuming it had an effective name) \textit{within academic economics}? Not as academic economics is currently constituted, no. If Europeans stop trying to be more American than the Americans, the prospects there might look up.

12. Is an economics of a your-SHFCB type \textit{viable} as an accepted identity (assuming it had an effective name) \textit{within the public culture}? Yes, it is, we have to keep writing books like that. Look at the great success of \textit{The Road to Serfdom}.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” \textit{Excellent}
   B. “Smith-Hayek economics” \textit{Weak}
   C. “Hayekian economics” \textit{Weak}
   D. “Spontaneous order economics” \textit{Weak}
   E. “Liberal economics” \textit{Excellent}. We should just candidly say: “Yes, of course it’s liberal economics.” An economics worthy of a free person. An economics that is generous, not with other people’s resources but with one’s own, including one’s interest, attention, and approbation.
   F. “Classical liberal economics” \textit{Weak}. It’s like what’s wrong with “mainstream.” Don’t surrender!
   G. “Free-market economics” \textit{OK}.
   H. “Libertarian economics” \textit{No good}.

14. Is there some other name you’d suggest for a your-SHFCB identity? If so, please do, and explain why. \textit{Free economics}?
2. Which five *additional* economists would you include in a top-ten list of representatives of that character type? Frederic Bastiat; Ludwig von Mises; Murray Rothbard; Joseph A Schumpeter; Gordon Tullock

3. List the chief characteristics of such a character type. For me the chief characteristics would be: an appreciation of the fundamentally subjective nature of human ends and what follows from this in terms of the impossibility of agreeing collective or social ends; an appreciation of the market as a process; an appreciation of the role of *institutions* in human society; skepticism as to the ability of humans to deliberately plan outcomes that improve upon those outcomes that arise spontaneously.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Neutral

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB *stands in need of better identification*, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I think the main benefit from such an enterprise may come from losing or abandoning an identity that is unhelpful, and enabling broadly like-minded people to identify one another.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? At various times, depending on audience, context or mood, I have identified myself as an Austrian economist, public choice theorist and someone working in ‘the new political economy’.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. I would see two alternative positions: first, socialists, people with a definitive commitment to an alternative theoretical and ideological framework; second, neo-classical economists, professional economists with little theoretical or ideological commitment who are broadly neutral towards the SHFCB-approach.

11. Is an economics of a your-SHFCB type *viable* as an accepted identity (assuming it had an effective name) *within academic economics*? In the sense that ‘analytical Marxism’ is an accepted identity within philosophy, for example, yes.

12. Is an economics of a your-SHFCB type *viable* as an accepted identity (assuming it had an effective name) *within the public culture*? Again, in the sense that J K
Galbraith’s identity as a social democratic was accepted, yes.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good. Smith is too open to interpretation (see Iain McLean’s recent book for example) and a pre-marginal thinker.
   B. “Smith-Hayek economics” No good. See above for thoughts on Smith; in the UK at least, Hayek carries enormous negative baggage and he wasn’t right about everything. To identify so closely with two divisive thinkers seems to me to be a mistake.
   C. “Hayekian economics” No good. As above.
   D. “Spontaneous order economics” OK. This does capture an important part of the relevant tradition and doesn’t identify with a single or couple of thinkers.
   E. “Liberal economics” Weak. Liberal means so many different things to different people and in different contexts.
   F. “Classical liberal economics” Weak. Suffers from similar problems to ‘Liberal’, plus it sounds like a remnant of the nineteenth century.
   G. “Free-market economics” No good. Too crude; implies the conclusions are already decided.
   H. “Libertarian economics” No good. Similarly, too crude; implies the conclusions are already decided.

14. Is there some other name you’d suggest for a your-SHFCB identity? Subjectivist economics; for me, subjectivism is what links Austrianism and public choice, as well as libertarianism or classical liberalism. It need not imply Lachmannian radical subjectivism, but simply an appreciation of the subjective nature of human experience and human ends.

Roger Meiners
Professor of Law and Economics, University of Texas at Arlington
http://economics.uta.edu/facpages/Meiners/Meiners.htm
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Four come to mind: Armen Alchian, Harold Demsetz, Gordon Tullock, and Matt Ridley. I know Ridley is not formally an economist, but he has profound insights for me.

3. List the chief characteristics of such a character type. Each provided more than one profound observation that extended the impact of economics. Often their analysis did not appear in a leading journal article.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree

5. Would you agree that your-SHFCB is not well identified today within the
public culture? Somewhat Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? There is a huge gap between “the profession” and “public culture.” The latter is largely entertainment for those of us who fancy ourselves to be intellectual. The former, meaning the economics profession, probably no longer exists the way it did even 20 years ago. Perhaps that is due to the growth of the discipline, but I suspect it is due to the dominance of technical tools, which do not rely much on economic insight so much as application of nifty tech tools and the unearthing of under-exploited data sets. Basing analysis on carefully derived economic hypotheses does not seem to matter much now. The technocrats stare blankly when you try to relate basic theory to whatever test they are concerned with (the arguments seem to center mostly on technical tools and interpretation, not economic logic). This is true even for those who are, at heart, market economists—the Freakonomics-type analysis, which is more data mining than careful application of theory. I appreciate that such works get some people cranked up about economics, and find it far more interesting than math drivel showing nothing new, but there seem to be few revelations emerging from much of this work that has a bit of a populist tint to it (which is fine).

8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Yes. Those of us with much more limited mental capacity might entertain that we are of similar character, but few are so worthy.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I like to think I draw on a bit of all of those worthies, the identifiers I would think most relevant to me are your 3 and 5—mostly I teach (and write for) non-economists, so I strip out many things that analysis is based on (knowing that they will get bored before the beauty of it can be instilled) to try to convince them of the relevance and logic of what is being presented (and that private action is almost always far to be preferred to coercive arrangements we call democratic government).

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Those who I admire seem to have done what they thought was intellectually interesting (and I do not demean the technocrats—I presume they are doing what they think is interesting) and were generally so good they knew it would stick. Some lived at a time when routine journal publishing did not matter; those who did could work it into journals, but many of their most important works were not AER-JPE-type pieces. Original thinking is hard to impress upon risk-averse journals.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes, but they must
jump through the journal hoops if they wish to be at something beyond a teaching school (nothing wrong with that, but they will not impact many grad students).

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Pretty much; insightful arguments are more likely to come from SHFCB types than the Paul Samuelson-techno-types.

13. Rate the following names for an economics of a your-SHFCB type. I doubt it—creating a brand name is very hard and many will refuse to adopt it, even if it applies to them. The most important thing is to try to train the next generation—GMU is critical in that regard.
   A. “Smithian economics” Weak
   B. “Smith-Hayek economics” Weak
   C. “Hayekian economics” Weak
   D. “Spontaneous order economics” No good
   E. “Liberal economics” No good
   F. “Classical liberal economics” No good
   G. “Free-market economics” Good. It is the best we can hope for—it already has recognition.
   H. “Libertarian economics” No good

Most of these terms would mean nothing to most non-economists and even within the profession would have low recognition. For better or worse, we tend to be branded free market economists, so may as well accept it with pride and keep working to convince people it is a positive thing.

14. Is there some other name you’d suggest for a your-SHFCB identity? No. New names rarely stick. New institutional economics or whatever, blah blah. The terms only have meaning to members of the secret society.

Robert H. Nelson
Professor of Public Policy, University of Maryland
http://www.publicpolicy.umd.edu/facstaff/faculty/nelson.html
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? In rank order of appropriate fit, Frank Knight, George Stigler, Aaron Director, Richard Posner, Gary Becker.

3. List the chief characteristics of such a character type. Won a Nobel prize (Hayek, Friedman, Coase, Buchanan, Stigler, Becker); Chicago connections; Could write in prose accessible beyond fellow professional economists; Saw themselves in an advocacy role; Antagonists of the progressive “gospel of efficiency” that underlies the welfare and regulator state; Acknowledged a
core ethical dimension to economics; showed a seriousness of character and purpose.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree
   Would you agree that your-SHFCB is not well identified today within the public culture? Neutral

5. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes. It would basically be the identity of “the Chicago school,” although that identity is not nearly as well represented today at Chicago, as compared with the previous generation.

8. Would you consider yourself as one who is of the your-SHFCB character type? Somewhat Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I am not entirely comfortable with being labeled. Maybe the closest would be “Austrian/Libertarian economist.”

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Economic modeler – emphasis on mathematical expression does not fit SHFCB group. “Value-neutral” – SHFCB group acknowledges key role of values in economics.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Minimally – all the SHFCB figures above that come readily to mind are from earlier generations, seemingly few new ones coming along now in academic economics.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Might be more accepted in public culture.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good. Sounds old.
   B. “Smith-Hayek economics” No good.
   C. “Hayekian economics” Weak
   D. “Spontaneous order economics” Weak
   E. “Liberal economics” No good
   F. “Classical liberal economics” Weak
   G. “Free-market economics” OK
   H. “Libertarian economics” OK

14. Is there some other name you’d suggest for a your-SHFCB identity? Maybe “new Chicago school” – would recognize core debt to Chicago school, but abandonment by current Chicago department. Or maybe “the George Mason school” (a large percentage of SHFCB types under 60 are now found at George Mason). Another possibility is “new institutional economics”, or maybe “the
new political economy.”

15. Comments on the issue or questionnaire? It is a worthy effort. I probably have not helped much. Finding the right label is not easy, since you would be encompassing a rather wide range.

Paul Ormerod
Director, Volterra Consulting
http://www.paulormerod.com/
Basis for inclusion: IEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Alan Kirman; Vernon Smith; Thomas Schelling; Daniel Kahneman; Herbert Simon

3. List the chief characteristics of such a character type. I would certainly omit point (4) [eschewal of efforts to paint a picture of the economy] from the list. All the above have shown, in various ways, how more psychologically realistic models of agent behaviour can expand considerably our ability to understand the world. Understanding is not, of course, at all the same thing as prediction and control. Most of these models have an inherently stochastic component. I think the main characteristic is a recognition that in most circumstances the cognitive ability of agents to gather and process information is very limited. The dimension of the problem is very high. Simple rule-of-thumb behaviour works quite well. These limits of course extend to all agents, governments as well as individuals.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Most definitely. I believe that this is the future of economics in the 21st century. All theories are approximations to reality. In some circumstances, rational maximisers with full information is a reasonable approximation. Maximisers with limited (asymmetric) information extends the range of realism. Rule-of-thumb behaviour potentially extends this much further.

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Agent based; complex system; limited
Desperately seeking smithians

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? The evidence is very mixed here. I would say 10 years ago it had virtually no acceptance, now there is a grudging acceptance in an increasing proportion of the profession, but there is most definitely a hard core which is totally opposed, and many of these occupy key positions.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Not really

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” OK
   B. “Smith-Hayek economics” No good
   C. “Hayekian economics” No good
   D. “Spontaneous order economics” Weak
   E. “Liberal economics” No good
   F. “Classical liberal economics” No good
   G. “Free-market economics” No good
   H. “Libertarian economics” Weak
   
   The problem with most of these is that they are in the realm of political economy and so carry negative connotations for many people. For example, I actually regard Hayek as the greatest social scientist of the 20th century, but most people simply associate him, quite wrongly, with an ideology such as ‘Reaganism’ or ‘Thatcherism’

14. Is there some other name you’d suggest for a your-SHFCB identity? I guess one will gradually emerge – well, that’s what we should believe! Perhaps the best we can do is to lump it all under the heading ‘behavioural economics’. I know this spans a wide range, but at least it has a measure of acceptance already.

Sam Peltzman
Professor of Economics, Graduate School of Business, University of Chicago
http://www.chicagogsb.edu/faculty/bio.aspx?&min_year=20084&max_year=20093&person_id=173651
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? John Stuart Mill, Ludwig von Mises, Gordon Tullock, George Stigler, Harold Demsetz
3. List the chief characteristics of such a character type. Too open ended question.
4. Would you agree that your-SHFCB is not well identified today within the
professional culture of academic economics? Neutral
5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Neutral
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? don’t know
8. Would you consider yourself as one who is of the your-SHFCB character type? Yes
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Don’t know
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Don’t know
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” Weak
   C. “Hayekian economics” Weak
   D. “Spontaneous order economics” OK
   E. “Liberal economics” OK
   F. “Classical liberal economics” OK
   H. “Libertarian economics” OK

Edward Prescott
Professor of Economics, Arizona State University
http://www.minneapolisfed.org/research/prescott/
Basis for inclusion: Nobel

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Robert M. Townsend, Gary S. Becker, Neil Wallace, Robert E. Lucas Jr., Karl Synder
3. List the chief characteristics of such a character type. They are economists. In modeling people choose what they prefer and there is consistent behavior (equilibrium). They use the Pareto ordering, an allocation is better if all weakly prefer and some strongly prefer it to the alternative.
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Disagree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Neutral
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Disagree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? No. Your-SHFCH is winning because economic theory is winning and they are true to economic theory. By winning it is what the young do.
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I am an economist economist. I am dedicated to making economics a hard science. Macro economics is now a hard science
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Some people who claim to be economist do not use the language of economics. They are ideologues. The economic and the behavior sciences are different sciences.
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? We are the economists. Be ambitious.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good
   B. “Smith-Hayek economics” No good
   C. “Hayekian economics” No good
   D. “Spontaneous order economics” No good
   E. “Liberal economics” No good
   F. “Classical liberal economics” Weak
   G. “Free-market economics”
   H. “Libertarian economics”
15. Comments on the issue or questionnaire? What matters is the language that they young researchers use. If their research papers are in the language of economic theory, economic theory will dominate. The writers will have a vested interest in the economic science as opposed to something else. Conclusions have to follow from assumptions.

Martin Ricketts
Professor of Economics, University of Buckingham
http://www.buckingham.ac.uk/publicity/dofe/ricketts.html
Basis for inclusion: EJW, IEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Alfred Marshall, George Stigler, William
Baumol, Oliver Williamson, Armen Alchian

3. List the chief characteristics of such a character type.
   a. Each is intuitively or even explicitly dynamic and evolutionary in their thinking even if using ‘equilibrium’ and deterministic models in some formal work.
   b. Each supports the idea that economics is ‘scientific’ and that fundamental laws are at work but each is aware of the institutional context in which market transactions take place. Thus these thinkers would not have expected, for example, that a policy of privatization would have similar benign results from every historical starting point.
   c. Historical understanding and interpretation inform the work of each.
   d. The historical development of economic thought features in much of their work.
   e. They represent a type of economics that most closely approximates a marginalist and ‘neoclassical’ successor to the mid 19th century ‘classical political economy’.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Disagree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Beneficial for whom? Personally I have little now to gain or lose either way. If we are talking normatively about the education system, I think that the education of students would be improved from greater exposure to an SHFCB approach to economics. I am quite sure, for example, that recent problems in financial markets would have come as much less of a surprise to people who had studied a little less abstract ‘finance’ based upon expected utility maximizing assumptions and a little more economic history and institutional economics.

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes. I was educated in a rather ‘old fashioned’ way and read Marshall, Hayek and D.H. Robertson as a student. Basically I never recovered.


10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Mathematical formalism. This is something of a ‘straw man’ to compare with SHFCB. The main thing is that economics is treated as a set of technical puzzles with mathematical solutions. The danger is not that mathematics is used. It is that the ‘model’ or ‘engine of analysis’ becomes not a tool to be used but a vision of reality to be protected at all
costs from ignorant critics determined to look away from the equations to the world about them.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I doubt it – but see comments to 14.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? I suspect that it is already accepted. As a pure hunch, I’d say that within the ‘public culture’ most people think of economists as SHFCB types. I agree that it is odd that academic ideas of economics and public perceptions are so far apart, but when economists engage in the public arena (in newspapers or in blogs or on the TV) they are forced to speak English and pay some attention to ‘common sense’.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” No good. I understand what this is supposed to mean and approve – but it will simply seem to refer to some defunct economist of no relevance to the ‘modern world’.
   B. “Smith-Hayek economics” No good. As above – even though a long passage of time is implied and hence something of universal relevance. It suggests something more restrictive than ‘economics,’ a kind of sub-branch rather than the main trunk of the tree.
   C. “Hayekian economics” No good. As above – It would be seen as a very particular chapter in the history of economic thought.
   D. “Spontaneous order economics” Weak. Possibly. But it is too ‘Austrian’. You can be tempted by ‘spontaneous order’ ideas but still not necessarily think they are universally applicable. I doubt whether all the names mentioned above would be happy to subscribe to ‘spontaneous order’ theory.
   E. “Liberal economics” Weak. Here the problem is the political baggage. The word ‘liberal’ means different things in the US and UK and is even used differently in different contexts in the UK. No one would understand it.
   F. “Classical liberal economics” Weak. This is too associated with Smith, Ricardo, Mill and so forth. As mentioned above I tend to think of SHFCB as ‘Neoclassical liberal economics’ – but would not recommend the term.
   G. “Free-market economics” Weak. Here the problem is that SHFCB can be used to analyze non-market settings (as in Public Choice and the Economics of Bureaucracy and Regulatory Economics). Of course, all the economists mentioned think that individual non-coerced choice and the ‘price system’ is likely to handle coordination problems better than alternatives. But then the title ‘free market economics’ highlights the broad (though not necessarily totally general) normative conclusions rather than the methods of analysis.
H. “Libertarian economics” No good. Designed to confine SHFCB to a ghetto. We can defend methodological individualism as a foundation of scientific analysis and others then find it difficult to attack because they also start from such a foundation. Once we call ourselves ‘libertarian’ the whole thing becomes too ideological.

14. Is there some other name you’d suggest for a your-SHFCB identity? All I can suggest is the New Institutional Economics – although this easily gets confused with the ‘institutionalism’ of the early twentieth century in spite of the prefix ‘new’. Also the whole point is that it is rooted in the past and not really ‘new’ at all.

Another possibility is to attempt to resurrect the subject of ‘political economy’ that was hijacked by the Marxists in the mid twentieth century. It is a good old-fashioned term but probably fails to convey the right image. Ideally I’d prefer to wait for ‘economics’ to return to its roots (or at least to gain sustenance from them once more). I suspect that as people die off this will happen. The alternative is that the subject will wither which should concentrate the minds of the younger generation.

Colin Robinson
Professor Emeritus of Economics, University of Surrey
http://www.econ.surrey.ac.uk/people/crobinson/index.html
Basis for inclusion: EJW, IEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Lionel Robbins, Harry Johnson, Ludwig von Mises, George Stigler, Alan Walters

3. List the chief characteristics of such a character type. Strong underlying belief in the benefits of a competitive process, coupled with doubts about the benefits of government intervention in that process, all based on independent empirical and theoretical analysis.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes

8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular
“type” of economics you identify with? Classical liberal economics

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” OK
   C. “Hayekian economics” Good
   D. “Spontaneous order economics” OK
   E. “Liberal economics” OK
   F. “Classical liberal economics” Excellent
   G. “Free-market economics” Good
   H. “Libertarian economics” OK

George Selgin
Professor of Economics, West Virginia University
http://www.be.wvu.edu/faculty_staff/georgeselgin.htm
Basis for inclusion: EJW

Dear Dan,

I finally set about completing the Smithian survey, only to realize that I had indeed received it long ago, and to recall at the same moment my reasons for having failed to complete it then. I will try to explain them here, and then will follow up with some observations concerning what sort of economics and economists I admire, in the hope that doing that will serve your purpose to some extent, if not to the extent that filling out the questionnaire might have done.

I found myself frankly baffled by the questionnaire. Question 2 lists five economists and asks me to list five more who represent the same “character type.” I assume that you have some type in mind in coming up with the list, and that I was supposed to figure it out from what the five have in common, and proceed from there. But in subsequent questions the character type in question is labeled “your- [that is, _my_] SHFCB,” and I am asked to respond to questions concerning it as if it stood, not for your own concoction, but for some ideal of my own choosing. It is as if I were asked to name my ten favorite economists, and identify a type based on that list, only with the constraint that you get to pick five of them! Of course you are right to think that I would have chosen some of the five anyway; but the big “nudge” is nonetheless problematical to the extent that our ideals do not completely match up.
I can think of one way in which they differ, which may serve to illustrate my point. A common attribute among your five—the most obvious one though perhaps not the only one—is that all are generally regarded as classical liberals and defenders of free markets—that is, all share a common ideological bent. Well, I am a big fan of Wicksell, for any number of reasons, but I don’t suppose he would fit the “character type” in this particular respect, and so I should presumably not include him among my ten. Yet I do not consider the problem “with the professional culture of academic economics” to have much to do with an “identity crisis” amongst free-market types or with this type not being sufficiently acknowledged or accepted in or out of the profession.

More fundamentally, you and I differ markedly in our reasons for not rushing to embrace the “free-market economist” identity, or at least the label “free market economist.” You reject it because (1) SHFCB doesn’t favor absolutely free markets; (2) it fails to exclude narrow-minded f of Xers; and (3) it is too pushy. I reject it for the reason Milton Friedman himself did (“There is no such thing as free-market economics” etc.), namely, because in embracing such an identity an economist essentially defines himself not as a scholar but as an advocate. On a radio interview I had concerning the financial crisis, the host, upon hearing me blame the crisis on government misconduct, said, “Well, I suppose you are saying this because you favor free markets.” I corrected him by noting that I wasn’t born that way but instead arrived at my conclusions through study—but I might equally have insisted that my conclusions didn’t spring fully-formed from my “identity,” and weren’t in any way essential to it. Indeed, I sometimes wish that the government didn’t seem to always muck things up so that I could praise some of its interventions and prove once and for all that I’m not a “free market economist.” In other words, if my research suggested to me the advantages of certain non-market regulations I hope I would not hesitate to say so.

I do in fact admire all of the economists on your list of five, and might well include them on my list of ten; but my reasons are such as would not prevent me from including some who were not particularly known as champions of free markets. I admire them for their scholarship, their tenacity in defending unpopular ideas, and their humaneness. Some I admire as well for their clarity of exposition—though one or two might forfeit their places on this score. Speaking of good writing, I would certainly have Leland Yeager on my list, and also Deirdre McCloskey, whose economics I admire more for this, and for its erudition, than simply for its libertarian bent.

In my view, what the economics profession lacks today isn’t a greater share of free market economists. What it lacks is Smith’s humaneness; McCloskey’s rhetorical skills; Yeager’s attention to prose; Coase’s interest in confronting theories with facts—and not just the sort of “facts” that can be represented by strings of numbers;
Hayek’s erudition. In brief, it is short of old-fashioned scholarship, thanks to, among other things, the elimination of formerly required classes on the history of thought and on economic history to make way for more classes on mathematical modeling and econometrics. Mainstream economists, who are supposed to understand diminishing marginal utility, have instead acted as if the value of these two once minor (indeed, once non-existent) components of economic scholarship were constant or increasing. The problematic consequence is, not a decline in “free market economics,” for math and statistics are so far as I can tell ideologically neutral, but a decline in well-informed economics of any ideological stripe. Bluntly: the profession has succeeded in teaching several generations of graduate students how to write (and publish) papers about X despite knowing next to nothing about X.

Has scholarly economics have anything at all to do with free markets, then? I think it does have something to do with them, in that my impression is that, if more (humane) economists knew what they were talking and writing about, they probably be more inclined to favor free market policies. But the problem isn’t a lack of “free market” economists (or whatever euphemism for same one prefers). It is a lack of “scholarly economists” (or whatever euphemism one prefers for that)--and that is the sort of economist type I would most like to see promoted, by EJW and otherwise.

I hope that this is helpful.

With best wishes,

George

Jane Shaw
Senior Fellow, Political Economy Research Center
Basis for inclusion: EJW, IEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Since this is an interview, let me digress a bit. This list is great. I discussed with Richard Stroup other names, and we have a few – especially Thomas Sowell, who fits several categories. Others – George Stigler (mostly Chicago), Gary Becker (Chicago, plus), Gordon Tullock (public choice), Richard Posner (not quite), Douglass North (Ronald Coase’s team).

The important story I want to tell is about the formation of PERC. The founders (John Baden, Richard Stroup, Terry Anderson, P.J. Hill) all recognized that their economics reflected a combination of four perspectives (Terry wrote this up in the American Journal of Agricultural Economics). They were:
neoclassical economics (their term for the Chicago school); public choice (Buchanan and Tullock); property rights (not a clearly identified school at that time, but with Douglass North a key player; Coase was there, too, although not necessarily named); and Austrian economics (mostly Hayek but, even then, reflecting Kirzner's emphasis on entrepreneurship).

In your list, you have included a representative of each of these schools, plus Adam Smith. No one thought of Adam Smith as being part of one of these schools, but he was the progenitor, I guess (except for his somewhat unfortunate idea about the labor theory of value.)

3. List the chief characteristics of such a character type. Dan, you're asking for a lot here. It's time-consuming (and it's hard to know what we're accomplishing—not like editing an article)! And also I don't really know. Some ideas: recognition of: rent-seeking, the value of a limited scope to government, the role of incentives, including the critical role of incentives provided by property right; the role of the entrepreneur, understanding spontaneous order; oh yes, and understanding of supply and demand. A little different from your six.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Strongly Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I kind of got lost over the distinction between my-vs.-your SHFCB, but basically it seems like a good idea to identify a group of pro-market, pro-limited government economists (and non-economists like me). Exactly how detailed the description has to be, I'm not sure. Maybe we're looking for truly free-market and truly limited government economists.

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? I'm not an economist so I can skip this —???
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Don't have the time (or the mind) to quite figure all this out.
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I'm not in academic economics.
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Weak. One person (Depak Lal) has used Smithian
to mean pre-industrial trade, as opposed to Promethean (post-Industrial
revolution activities). This is probably not an issue, though.
   B. “Smith-Hayek economics” OK
   C. “Hayekian economics” Good
   D. “Spontaneous order economics” OK
   E. “Liberal economics” No good
   F. “Classical liberal economics” Excellent
   G. “Free-market economics” OK
   H. “Libertarian economics” OK

14. Is there some other name you’d suggest for a your-SHFCB identity? I like
classical-liberal economics.

15. Comments on the issue or questionnaire? It was long.

Elaine Sternberg
Research Fellow, Centre for Business and Professional Ethics
http://analysol.atspace.com/PrincipalConsultant.htm
Basis for inclusion: IEA

3. List the chief characteristics of such a character type. Pro freedom, against
coercion; Recognizes importance of judgment; Understands role of
spontaneous order

5. Would you agree that your-SHFCB is not well identified today within the
public culture? Strongly agree.

6. Would you agree that your-SHFCB stands in need of better identification, within the
professional culture, the public culture, or both? Strongly agree.

7. Would it be beneficial for your-SHFCB to become an identity that functions in
the professional and public culture? Yes: to reinforce its views through greater
cross-referencing

8. Would you consider yourself as one who is of the your-SHFCB character
type? Definitely Yes

9. How might you characterize yourself as an economist? Is there any particular
“type” of economics you identify with? NOT an economist: Libertarian,
Aristotelian philosopher

10. List one or two character types other than your-SHFCB, and, for each, explain
how it differs from your-SHFCB. Coercive, authoritarian: opposed to free-
markets and free-trade

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming
it had an effective name) within the public culture? I would hope so

13. Rate the following names for an economics of a your-SHFCB type.
A. “Smithian economics” Weak. Too many possible referents for ‘Smith’ in public culture; ‘AdamSmithian econ’ better
B. “Smith-Hayek economics” Weak
C. “Hayekian economics” Weak
D. “Spontaneous order economics” Good. More descriptive; if not understood, should at least arouse interest
E. “Liberal economics” No good. Unfortunately, hijacking of term ‘liberal’ by welfare ‘liberals’ renders term systematically ambiguous.
F. “Classical liberal economics” OK. Eliminates ambiguity of above, though may suggest of only historical relevance.
H. “Libertarian economics” Good. A better description of what I would want it to be than what actually is.

14. Is there some other name you’d suggest for a your-SHFCB identity? The reason we are working with ‘Realist’ for the business ethics identity, is that it reflects both the realist philosophy (realist epistemology and metaphysics) underlying it, and the realities of what business is.

Edward Stringham
Visiting Associate Professor of Economics, Trinity College
Basis for inclusion: APPE, SDAE

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Murray Rothbard, Bruce Benson, Robert Higgs, Edward Stringham
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Somewhat Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Perhaps
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Dan, I agree with you that our current labels are bad, and it would be better to come up with a better identifier so I support your effort. In the mean time, I am fine with going by whatever someone calls me: classical liberal, libertarian, anarchist, Hayekian, Rothbardian,
free-enterprise, or free-market. I know that some of those are normative (classical liberal) and others are descriptive (Austrian).

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I am not sure what that means. What we are doing is already viable. It’s not extremely common but it’s viable. I think the question would be whether it could become more popular with a better label.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Same response as question 11. I am not sure what that means. What we are doing is already viable. It’s not extremely common but it’s viable. I think the question would be whether it could become more popular with a better label.

13. Rate the following names for an economics of a your-SHFCB type.

A. “Smithian economics” OK. I am not against that name, but it might imply that economics has not gotten any better in the past 200 years.

B. “Smith-Hayek economics” Weak. I am not against this name, but it sounds a bit longer than an ideal name. And in what sense would Coase call himself a Smith Hayek person?

C. “Hayekian economics” OK/Weak. I am not against this name, and although I would say Hayek was an okay guy, in one sense naming something after a person could sound like a cult. And it might make people assume that one supports all of his positions, which as you know have a lot of contradictions.

D. “Spontaneous order economics” OK. I am not against this but it sounds long. And the word spontaneous has baggage.

E. “Liberal economics” Weak. I am not against this, but it’s normative and also it almost surely would confuse people since most people would think of Paul Krugman.

F. “Classical liberal economics” OK. I am not against this, but it’s normative and also it would confuse the average person who does not know what classical liberal mean.

G. “Free-market economics” OK. I am not against this, but it’s normative whereas I think ideally we might have a positive description of what we do.

H. “Libertarian economics” OK. I am not against this, but it’s normative whereas I think ideally we might have a positive description of what we do.

14. Is there some other name you’d suggest for a your-SHFCB identity? I hope you find a better one than I can think of.

15. Comments on the issue or questionnaire? Good luck with your efforts Dan. I think people do need to become label entrepreneurs so what you are doing could have great payoffs.
On the other hand, a multiplicity of labels will always make sense in certain circumstances. Take the word Austrian. I agree it’s backwards looking and not a good label for an ideal world. But it does distinguish people like Hayek, Mises, Rothbard, and Kirzner from people like Friedman and Stigler. Do we need to go around calling ourselves Austrians? Probably not. But if someone asked me if I agreed with Friedman and Stigler on methodology or the Austrians I would say the latter. So from that perspective the differentiating label may be useful. Or within Austrian economics, one can refer to a Hayekian, a Misesian, or a Rothbardian. Those finer distinctions may not make sense to the larger public, but between people who are familiar with the writers and would like to classify someone less broadly than “Smithian” those distinctions make sense.

A good model you might use is the wine classification systems. A wine can be an American wine, a California wine, a Napa wine, a Stags Leap (a District in Napa) wine, a wine made by a particular producer in the Stags Leap District, or even a particular parcel of land owned by a particular producer in Stags Leap.

It’s good to have labels that provide information to different types of people, and so perhaps it might be best to have different types of labels to be used around different types of people. Someone who spends lots of time in Stags Leap will be much more interested in the fact that a wine is from a particular part of Stags Leap, whereas a novice consumer will be satisfied knowing that the wine is a California wine. So in that sense all of the labels might be of value.

Of course, too many distinctions on labels would be confusing, as is often the case with French wine labels, so the marketer who studies the question of what labels are best is providing a valuable service.

Consumer product companies spend a lot of time testing out various words and combinations of words to see what is appealing to consumers. For example, Ragu or one of the main brands did not even know that they should make a chunky tomato sauce until they used a fairly complicated marketing system.

Willem Thorbecke
Professor of Economics, George Mason University
http://www.economics.gmu.edu/faculty/wthorbecke.html
Basis for inclusion: GMU

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Gordon Tullock, Arman Alchian, George Stigler, Frank Knight, Harold Demsetz
3. List the chief characteristics of such a character type. Economically pure, intellectually powerful
Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Neutral

Would you agree that your-SHFCB is not well identified today within the public culture? Agree

Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? The best way for this to become an identity is to produce more economists like SHFCB.

Would you consider yourself as one who is of the your-SHFCB character type? No. They are head and shoulders above me.

How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Pragmatic, real world oriented.

Rate the following names for an economics of a your-SHFCB type.

A. “Smithian economics” Weak
B. “Smith-Hayek economics” Weak
C. “Hayekian economics” OK
D. “Spontaneous order economics” OK
E. “Liberal economics” No good
F. “Classical liberal economics” OK
G. “Free-market economics” Good
H. “Libertarian economics” OK

Richard Timberlake
Professor Emeritus of Economics, University of Georgia
http://www.independent.org/aboutus/person_detail.asp?id=322
Basis for inclusion: EJW

2. Which five additional economists would you include in a top-ten list of representatives of that character type? I would add, importantly, Joseph Schumpeter and Frank Knight. Possibly George Stigler also.

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Agree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Strongly Disagree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Strongly Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? If identified in the public culture, and the political culture, we might save civilization from the totalitarianism that is progressing full force with the Bush policies since 2000.
Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes

How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Particularly, I think of myself as scientific. I understand both inductive and deductive reasoning, as I majored in Physics as an undergraduate. Even if I had not learned scientific method, I think that instinctively I would practice it. I have a penchant for wanting to be RIGHT. Even my initials, RHT, include three of those five letters. I would rather be right than be George W. Bush.

List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. The late Murray Rothbard bragged about starting an argument from a set of a priori axioms, and then proceeding apace toward the conclusion, which was often the conclusion with which he had visceral communion. OK, but that isn’t science. Science is a combination of inductive and deductive methods, and the true scientist goes from one to the other in his research as circumstances dictate. Rothbard only allowed, except when it suited him, deductive reasoning. For this reason, he made such a mess of his analysis of America’s Great Depression.

Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? I do not know. I think the Smithians would accept it. I know Friedman would, and also Schumpeter.

Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? “Viable” hmmm. Yes. It would not command a majority (and damned be “majorities”), but it would have as sharp an identity as, say, “Catholic.”

Rate the following names for an economics of a your-SHFCB type.
A. “Smithian economics” OK
B. “Smith-Hayek economics” No good. No hyphens if possible. Too complicated for a label. Why not Friedman-Schumpeter economics?
C. “Hayekian economics” No good. Not enough people know what Hayek’s shtick was.
D. “Spontaneous order economics” OK. Not enough people know what that term means. So, while it is what we are driving at, we would have to write paragraphs to explain it every time we used it.
E. “Liberal economics” No good. We know what “Liberal” means, but what is our opinion relative to millions of others who use it incorrectly?
F. “Classical liberal economics” OK
G. “Free-market economics” Weak
H. “Libertarian economics” OK. Scares some people off.

Is there some other name you’d suggest for a your-SHFCB identity? We need an acronym that includes the basic concepts of individual freedom (of choice), spontaneous order, and contractual (constitutional) polity.
15. Comments on the issue or questionnaire? No criticisms. It’s a tough row to try and hoe, but I agree with the need for such an identity

Robert Tollison
Professor of Economics, Clemson University
http://people.clemson.edu/~rtollis/
Basis for inclusion: PCS, SEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Alchian, Demsetz, Tullock, Knight, and North.

3. List the chief characteristics of such a character type. 1,2,4,5,6. [Omitted here is item 3, a sense that doing well academically does not always align to doing good.]

4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Disagree

5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Agree

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? Yes. As you note in your essay, there are substitutes, but different coalitions are almost always useful.

8. Would you consider yourself as one who is of the your-SHFCB character type? Yes


10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Normative economics- social welfare calculations v. explanation. Policy economics- critique of public policy and suggestions for improvement therein.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Probably as Political Economy.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes, given the emergence of intellectuals of the quality of the above list.

13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Weak
   B. “Smith-Hayek economics” Weak
   C. “Hayekian economics” Weak
D. “Spontaneous order economics” Weak  
E. “Liberal economics” Weak  
F. “Classical liberal economics” OK  
G. “Free-market economics” OK  
H. “Libertarian economics” Weak  

14. Is there some other name you’d suggest for your SHFCB identity?  
As above, political economy with some appropriate adjective, e.g., “Classical.”  
15. Comments on the issue or questionnaire? Interesting idea.

Richard Wagner  
Professor of Economics, George Mason University  
http://www.economics.gmu.edu/faculty/rwagner.html  
Basis for inclusion: EJW, GMU

15. Comments on the issue or questionnaire? I got hung up on your question of identity, of SHFCB. Perhaps the problem is that I have no desire to identify with someone else’s project. The people you list are all fine, but I wouldn’t want to call myself one of them. A few times students have asked in class whether I considered myself an Austrian economist or a public choice economist. Invariably, I answer no, and continue by saying that I regard myself as a Wagnerian. I imagine Frank Knight would have responded similarly to such a question, and I have huge admiration for Knight even if I don’t agree with everything he wrote. It’s the same attitude, I suppose, that leads me to be disinclined to turn students into disciples—I just want them to go forth and wreak themselves upon the world.

Lawrence White  
Professor of Economics, University of Missouri at St. Louis  
http://www.umsl.edu/~whitelh/  
Basis for inclusion: EJW, SDAE, APEE

2. Which five additional economists would you include in a top-ten list of representatives of that character type? Carl Menger, Ludwig von Mises, Armen Alchian, P. T. Bauer, Jean-Baptiste Say.  
3. List the chief characteristics of such a character type. I would add:  
   a. an appreciation for the beneficial self-ordering properties of markets and institutions in a free society (“the invisible hand” or “spontaneous order”).  
   b. the belief that a good economist advances our historical and institutional understanding of the world; that something important is missing when economic analysis is limited to applied mathematics and statistics.
4. Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics? Somewhat Disagree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Somewhat Disagree
6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? Somewhat Agree
7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? “Free-market economist,” an identity that already functions, is an approximation to my SHFCB.
8. Would you consider yourself as one who is of the your-SHFCB character type? Definitely Yes
9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? Free-market economist, Hayekian economist, Austrian economist (of the reasonable variety)
10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Socialist, Keynesian, mainstream neoclassical economist: believes that market failure is more or less endemic and remediable by public policy.
11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? Yes.
12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Yes.
13. Rate the following names for an economics of a your-SHFCB type.
   A. “Smithian economics” Good
   B. “Smith-Hayek economics” OK
   C. “Hayekian economics” OK
   D. “Spontaneous order economics” Good
   E. “Liberal economics” Weak
   F. “Classical liberal economics” Weak
   G. “Free-market economics” Good
   H. “Libertarian economics” Weak

Leland B. Yeager
Professor Emeritus of Economics, Auburn University
Basis for inclusion: EJW, SEA

2. Which five additional economists would you include in a top-ten list of representatives of that character type? David Hume. Perhaps best known as philosopher and historian, but he made contributions to trade theory, monetary theory, and institutional economics.
   Henry George. Unfortunately stereotyped, but he worked in the classical
tradition and made contributions to trade theory, capital theory, and the impossibility of socialist economic calculation (thus scooping Mises).

Wilhelm Röpke. Prolific in contributions to the main branches of economics. Combined humanitarianism (or sociology) with a free-market outlook. One of the inspirers of the postwar German “economic miracle”.

Walter Eucken. Similar to Röpke. One of the founders of the Freiburg/Ordo school. Insisted that economic theory be constructed from observation of reality. Good work in capital theory and interventionism.

Gottfried Haberler. Many contributions to trade theory, macroeconomics, and history of recent thought. He should have received the Nobel Prize.

Gordon Tullock. Provocative and original in practically all areas of economics and public choice.

3. **List the chief characteristics of such a character type.** What do the members of the category have in common? All want to achieve an integrated understanding of how the real world works and perhaps might be helped to work better. The criterion of “betterness”, I suppose, is a benevolent utilitarianism, that is, conduciveness to a good society affording its members the best chances of fulfilling their individual goals in cooperation with one another and so achieving satisfying lives – in a word, happiness. The members of Klein’s category believe that economic understanding so far achieved recommends a free-market economy, but this is a (conceivably revisable) conclusion of the analysis and not the very criterion of good or bad economics.

Methodologically, Klein’s economists are receptive to whatever works. They recognize that armchair theorizing has made important contributions, but they do not rule out narrative history, statistics and econometrics, mathematics, nor even laboratory experiments on rats and sophomores. They are even willing to tolerate a certain amount of gimmickry or pyrotechnics pursued with mathematics for its own sake – as a kind of recreation – provided that it is recognized for what it is. Different economists have different native talents, interests, and training and so understandably have different preferred fields, methods of investigation, and styles of exposition. Klein’s economists recognize a healthy diversity among themselves.

What they do have in common is an overriding concern with reality (and, as I conjectured, an ultimate policy criterion of human happiness). Accordingly, they respect clear communication, even including communication with receptive non-economists. Obscurantism and profundity for their own sakes deserve scorn.

However few if any economists, I suppose, have all those characteristics. I have been describing my ideal of an economist rather than characteristics of a definite school.

4. **Would you agree that your-SHFCB is not well identified today within the professional culture of academic economics?** Agree
5. Would you agree that your-SHFCB is not well identified today within the public culture? Agree

6. Would you agree that your-SHFCB stands in need of better identification, within the professional culture, the public culture, or both? I don’t know. We have to understand what is wrong with the current cultures before suggesting how to fix them. What is the purpose, anyway, of inventing a classification and a label for its members? Few good economists, I suppose, would welcome being stereotyped with a label.

7. Would it be beneficial for your-SHFCB to become an identity that functions in the professional and public culture? I don’t know. Again, what is the purpose?

8. Would you consider yourself as one who is of the your-SHFCB character type? I would like to think of myself as having all the characteristics described in my answer 3; but realistically, I recognize that I am far from having them.

9. How might you characterize yourself as an economist? Is there any particular “type” of economics you identify with? An economist who aspires to but does not have the characteristics described in answer 3. I am not sure of the benefits of being labeled.

10. List one or two character types other than your-SHFCB, and, for each, explain how it differs from your-SHFCB. Marxian and socialist economics; The equilibrium-always/perfect-markets/1-am-more-free-market-than-thou school (Lucas?)

Policy economics. Starting with a desired conclusion and then enlisting bits of economics and miscellaneous facts and figures to rationalize it (Alan Reynolds, Paul Craig Roberts, Hans Sennholz?).

One wing of the Austrian school whose aim is to spread cherished dogma and keep it pure.

11. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within academic economics? The type is ideal, but I am not sure what good an accepted identity would do. As I said, most good economists would shy away from being characterized with a label.

12. Is an economics of a your-SHFCB type viable as an accepted identity (assuming it had an effective name) within the public culture? Same answer.

13. Rate the following names for an economics of a your-SHFCB type. I am not sure that a definite name would be useful, but a good one would be better than a bad one.

   A. “Smithian economics” No good
   B. “Smith-Hayek economics” No good
   C. “Hayekian economics” No good
   D. “Spontaneous order economics” Weak. Might make sense to economists
but would mystify the general public or leave it unimpressed.
E. "Liberal economics" No good. Likely to be misunderstood.
F. "Classical liberal economics" Weak. I consider myself to be a classical
liberal as
G. "Free-market economics" No good. Reeks of policy economics as
described in an earlier answer.
H. "Libertarian economics" Weak. I consider myself a libertarian or classical
liberal, but the label is unsatisfactory for reasons already suggested.
14. Is there some other name you'd suggest for your SHFCB identity? No
15. Comments on the issue or questionnaire? Again I wonder about the purpose
of a classification and label. Would good economists want to risk being
stereotyped?

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