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Econometric Errors in an Applied Economics Article

Dimitris Hatzinikolaou

ABSTRACT

In a recent paper, Mavrommati and Papadopoulos (2005) estimated a relationship between a firm’s advertising intensity—the ratio of the firm’s advertising expenditure to its sales, \( A/S \), the dependent variable—and a number of explanatory variables, including firm profitability (PRF). My comment does not contribute to the subject (the determinants of advertising intensity), but only to the econometric methods used in the paper.

Mavrommati and Papadopoulos used panel data from \( N = 172 \) firms in the Greek food industry over the time period 1990-1997 (\( T = 8 \) annual observations per firm). The paper is interesting, but is econometrically incorrect, which renders its results questionable. The purpose of this comment is to prevent novice researchers from repeating the errors, omissions, and confusions described below, and to police standards at the journals.

First, Mavrommati and Papadopoulos (2005, 1784) make an incorrect statement about the standard \( F \)-test. Although they state correctly (but unnecessarily) that a regression is significant when the observed \( F \)-ratio exceeds the appropriate critical value, they immediately add: “For the same regression equation to be a significant predictor, the observed \( F \)-ratio should be at least four times as large as the tabulated \( F \)-value.” This statement is obviously incorrect.

1. Department of Economics, University of Ioannina, Ioannina, Greece 451 10. I am indebted to two anonymous referees of this Journal for their extremely useful comments and suggestions, which improved significantly the clarity of my original comment.

2. Originally, I submitted this comment to Applied Economics Letters, but it was promptly rejected without their stating the reason. The rejection letters and my response are given in the Appendix at the end of this comment.
Second, Mavrommati and Papadopoulos (2005, 1783) write: “in the panel data we do not pay attention to the Durbin-Watson value because it exploits the existence of autocorrelation only in time series data.” This statement is also incorrect. Bhargava, Franzini, and Narendranathan (1982) have proposed a generalization of the Durbin-Watson test to the fixed-effects model of panel data, the preferred model of Mavrommati and Papadopoulos (2005, 1785). Bhargava et al denote their test statistic as $d_p$. Other tests for serial correlation have also been proposed for both fixed- and random-effects models (see Baltagi 2001, 90-101, Greene 2008, 652-655, and Wooldridge 2002, 274-276). Mavrommati and Papadopoulos failed to apply any of these tests, however, which makes their significance tests suspect.

Third, as the practice of modern applied econometrics suggests, not only is it necessary to test for serial correlation in panel data, but it is also necessary to test the hypothesis of a random-walk error process. As Bhargava et al (1982, 541) point out, this hypothesis is “of considerable interest,” since its acceptance would imply that the most efficient parameter estimates of the fixed-effects model can be obtained from its differenced version. More crucially, failure to test this hypothesis amounts to evading the spurious-regression problem, which exists even when $N$ is much larger than $T$, as is the case in this paper (see Entorf 1997, 292). Bhargava et al (1982, 545) recommend the use of their $d_p$ statistic to test for random-walk disturbances, but other tests are also available (see Greene 2008, 767-768). Mavrommati and Papadopoulos failed to use any of these tests, however, thus leaving their paper open to criticism with respect to the spurious-regression problem.

Fourth, Mavrommati and Papadopoulos (2005, 1785-1786) confuse the Hausman test for correlation between the firm-specific effects ($\alpha_i$), when treated as random, and the explanatory variables ($X_k$, $k = 1, ..., K$) with the Durbin-Wu-Hausman (DWH) test for correlation between the equation’s disturbance ($\varepsilon$) and the $X_k$’s, when the $\alpha_i$’s are treated as fixed parameters (i.e., when the fixed-effects model is used). In particular, immediately after describing the Hausman test for correlation between the $a_i$’s (when treated as random) and the $X_k$’s, Mavrommati and Papadopoulos (2005, 1786) add: “The test indicates whether or not an instrumental variable technique needs to be used.” This statement is incorrect, however. The role of the Hausman test described by the authors is to choose between fixed and random effects (see Greene 2008, 208-209), and in this paper the test strongly rejects the random-effects model, since the value of the test statistic is $X^2_{10} = 41.25$ (not $X^2_{10}$, as the authors write) for regression 1a, and $X^2_{10} = 38.58$ for regression 1b (see their Table 3). Given these values of the test statistic, which are significant even at the 1% level, if the Hausman test described by the authors was a test for choosing between the standard fixed-effects and the instrumental variable...
estimator, as the authors erroneously claim in the previously quoted statement, then they should have chosen the instrumental variable estimator. Instead, however, Mavrommati and Papadopoulos conclude that there is no endogeneity and consequently choose the standard fixed-effects estimator. To decide on this issue, one can use the DWH test (which the authors simply call “Hausman-Wu test”), which compares the instrumental variable estimator with the least squares estimator (see Greene 2008, 321-325). It is not clear, however, whether or not the authors actually applied the DWH test, since they failed to mention which explanatory variables they suspected as being correlated with \( \varepsilon_{it} \) and which instrumental variables they used to implement the DWH test. My criticism on this issue is concerned more with the considerable confusion contained in the last paragraph of Section VI and less with the correct implementation of the tests.

Further, Mavrommati and Papadopoulos (2005, 1786) report the following: “We estimate the relevant F-statistic (Gujarati, 1992) for the fixed effects models \( F_{(1a)} = 17.27 \), \( F_{(1b)} = 17.27 \) against the theoretical value of \( F(F_{(1a)0.1}, F_{(1b)0.1}) \). Thus, the Hausman specification test \( F^* < F_{0.1} \) shows that an endogeneity does not exist in both models.” If this is in fact the DWH test, then this conclusion is incorrect, because the reported observed value of the test statistic \( F^* = 17.27 \) is highly significant, given that the degrees of freedom of the numerator is a small number (equal to the number of explanatory variables which are suspected of being correlated with \( \varepsilon_{it} \)), whereas the degrees of freedom of the denominator exceed 1000 (see their Table 3). This evidence leads to the conclusion that the standard fixed-effects estimator (used by Mavrommati and Papadopoulos) is inconsistent, and therefore an instrumental variable estimator was called for (see Wooldridge 2002, Chapter 11). Theoretically, the explanatory variable PRF (firm profitability) is likely to be correlated with \( \varepsilon_{it} \), since positive (negative) shocks in advertising intensity, i.e., large positive (negative) values of \( \varepsilon_{it} \), are likely to increase (decrease) firm profitability.

In sum, the Mavrommati and Papadopoulos paper would have been a nice micro-econometric application had the econometrics been done properly. Unfortunately, several econometric errors, omissions, and confusions render its results questionable. This comment aims to prevent novice researchers from propagating these mistakes. I believe that the journals can reduce significantly errors and confusions of the type described here by adopting a strict mandatory data and code archive (see McCullough et al 2008), because such a replication policy is likely to force researchers to be more careful in carrying out an empirical paper as well as in reporting and interpreting the results of their research. McCullough (2007) makes specific recommendations on how this goal can be

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3. I thank an anonymous referee of this Journal for bringing this point to my attention.
achieved and suggests that we all learn from the success of the *Journal of Applied Econometrics* toward this end.

**Appendix: My Correspondence with *Applied Economics Letters***

The present comment is on Mavrommati and Papadopoulos (2005), which appeared in *Applied Economics*. That journal has a companion journal called *Applied Economics Letters*, which publishes short articles of original research and encourages discussion of articles previously published in *Applied Economics* and in *Applied Financial Economics*. Here I reproduce the correspondence between *Applied Economics Letters* and me.

   [The following rejection letter was received by email four days after I had submitted the comment to *AEL*.
   Dear Professor Hatzinikolaou
   AEL-2010-0082
   Measuring advertising intensity and intangible capital in the Greek food industry: a comment
   The editor has now received the referees' decision on your paper, in the light of which *Applied Economics Letters* is unable to publish your article.
   *Applied Economics Letters* asks the opinion of two referees who are experts in the relevant field of research. The paper is also read by one of the editors. If both of the referees and an editor concur in their view, their decision is final. We consult a third referee if there is a difference of opinion. In order to expedite the proceedings, which is one of the objectives of a letters journal, we do not require a full report on the paper from the referees. The choice of referees and the fact that we require a consensus view between the referees and an editor ensures, however, that the process is as fair as possible.
   Thank you for giving *Applied Economics Letters* the chance to consider your work and please consider us again in the future as an outlet for your research.
   Kind Regards
   Editorial Office

   Dear Sir/Madam:

   I would appreciate your sending me the referee reports regarding the comment I submitted on 19 Febr. 2010 (AEL-2010-0082).

   My comment points out basic errors, and I would like to know on what grounds it has been rejected. I just checked Manucript Central, but, to my surprise, I did not find any referee reports. I thought that the purpose of the fee I paid ($50) was to handle the costs of obtaining and sending out referee reports to the authors. Are there any reports for my comment? I have served several times as a referee for your Applied Economics journals. Every time, I provide a detailed report to help the Editor [sic] make a fair decision. As an author, I expect to be treated just as fairly.

   Yours sincerely

   D. Hatzinikolaou


   Dear Prof Hatzinikolaou

   We do not ask for reports for letters submissions [sic]. The referees say a yes or no - it is all in the instructions for authors and your email below. It has always been the same format since [sic] the journal started. There is speed dedicated to letters that means no reports are sought.

   Sorry for your disappointment.

   kind regards

   Editorial office

**References**


**About the Author**

**Dimitris Hatzinikolaou** is an associate professor of Economics at the University of Ioannina, Greece. He received his PhD in Economics from the University of Connecticut in 1993 and during 1994-1998 he served as Lecturer B at Flinders University of South Australia, where he earned tenure. In 2000, he was hired as an assistant professor by the University of Ioannina, and in 2007 he was promoted to associate professor. He published a number of articles on macroeconomics and econometrics in refereed journals, e.g., *Journal of Development Economics*, *Southern Economic Journal*, *American Statistician*, *Economic Modeling*, *Empirical Economics*, etc. His email is dhatzini@cc.uoi.gr.

**Go to Archive of Comments section**

Discuss this article at Journaltalk: [http://journaltalk.net/articles/5669](http://journaltalk.net/articles/5669)
The Euro: It Happened, It’s Not Reversible, So… Make It Work

Lars Jonung¹ and Eoin Drea²

Abstract

According to Paul Krugman (2010c), our paper—critically assessing the analysis of the U.S. economists in the 1990s and appearing in January 2010—was “spectacularly ill-timed.” We do not concur. The publication of our survey is spectacularly well-timed, as the arguments of the 1990s have been given new life by the present crisis in the euro area. Some U.S. economists commenting in the 1990s on the single currency such as Barry Eichengreen, Martin Feldstein and Paul Krugman are back in the current debate, refreshing their analysis and arguments of yesterday.

We are grateful for the responses to our paper. Our rejoinder consists of two parts. First we comment on our nine distinguished commentators. Next, we consider current events in the euro area from the perspective of the views presented in the 1990s by U.S. economists on the EMU.

Looking back...

The nine commentators on our paper are in basic agreement with our survey—with some minor exceptions. In this rejoinder we cannot do justice to the wide variety of views. Still, we dare conclude that there is one theme that permeates the comments. It is also a theme where the opinions of the commentators are converging. They stress the political dimension of the euro project, in this way

being skeptical of the abstract economic approach attached to the theory of the optimum currency area (OCA). Fred Bergsten (2010) explains that the U.S. analysis of European monetary unification during our survey period was focused almost entirely on economics with only general references to political forces. According to him, his political economy approach made him a “euro enthusiast,” different from most U.S. economists during this time.

Jeffrey Frieden (2010), as a political scientist, Charles Goodhart (2010), Steve Hanke (2010) and Otmar Issing (2010), a former member of the executive board of the ECB, all emphasize the political dimension underpinning the euro. The same holds for Selgin (2010) and Vaubel (2010). Vaubel strongly argues that politics drove the creation of the euro by referring to his own research into the German acceptance of the single currency as a part of a bargaining between France and Germany during the German reunification.

Peter Kenen (2010) defends the use in the 1990s of the OCA model, in spite of it being ahistorical and apolitical, with the argument that it was the only analytical framework available for economists. We agree with his view. Indeed, an analytical approach is necessary for understanding the economic implications of a monetary union. The OCA approach gave the economics profession such a tool in the 1990s, although, as McKinnon (2010) shows, Robert Mundell, the founder of the traditional OCA theory—moved away from this framework already in the early 1970s. In our view, U.S. economists pushed its use too far, however, ignoring elements not included in the OCA paradigm.

The commentators’ emphasis on the political dimension is consistent with our original argument that the adoption of the OCA paradigm by US economists as their analytical framework “was the main source of U.S. pessimism towards the single currency in the 1990s” (Jonung and Drea 2010, 37). We stressed that the OCA view was a static one, preventing the Americans from appreciating the evolutionary and political nature of the process of monetary unification in Europe: “Monetary unions have not been established according to the optimum currency area criteria. The approach ignores the political and historical factors driving integration” (36).

Regarding the performance of the euro during the past 10 years, the commentators diverge. Some of them view the euro as a success—such as Bergsten and Issing. To improve euro area performance, they propose economic reforms and recommend steps fostering fiscal discipline. Others like Hanke and Vaubel are critical. Hanke fears that the European Union will hinder “much-needed European economic liberalization” and points to his own preferred solution for Europe: a currency board arrangement where the German currency is the key currency. Vaubel believes that the euro started to underperform once the Germans lost full
control of the ECB. Concerning the future, Vaubel is pessimistic. Germany has lost its strong currency and has received the euro as a weak replacement.

**Looking forward…**

Our survey covers the debate among U.S. economists on the single currency starting from the publication of the Delors Report in 1989 and ending with the introduction of euro notes and coins in January 2002. Now the euro has existed for more than a decade.

The publication of our survey coincides with the deepest crisis that so far has emerged within the euro area, developing in the shadow of the global depression. The current fiscal and financial difficulties facing euro area members like Greece and Ireland have resulted in a lively debate on the sustainability of the single currency, breathing new life into the *It’s a bad idea* camp of euro observers following the taxonomy developed by Rudiger Dornbusch (2001). Some of the members of this group in the 1990s like Martin Feldstein and Paul Krugman have returned to their initial objections.

Feldstein (2010), active as a leading—if not the leading—euro-sceptic in the 1990s has recently concluded that “The European economic and monetary union is doubly flawed. First, it forces diverse countries to live with a single interest rate and exchange rate that cannot be appropriate for all members. Second, combining a single currency with independent national budget policies encourages fiscal profligacy.” Paul Krugman (2010b) views the “Making of a Euromess” as being directly attributable to “the arrogance of elites—specifically, the policy elites who pushed Europe into adopting a single currency well before the continent was ready for such an experiment.”

The euro crisis has also awoken the *It won't last* camp, although no leading U.S. economist at this stage has openly announced imminent collapse. Rather, the current financial turbulence has actually increased the demand for euro membership among EU members outside of the euro area.

Concerning the future of the euro, U.S. commentators on the euro like Eichengreen (2010) and Krugman (2010a and b) suggest further political integration in the EU as a likely response to the crisis. Eichengreen (2010) views the current economic downturn as providing the impetus for deeper integration and highlights that this requires “not just closer economic ties, but also closer political ties. Those running a strong emergency financing mechanism will have to be strongly accountable. They will have to answer to a strong European Parliament.” Krugman (2010b) expects several years of political and economic
uncertainty characterized by “bailouts accompanied by demands for savage austerity, all against a background of very high unemployment.”

Today we see a strong awareness among U.S. economists of the political will in shaping the euro project. For all the faults of the euro—and the majority of U.S. economists commenting on the euro, now as well as in the 1990s, are convinced there are many—the current attitude may be summed up by Krugman’s (2010a) characterisation of the euro as “it happened, it’s not reversible, so Europe now has to find a way to make it work.”

It is fair to say that this is what Europe is doing presently. As in earlier crises, Europe is trying to learn from the past to improve upon its policies and institutions. A number of steps have already been taken like new institutions to strengthen financial supervision. More is in the pipeline. This process of learning and adaptation to new challenges is vital for the success of the euro.\(^3\) It will determine its future.

**References**


Eichengreen, Barry. 2010. Europe’s Trojan Horse. *Project Syndicate.* February 15. [Link](#)

Feldstein, Martin. 2010. Let Greece take a Holiday from the Euro Zone. *Financial Times,* February 17. [Link](#)


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3. This point is stressed by Jonung (2002). Learning from the present crisis is a theme among many commentators of the euro today. See for example Regling et al (2010).
Lars Jonung has since September 2000 been Research Adviser at the Directorate General for Economic and Financial Affairs of the European Commission in Brussels, dealing with macroeconomic and financial issues. He was previously professor of economics at the Stockholm School of Economics. His research is focused on monetary and fiscal policies and the history of economic thought. His books include *The Long-Run Behavior of the Velocity of Circulation: The International Evidence* (with M. D. Bordo, 1987); *The Political Economy of Price Controls: The Swedish Experience 1970-1985* (1990); and, as editor, *The Stockholm School of Economics Revisited* (1991); *Bertil Ohlin: A Centennial Celebration, 1899-1999* (edited with R. Findlay and M. Lundahl) and *The Great Financial Crisis in Finland and Sweden* (edited with J. Kiander and P. Vartia). His email address is lars@jonung.se.

**About the Authors**

**Lars Jonung** has since September 2000 been Research Adviser at the Directorate General for Economic and Financial Affairs of the European Commission in Brussels, dealing with macroeconomic and financial issues. He was previously professor of economics at the Stockholm School of Economics. His research is focused on monetary and fiscal policies and the history of economic thought. His books include *The Long-Run Behavior of the Velocity of Circulation: The International Evidence* (with M. D. Bordo, 1987); *The Political Economy of Price Controls: The Swedish Experience 1970-1985* (1990); and, as editor, *The Stockholm School of Economics Revisited* (1991); *Bertil Ohlin: A Centennial Celebration, 1899-1999* (edited with R. Findlay and M. Lundahl) and *The Great Financial Crisis in Finland and Sweden* (edited with J. Kiander and P. Vartia). His email address is lars@jonung.se.
Eoin Drea is Senior Economist at Tom Phillips and Associates, Dublin, Ireland. He was previously Economist at DTZ Pieda Consulting and an intern under Lars Jonung in Directorate General for Economic and Financial Affairs of the European Commission in Brussels. He is a specialist in property and development economics. His research interests focus on the historical development of monetary institutions, particularly on the evolution of central banking structures and policies. He is engaged in research on monetary institutions in the Irish Free State from 1922-1932. His email address is eoin@tpa.ie.

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Discuss this article at Journaltalk: http://journaltalk.net/articles/5673
When the White House Changes Party, Do Economists Change Their Tune on Budget Deficits?

Brett Barkley

ABSTRACT

A true party-man hates and despises candour; and, in reality, there is no vice which could so effectually disqualify him for the trade of a party-man as that single virtue. The real, revered, and impartial spectator, therefore, is, upon no occasion, at a greater distance than amidst the violence and rage of contending parties. To them, it may be said, that such a spectator scarce exists anywhere in the universe. Even to the great Judge of the universe, they impute all their own prejudices, and often view that Divine Being as animated by all their own vindictive and implacable passions. Of all the corruptors of moral sentiments, therefore, faction and fanaticism have always been by far the greatest.

—Adam Smith, *The Theory of Moral Sentiments* (155-56)

Large budget deficits represent a burden on the future, and debt accumulation eventually poses great problems. Economists writing for the public can either highlight such truths, neglect the issue, or try to allay worries or excuse
or justify large budget deficits—for example, by treating them as anti-recession policy. This paper investigates selected economists to see whether their tune on deficits changes when the party holding the White House changes. Six economists are found to change their tune under those circumstances: Paul Krugman in a significant way, Alan Blinder in a moderate way, and Martin Feldstein, Murray Weidenbaum, Paul Samuelson, and Robert Solow in a minor way—while eleven are found to be fairly consistent.

In this study I chart the changes in each economist’s overall position on deficits. In each case, I try to highlight relevant circumstances and considerations that might explain changes in an economist’s position, rather than assume bias. An economist might, for example, assess deficit spending in one year differently from another year because of different economic conditions, including demographic trends. For example, every economist we evaluated, except for William Niskanen, supported deficit spending during 2008 and 2009 because of bleak economic conditions. I interpreted this as justifiable and not as a change in tune because there is little indication of partisan bias if both Democrat and Republican economists change simultaneously.

In contrast, defending deficits on the grounds that the money is being spent more wisely than at another time or because the economist has more trust in those determining the spending than in the past may suggest bias toward one party or another. One reason is that the spending changes debated are only a small portion of overall spending, so that it is unreasonable to suppose that the character of spending changes greatly when the leadership changes. Any such changes in the character of the spending would have to have various microeconomic consequences that reversed the assessment of the macroeconomic consequences of spending per se, and, to me, that seems tenuous. It is difficult to view the statement “my party spends it better” as nonpartisan. I admit that these matters are open to interpretation, however.

What does an unbiased economist look like? In sorting through their comments, I looked for two things in particular: honest criticism of both parties, especially if that meant criticism of one’s own side, and an equal amount of criticism across administrations with some room for exception for factors such as those mentioned above. An unbiased economist should not merely be a critic when the opposition is in office and then sit idly by while his preferred party is in power. When I found this to be the sole basis of the tune change, for example with Samuelson and Solow, I classified it as a minor sign of bias though it is arguably more than that. Alan Blinder describes this weakness when he notes “…the sheer hypocrisy of many Congressional Republicans who, having never uttered a peep about the huge deficits under George W. Bush, are suddenly models of budget probity” (Blinder 2009). This tendency to shift the level of their criticism depending
on the party in power was present in the other economists found to change their
tune, as five out of the six were much more vocal when their opposition was in
go office. Unfortunately, those included Mr. Blinder himself.

It is worth noting that eleven economists did not change their positions. A
few even came close to what we might think of as unbiased, that kind of publicly
engaged economist who gives his insight no matter what the political con-
sequences. Joseph Stiglitz and William Niskanen, though not entirely bias-free, are
the two best examples. They openly criticized their own party and deserve some
degree of recognition for that.

In the spirit of avoiding excessive bias or partisanship, I find it necessary
to make known my political leanings. I am a registered Republican who leans
libertarian on many policy matters. The only vote I have ever cast was for Ron Paul
in the 2008 Republican primaries. I did not vote in the general election in 2008 and
have never made any financial contributions to a party or campaign.

My Methodology

To identify the economists whose work I would study, I compiled a list
consisting of three sets of economists: (1) U.S. recipients of the John Bates Clark
Award (JBC); (2) U.S. recipients of the Nobel Prize in Economics; (3) members
past and present of the Council of Economic Advisers (CEA). Thus, I focused on
prominent economists respected in their profession.

To determine party association, I searched at opensecrets.com, retrieving
any information on financial contributions to political parties or campaigns. For
each economist not making any financial contributions, I sought to determine party
association by his or her writings. For example, I found no record of Paul Krugman
making any financial contributions, but few would dispute his association with
the Democratic Party. The case would be stronger, though, if he self-identified
financially. Also, a donation at one point in time may not determine an association
forever. William Niskanen donated to the Republican Party in the 1980s, but his
affiliation with them now is questionable. He served as chairman of the Cato
Institute from 1985-2008.

I searched Lexis Nexis Academic and Lexis Nexis Congressional from 1981
through the end of 2009, intersecting the Reagan, Bush Sr., Clinton, Bush, and
Obama administrations. I used the search terms, “[first name] [last name] budget
deficit deficits.” I then looked through each newspaper/magazine article, TV
interview, congressional testimony, or White House briefing, extracting the
passages in which they wrote about or were quoted on budget deficits. Those
economists for whom I found at least four passages from four different articles or
testimonies, I accessed their CVs to capture what Lexis Nexis might have missed. The CVs were mostly accessible through a Google search. I also included Paul Krugman’s blog. The set of economists treated, then, is determined by finds in the Lexis Nexis search, but, for each economist so captured, the materials consulted go beyond those revealed by the Lexis Nexis search, and are meant to be comprehensive.

The procedure yielded 17 prominent economists, 11 associated with the Democratic party, 5 associated with the Republican party, and William Niskanen, whose association might be called either independent, Libertarian, or Republican. Table 1 lists the names in order of the number of pertinent passages and whether each economist changed his or her position on the budget deficit. It also shows the number of passages under Republican and Democrat administrations, political association, and financial contributions. A complete database of all comments from each economist can be found in the appendix, where I provide a link to the Excel file.

Table 1: Economists on Deficit Spending: Tune Change?

<table>
<thead>
<tr>
<th>Economist</th>
<th>Party Association</th>
<th>Financial Contribution</th>
<th>Tune Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul Krugman</td>
<td>Dem</td>
<td>No</td>
<td>Significant</td>
</tr>
<tr>
<td>Alan Blinder</td>
<td>Dem</td>
<td>Yes</td>
<td>Moderate</td>
</tr>
<tr>
<td>Martin Feldstein</td>
<td>Rep</td>
<td>Yes</td>
<td>Minor</td>
</tr>
<tr>
<td>Christina Romer</td>
<td>Dem</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Lawrence Summers</td>
<td>Dem</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Murray Weidenbaum</td>
<td>Rep</td>
<td>Yes</td>
<td>Minor</td>
</tr>
<tr>
<td>Joseph Stiglitz</td>
<td>Dem</td>
<td>Yes</td>
<td>None</td>
</tr>
<tr>
<td>Laura Tyson</td>
<td>Dem</td>
<td>Yes</td>
<td>None</td>
</tr>
</tbody>
</table>
In this paper, I report on each of the 17 economists, discussing whether they seem to change their positions on budget deficits depending on the party in the White House. I begin with the economist with the largest number of comments on the deficit, and continue in descending order.

**Paul Krugman**

During the administration of George H.W. Bush, Krugman opposed budget deficits:

Longer term, the war may well hurt the US. By raising the federal budget deficit, Operation Desert Storm will crowd out some investment in the US economy, which has the lowest saving and investment rates in the industrial world. (Krugman 1991)
A year later, during the 1992 presidential campaign he changed his tune, perhaps to accommodate Clinton policies:

If a President can save $1 billion through feasible cuts in spending or raise $1 billion by taxing high-income families, should that money be used to reduce the deficit or help repair bridges and finance Head Start? Mr. Clinton’s answer is that investments should have first priority. He’s right. (Krugman 1992)

Krugman commented seven times during the Clinton administration. Five of those comments occurred during the 1996 campaign season, in which Krugman primarily criticized Republican policy regarding the budget deficit. Approximately 71% of his comments occurred during the second Bush administration.

Beginning in 2003, the year of the Iraq insurgency, Krugman opposed budget deficits strongly and frequently. Thirty-one of his ninety-nine comments came in 2003. In an interview with Tim Russert, Krugman addressed his apparent change in tune from 1992:

RUSSERT: You did write back in the— the ’90s that the deficit is not nearly the monster that some people imagine. Prof. KRUGMAN: Well, now it’s a deficit of—you know, if I believe—well, if I believe the numbers that the CBO puts out, it’s going to be 4.3 percent of GDP next year, but, you know, it’s going to be more than that, because they thems—as they themselves admit, it’s going to be 4.9, something like that, percent of GDP, or to put it another way, about a quarter of total federal spending, and it’s—this is big, and again, we’re—we’re much closer to the date when these things—when—when push comes to shove, when the baby boomers hit—hit the retirement system. (Krugman 2003)

Krugman’s suggestion that deficits were higher in 2003 and 2004 than they were in the early 1990s is actually false. The deficits in 2003 and 2004 were 3.4% and 3.5% of GDP respectively (CBO Historical Budget Data). In 1990 and 1993 the deficit was 3.9% of GDP. It was 4.5% and 4.7% respectively in 1991 and 1992.²

Upon the 2006 Democratic victory in Congress, Krugman reverted to favoring deficits. In a column entitled “Democrats and the Deficit” he wrote:

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One of the biggest questions is whether the party should return to Rubinomics—the doctrine, associated with former Treasury Secretary Robert Rubin, that placed a very high priority on reducing the budget deficit. The answer, I believe, is no...And the lesson of the last six years is that the Democrats shouldn’t spend political capital trying to bring the deficit down. They should refrain from actions that make the deficit worse. But given a choice between cutting the deficit and spending more on good things like health care reform, they should choose the spending. (Krugman 2006)

In 2004 and 2005, Krugman criticized Alan Greenspan for being a deficit hawk during the Clinton years and then for supporting what he viewed as the fiscally irresponsible Bush tax cuts in the face of war and already large deficits (Krugman 2005b). He also accused Martin Feldstein of doing the same (Krugman 2005a). He cited Greenspan’s change of tune in “Democrats and the Deficit” and then argued that Democrats should not be so fiscally responsible any more.

The answer, I now think, is to spend the money—while taking great care to ensure that it is spent well, not squandered—and let the deficit be. By spending money well, Democrats can both improve Americans’ lives and, more broadly, offer a demonstration of the benefits of good government. Deficit reduction, on the other hand, might just end up playing into the hands of the next irresponsible president. (Krugman 2006)

He maintained his tune for deficit spending during the 2008 financial crisis:

The claim that budget deficits make the economy poorer in the long run is based on the belief that government borrowing “crowds out” private investment...Under normal circumstances there’s a lot to this argument. But circumstances right now are anything but normal. Consider what would happen next year if the Obama administration gave in to the deficit hawks and scaled back its fiscal plans. (Krugman 2008)

His stance in support of a budget deficit in this instance was more a function of the economic crisis than a bias in favor of the impending Obama administration. In fact, he criticized the Obama administration during November 2009 at the first sight of compromise regarding a second stimulus:
Conventional wisdom in Washington seems to have congealed around the view that budget deficits preclude any further fiscal stimulus—a view that's all wrong on the economics, but that doesn't seem to matter. Meanwhile, the Democratic base, so energized last year, has lost much of its passion, at least partly because the administration's soft-touch approach to Wall Street has seemed to many like a betrayal of their ideals. (Krugman 2009c)

This was one instance where Krugman held to his guns and criticized the Democrats for not doing what he said they should do, to hold fast to fiscal stimulus:

Well, you know, advanced countries with stable governments can run up a lot of debt and still be forgiven by the markets. Belgium had a debt of 120% of GDP at one point in the '90s and there was no run on the Belgium franc. You know, they—we had a debt of over 100% of GDP...The point is that if, if the markets think that we are, in fact, a stable, advanced country, then we can go a long ways here. We can run up another 40%, 50% of GDP, $5 trillion, $6 trillion, $7 trillion of deficit as long as the markets see us as stable. (Krugman 2009a)

Krugman’s reasoning assumes that the world will continue to trust America’s goodwill and that big government will eventually prove sound in handling its financial problems. The latter sentiment was also evident in other comments:

So it seems that we aren’t going to have a second Great Depression after all. What saved us? The answer, basically, is Big Government. Just to be clear: the economic situation remains terrible, indeed worse than almost anyone thought possible not long ago. The nation has lost 6.7 million jobs since the recession began. Once you take into account the need to find employment for a growing working-age population, we’re probably around nine million jobs short of where we should be...And yes, this means that budget deficits—which are a bad thing in normal times—are actually a good thing right now. (Krugman 2009b)

In many of Krugman’s comments, his guiding light was partisan ideals. His criticism of the Obama administration was indeed for “a betrayal of their ideals,” and as the administration further gave in to “deficit hysteria” Krugman became more openly political:
And one last point: I just don’t think the inner circle gets how much danger we’re in from another vicious circle, one that’s real, not hypothetical. The longer high unemployment drags on, the greater the odds that crazy people will win big in the midterm elections—dooming us to economic policy failure on a truly grand scale. (Krugman 2009f)

While the administration was beginning to question the efficacy of fiscal stimulus in light of increasing deficits, Krugman argued that with such high unemployment and impending elections no viable option was left but to increase deficit spending. Krugman’s main concern seemed to be winning elections and he feared that Obama’s “centrist” tendencies would impede such an agenda by giving in to deficit reduction:

Look, it has been obvious since the primary, if you were paying attention, that Obama—who has many excellent qualities—has an unfortunate tendency to echo “centrist” conventional wisdom, even when that CW is demonstrably wrong. Remember when he bought into the line that Social Security is in crisis, stepping on one of the biggest progressive victories in decades? And right now, deficit-phobia has quickly congealed into the latest CW. You can see it in editorials (not from the Times, I’m happy to say, but almost everywhere else), in what the talking heads say, even in supposedly objective news reporting. Not a day goes by without my reading some assertion that “markets are anxious/jittery/worried about the deficit”—an assertion based on no evidence whatsoever. (Long-term interest rates on US debt are near historic lows; CDS spreads show no concern about default.) (Krugman 2009d)

He was even upset at President Obama for taking interviews on Fox News (Krugman 2009e).

Krugman’s evident biases have been noted elsewhere (Klein and Barlett 2008). To his credit, Krugman has noticed and addressed his seeming inconsistency on the deficit issue, repudiating his 2003 position. His blog post in November 2009, entitled “Deficits: The Causes Matter,” addressed an aspect of why he sang a different tune on deficits in 2003 than in 2009:

Broadly speaking, there are two ways you can get into severe deficits: fundamental irresponsibility, or temporary emergencies. There’s a world of difference between the two. Consider first the classic
temporary emergency—a big war. It’s normal and natural to respond to such an emergency by issuing a lot of debt, then gradually reducing that debt after the emergency is over...Consider, on the other hand, a government that is running big deficits even though there isn’t an emergency. That’s much more worrisome, because you have to wonder what will change to stop the soaring debt. In such a situation, markets are much more likely to conclude that any given debt is so large that it creates a serious risk of default. Now, back in 2003 I got very alarmed about the US deficit—wrongly, it turned out—not so much because of its size as because of its origin. We had an administration that was behaving in a deeply irresponsible way. Not only was it cutting taxes in the face of a war, which had never happened before, plus starting up a huge unfunded drug benefit, but it was also clearly following a starve-the-beast budget strategy...Compare and contrast the current situation. Most though not all of our current budget deficit can be viewed as the result of a temporary emergency. Revenue has plunged in the face of the crisis, while there has been an increase in spending largely due to stimulus and bailouts. None of this can be seen as a case of irresponsible policy, nor as a permanent change in policy. It’s more like the financial equivalent of a war. (Krugman 2009g)

Thus, he worried about the deficit as a structural issue in 2003 but not in 2009. The contrast between structural and cyclical deficits provides a potentially valid reason for changing one’s tune on the deficit. However, Krugman’s tune change in “Democrats and the Deficit,” noted above, was not of this nature. It was of a purely partisan nature and occurred in the absence of any emergency in the economy.

To my knowledge Krugman has not addressed his overt partisanship. Until he does so, it is difficult to give him the benefit of the doubt. Krugman has changed his tune in a significant way regarding the budget deficit when the White House has changed party.

**Alan Blinder**

Blinder criticized Reagan’s tax cuts in the 1980s for causing large budget deficits:
Then came a charismatic new leader from the palisades of the Pacific. Ronald paid homage to the balanced budget with a piety not seen in years. This endeared him to the people. But his deeds belied his words. He cut taxes to the bone (which also endeared him to the people) and equipped his army grandly, thereby producing deficits previously undreamed of. But the people were happy and soon lost interest in the budget. Ronald himself ceased worshipping the balanced budget idol and worshiped low tax rates instead. (Blinder 1990)

However, he took to a more tolerant tune on budget deficits that resulted from social programming:

Because we allegedly cannot afford to do more, America is now under investing in education, in the care of its poor children, and in our deteriorating public infrastructure. The truth is we cannot afford not to do more, even if it means tolerating larger deficits at first. The alternative is to continue to shortchange our future, in which case the termites surely will get us in the end. (Blinder 1989)

He changed his tune to disfavor deficits while Bush Sr. was still in office during the recession of the early 1990s: “A shift of the policy mix toward bigger deficits and tighter money is precisely what Reaganomics gave us in the early 1980s. We do not need another dose now” (Blinder 1991). A year later during campaign season, in his article “O.K., I Was Wrong. We Do Need to Stimulate the Economy,” he admitted to changing his tune yet again:

Last winter, there was a rising chorus of calls for fiscal stimulus: new spending or tax cuts designed to give the economy a swift kick upward. I refused to join those calls, arguing in this column that:—The deficit was already too large. —The recession had been unusually mild. —Interest-rate cutting by the Federal Reserve should and would power the recovery…As a good Keynesian, I hereby change my mind. Several new facts lead me to conclude that the time for fiscal stimulus has come. (Blinder 1992)

Once the fiscal stimulus ended, he was “proud to be associated with the Clinton Administration’s efforts to bring down the Federal budget deficit” (Blinder 1994). Like Krugman, Blinder remained relatively silent on budget issues during the Clinton administration except when criticizing Republican economic policy during
election years (Blinder 1996). He also opposed the constitutional amendment regarding a balanced budget in 1997 (Blinder 1997).

Blinder was inconclusive on the deficit and deficit spending during the first Bush administration:

Well, I think what he's trying to tell the administration is to, ‘Go easy on the stimulus. We may need it, but we may not.’ I think he's probably right about that. And what he's really trying to convey is the notion that we've got to get s—we—and when I say 'we', I mean the whole society—have got to get some control over this budget process, which has completely lost all its discipline. (Blinder 2003)

He sharpened his tune in 2005:

Most troubling of all, when you get down into the budgetary weeds, you learn that the tax cuts passed by the House this month are almost twice as large as the expenditure cuts it passed...What are these people thinking? This is a democracy. So maybe it’s time for the people to send their elected representatives a message. Earth to congress: We have a problem. (Blinder 2005)

He passively supported short-term deficit spending in 2008, on which he only made one comment (Blinder 2008). In 2009, however, Blinder strongly supported deficit spending:

On the fiscal side, many of President Obama’s critics are complaining vociferously about the huge federal budget deficits. Try to ignore, if you can, the sheer hypocrisy of many Congressional Republicans who, having never uttered a peep about the huge deficits under George W. Bush, are suddenly models of budget probity. But whatever the motives, the worries of today’s deficit hawks sound eerily reminiscent of Roosevelt in 1936 and 1937...Similarly, I hope and believe that President Obama will not transform himself from the spendthrift Roosevelt of 1933 to the deficit-hawk Roosevelt of 1936—at least not until the economy is back on solid ground. That said, a growing flock of budget hawks are already showing their talons. They will have their day—but please, not yet. (Binder 2009)

It is safe to conclude that Alan Blinder is not a deficit hawk. He changed his tune several times over three decades but did not base his opinion solely on the
party in office. He did, however, support deficit spending in light of Democratic policies more often than for Republican policies. Alan Blinder, thus, moderately changed his tune when the White House changed parties.

**Martin Feldstein**

Martin Feldstein was most vocal in the budget debate during the Reagan Administration, though he was active throughout the period in question (1981 through 2009). Twenty-four out of his forty-six articles came before 1989. Feldstein is a self-proclaimed deficit hawk but occasionally supported deficit spending. In 1983, he supported near-term deficit spending providing that long-term deficits would be reduced:

> The deficits in the future are a real problem for the economy because they keep long-term interest rates high. But the deficits in 1983, if we suddenly cut them back by increasing taxes, it will do more harm than good because we will cut back on consumers’ ability to spend just at the time when we need that spending to keep the recovery moving along. So the important thing is maintaining demand now, in the short run, and bringing down the deficits in the long term so that interest rates come down…if that revenue doesn’t come forward automatically out of faster growth, then he [Pres. Reagan] has a tax proposal that he has submitted and stands behind that will shrink the deficits substantially in the future. (Feldstein 1983)

In light of persistent high projected deficits, he quickly became pessimistic about a growth-led deficit reduction and began calling for a tax increase in 1984 (Feldstein 1984). He did not deem the recession in the early ‘90s as worthy of deficit spending:

> I think the economy is going to turn up by late spring-early summer. I think it would be a mistake to do things that would hurt the economy in the long run. A big tax cut is not what the economy needs. I think there are selective things that can be done but, I think, anything that makes the budget deficit a bigger problem for the future would be a mistake. (Feldstein 1992)

As for the few surplus years, Feldstein did not exactly give credit to Clinton policies after he initially opposed them in 1993:
Lower defense spending, limits on the growth of nondefense outlays, and the surging tax revenue that has resulted from strong economic growth have combined to cut the budget deficit for the 1997 fiscal year, which ended in September, to only $22 billion—about 0.25% of gross domestic product. (Feldstein 1997)

Nonetheless, he joyfully supported tax cuts as a result of the surplus, specifically Bush’s tax plan to cut marginal rates during the 2000 presidential campaign:

In the 1990s marginal tax rates rose sharply, and the percentage of income taken by the income tax jumped. Now we are at a point of national choice. The projected long-term budget surpluses present a remarkable opportunity to reduce marginal tax rates once again and to do so without creating budget deficits. It is an opportunity that should not be missed. (Feldstein 1999)

He also supported deficit spending during the lingering recession of 2003:

A substantial tax cut now would reduce the risk of slow growth and possible decline in the months ahead. While such a fiscal stimulus will increase the budget deficit, there is ample time to reduce unnecessary spending and wasteful tax features to achieve budget balance in the years ahead. (Feldstein 2003)

The 2008-2009 economic crisis was the third instance where Feldstein supported deficit spending:

Under normal circumstances, I would oppose this rise in the budget deficit and the higher level of government spending…Nevertheless, I support the use of fiscal stimulus in the United States, because the current recession is much deeper than and different from previous downturns. Even with successful countercyclical policy, this recession is likely to last longer and be more damaging than any since the depression of the 1930s. (Feldstein 2009)

The years of 1984 and 1985 were the only years Feldstein explicitly supported a tax increase to mitigate the budget deficit. He did occasionally oppose tax cuts in the face of an imbalanced budget and recession, as in 1992, but he supported the Bush tax cuts in the face of rising deficits and recession during 2002 and 2003 (Feldstein 2003). As the economy was turning upward again in 2004, he opposed
a tax increase, choosing instead to push for controlled federal spending to cut the deficit in half by 2008 (Feldstein 2004). Overall, Feldstein opposed budget deficits but favored deficit spending if he deemed the recession severe enough. It seemed a bit arbitrary for Feldstein to have differing positions on each recession of the early '80s, '90s, and 2000s. Some have understandably questioned Feldstein’s consistency (Krugman 2005a). A minor change in tune is possible, but Feldstein does not display an overt partisan tendency in his changes. Rather, economic circumstances appeared to weigh more heavily in his decisions.

Christina Romer

I found 44 statements by Christina Romer, 43 of which were published in 2009 when she was Chairwoman of the Council of Economic Advisers. For her, and any other economist commenting while on the CEA, it is questionable whether such comments are wholly indicative of their opinion or unduly influenced by the administration. I did not discount Romer or anyone else if their comments were made while on the CEA. I simply note it here as an ambiguous factor that may be present. Romer’s lone comment outside of 2009 occurred in 1992. In both years the U.S. was in the midst of economic recession, and Romer’s primary concern was to get the economy growing again. She reasoned that stagnant economies only perpetuate budget deficits:

I think that a fiscal stimulus, itself, a short run policy, is not going to have a big effect on the long run, other than getting us out of this recession, which is clearly worsening the deficit by holding down revenues…Even, it’s not hopeless if we don’t get the deficit down. There are certainly other policies that could be put in that would be a good long run strategy, and then of course I’d agree with just about every other economist that at some point we’re going to have to get this deficit under control. (Romer 1992)

Romer did not sound as if she expected the economy to grow in the face of falling deficits. In her mind, the balanced budget had to be sacrificed for short-term growth. Taking the experience of the '90s into consideration, she addressed the deficit in light of the 2008 financial crisis:

I think a crucial thing is, if you say what’s prudent fiscal policy—right?—you run surpluses in good times, and that’s what gets you the buffer that when we hit a period like this, you can run the large deficits that are the appropriate policy when the economy is this sick.
So now—I think it's important to get on the record that, while I find that tax increases taken for sort of exogenous philosophical reasons tend to have negative consequences, I also find, if you look at the subset of tax changes explicitly for deficit reduction—kind of getting your fiscal house in order—those are actually—the standard errors are big; we’re not very sure—but the point estimates certainly say those kind of tax increases can actually be beneficial. So thinking about the Clinton administration experience—that sometimes getting your fiscal house in order can improve confidence, can lower long-term interest rates and can be beneficial. (Romer 2009a)

However, she seemed to conclude that the standard errors were too large because elsewhere she supported fiscal stimulus to finance tax cuts:

Let me start with several reasons the initial fiscal situation does not create problems for the stimulus package. There is no reason to think the government will have any trouble doing the borrowing needed to finance the package: investors appear to be delighted to lend to the U.S. government at very low interest rates. Nor do we need to worry that lending to the government will displace other lending: the whole point of fiscal stimulus is that by borrowing money and using it to finance tax cuts and spending increases, we can stimulate economic activity and raise the total volume of lending, saving, and investment. Finally, because the stimulus package, though large, is a one-time program, the additional debt the government is taking on to finance it will have only a small effect on the long-run fiscal outlook. Indeed, by helping to prevent a long downturn and the possibility of an extended period of stagnation, it is helping to prevent an outcome that could significantly weaken our long-run fiscal prospects. (Romer 2009b)

Romer appeared to go back and forth on fiscal policy while remaining consistent on the deficit. In January 2009 she called for getting the fiscal house in order as had the Clinton administration. By April she furthered a fiscal stimulus package. However, as was seen in Paul Krugman’s section, the administration’s increasingly soft stance toward fiscal stimulus during 2009 was the subject of much criticism in some Democratic circles. In so far as Romer’s opinions can be identified with the administration’s actions, one could perhaps argue that she changed her tune on fiscal policy in general.

Health care reform was also a common theme in many of her comments surrounding the budget deficit:
Some have argued that it is irresponsible to reform our health care system at a time when the budget deficit is so large and our long-run fiscal problems are so severe. I firmly believe the opposite: it is fiscally irresponsible not to do health care reform...Though there is some variation across the different versions of the bills, we are also on track to meet the President’s promise that health reform will not add one dime to the deficit. The five Congressional committees have identified hundreds of billions of dollars of savings in Medicare and Medicaid. (Romer 2009c)

The majority of her comments regarding health care and the deficit made this same basic argument. Moreover, she was not worried about deficits in the short term, but only in the long term. In this she was consistent. Thus, she did not change her tune on budget deficits, but it can be argued that she did change her tune regarding the effectiveness of fiscal stimulus in combating recession.

Lawrence Summers

Lawrence Summers had been active in the budget deficit debate since the 1980s. During Reagan’s second term, after serving on the CEA in 1982-83, he was a strong advocate of tax increases to balance the budget:

With the current and projected Federal budget deficits reaching unprecedented heights, the need for a tax increase has never been greater. Yet that prospect creates a dilemma for economic policymakers. According to traditional analysis, any tax increase—especially one large enough to reduce the deficit significantly—slows spending and increases the likelihood of a recession. Such an economic contraction, in turn, adds to the already-bloated deficit as unemployment pushes upward again. Our recent research, however, leads us to be skeptical of this orthodox approach, and to conclude that a tax increase would at worst be only mildly contractionary—and at best could even generate stronger growth. (Summers 1985)

Despite this clear statement favoring tax increases to bring the deficit down, he slightly changed his opinion in 1988 during the campaign of presidential candidate Michael Dukakis in which he served as an economic adviser:
Gov. Dukakis hasn’t taken an absolutist position. He said that he believes tax increases are a last resort. I think that’s the right position and I’m very comfortable with it. And he’s talked about the specific steps he is going to take to get that budget deficit down. He’s talked about the spending cuts he’s going to make and he’s talked about how we can look for more tax revenues through increased enforcement. (Summers 1988)

This is Summers’ most problematic statement primarily because it isn’t entirely congruent with his comment from 1985 but also because he was on Dukakis’ campaign staff at the time. It is possible that he changed positions due to his affiliation with Dukakis. But while he softened his stance on a tax increase, his stance on whether to reduce the deficit did not change. For this reason, I gave Summers the benefit of the doubt.

After his experience with the Clinton administration in the 1990s, Summers wrote, “it has become clear that an economy plagued by low savings, where output is not chronically constrained by demand, systemic budget deficits raise capital costs and so retard growth and lower employment” (Summers 1999). He was relatively quiet through the Bush administration, probably due to his stint as president of Harvard University, but resurfaced in 2008 as one of Obama’s campaign advisers. At that time he criticized John McCain for proposing tax cuts:

Senator McCain’s plans, according to the Tax Policy Center, would cut taxes by nearly an additional $3.5 trillion. And then there’s the interest cost on top of that, beyond the full totality of the Bush tax cuts. Sooner or later, that’s going to have to be paid for. And there’s nothing approaching a description of spending cuts that will finance those—finance this deficit. (Summers 2008)

This is the same stance he took in 1985 against Reagan’s policies.

Summers also took his typical stance for stimulatory deficit spending during the 2008 financial crisis, although he prefaced his statement by saying, “as soon as the economy recovers we are going to have to find ways of getting the government’s finances under some kind of control” (Summers 2009). Summers was consistently in favor of deficit reduction, save for economic downturns. The only contradiction in his opinion occurred during Dukakis’ presidential campaign of 1988, when he changed his opinion on tax increases in relation to the deficit for questionable reasons.
Murray Weidenbaum

At the beginning of Reagan’s second term, Murray Weidenbaum viewed the deficit as a long-term problem (Weidenbaum 1985a). However, by the end of 1985 he was calling for it to be reduced (Weidenbaum 1985b). He continued to keep a close eye on the deficit in both the Bush and Clinton Administrations. In a comment to the President-elect Bush, he wrote:

To believe it is possible to outgrow the deficits is to believe in the proverbial “free lunch.” Budget deficits can be brought down without raising taxes, but it will require tightening the government's fiscal belt. The search for economies must extend to every department and agency. (Weidenbaum 1989a)

When push came to shove, Weidenbaum was not shy in criticizing the Republican Party. He opposed the savings and loan bailout that Bush eventually supported (Weidenbaum 1989b). He also criticized Republican presidential candidates in 1996 for supporting general tax cuts in disregard of the budget deficit:

All the candidates advocate cutting taxes as part of an effort to eliminate the deficit. I believe that my taxes are much too high, but personal experience with exuberant supply-side economics also convinces me that general tax cuts (such as family tax credits) will make it more difficult to curb the future flow of red ink. Such tax cuts would be financed out of the deficit and would result in a larger budget deficit than if the current revenue structure were maintained. (Weidenbaum 1996a)

Though he usually emphasized substantial spending cuts to reduce the deficit, 1996 was not the first time he opposed a tax cut. In 1992, he supported the implementation of a consumption tax as opposed to an income tax to reduce the deficit (Weidenbaum 1992).

Weidenbaum criticized both parties in 1997 for what he viewed as a lazy and irresponsible attitude toward the impending Social Security problems and their relation to the budget deficit (Weidenbaum 1997a). He was critical of the Clinton administration even in the face of shrinking deficits and economic growth, which he credited to Bush Sr. and Reagan:
Large reductions in the budget deficit have occurred during the Clinton presidency. It must be fun for Bill Clinton to watch the budget deficit shrink—and watch he has. I should acknowledge the basic causes of those lower deficits, such as the end of the Cold War and the sharp drop in military spending… the big cuts in military spending we’re seeing now were made by President George Bush. Likewise, the current asset sales from the liquidation of the savings and loan associations is lucky timing for the Clinton administration. President Bush bit the bullet on the S&L bailout and suffered the red ink. Now revenues from sales of remaining assets are reducing the deficit. (Weidenbaum 1996b)

His praise of the Bush Sr. administration is not congruent with his earlier criticism of their policies noted above. He continued to criticize the Clinton administration and credit the Republican Party for the growth of the ‘90s when he published an article entitled “Reaganomics—Its Remarkable Results” a year later (Weidenbaum 1997b).

Ultimately, Weidenbaum maintained a critical tune across party lines. However, he was more apt to praise Republican policies. He never conferred such praise on Democratic policies and remained silent when deficits ballooned during the Bush administration. He, therefore, changed his tune in a minor way when the White House changed party.

**Joseph Stiglitz**

Joseph Stiglitz’s opinions were inconsistent during the Clinton administration. He was viewed as a loud critic of Clinton for being too insistent on cutting the deficit (Stiglitz 2008b). At other times, though, he strongly supported the administration:

> Let me conclude by saying the growth-oriented economic policies enacted by this administration have clearly paid off. The administration’s 1993 deficit reduction plan helped create the climate for the current strong economic performance. And this strong economic performance has helped reduce the deficit. (Stiglitz 1996)

Stiglitz ultimately challenged the Clinton years and called its accomplishments into question when he wrote the 2002 article “The Roaring Nineties,” which later became a book. In it, he acknowledged that the success of the ‘90s could not be fully credited to Clinton policies:
Though Clinton had to trim his own ambitions, he did the right thing and cut the deficit. Interest rates came down, and the recovery began. But there’s a basic problem with this story. It is inconsistent with what is taught in virtually every economics course in the country—namely, that deficits are good for employment, and that reducing the deficit during a downturn is a particularly bad idea. But if deficit reduction should have slowed the recovery, to what can I attribute the recovery’s vigor? To a series of lucky mistakes, I believe. By lowering the deficit we inadvertently ended up recapitalizing a number of American banks, and this, as much as anything else, refueled the economy. (Stiglitz 2002)

He also wrote that while Bush’s mismanagement of the economy during his first year in office made matters worse, “the economy was slipping into recession even before Bush took office, and the corporate scandals that are rocking America began much earlier” (Ibid). Incidentally, Paul Krugman also admitted, but for different reasons, that the success of the ’90s was not solely due to the Clinton program (Krugman 2000); Krugman did not give any sympathy to Bush as Stiglitz did. Stiglitz is by no means a Bush sympathizer, however. In 2004, he joined nine other Nobel laureates in support of John Kerry in publishing a statement criticizing Bush’s economic policies. It read:

The principal effect of the Bush Administration’s fiscal policies has been to turn budget surpluses into enormous budget deficits. President Bush’s fiscal irresponsibility threatens the long-term economic security and prosperity of our nation. (Stiglitz 2004)

Stiglitz cited tax cuts during wartime and in the face of ballooning deficits as the most prominent mistakes made by the Bush Administration (Stiglitz 2008a).

Stiglitz supported deficit spending during the 2008 financial crisis in order to stimulate the economy but was critical of the Obama administration for not doing enough:

The real failings in the Obama recovery program, however, lie not in the stimulus package but in its efforts to revive financial markets. America’s failures provide important lessons to countries around the world, which are or will be facing increasing problems with their banks...The era of believing that something can be created out of nothing should be over. Shortsighted responses by politicians—who hope to get by with a deal that is small enough to please taxpayers and
large enough to please the banks—will only prolong the problem. An impasse is looming. More money will be needed. (Stiglitz 2009)

All in all, Stiglitz appeared unbiased, even criticizing his own party quite often.

Laura Tyson

Laura Tyson was active in the budget debate mainly since the first Clinton administration. In 1988, however, she did stress deficit reduction as a contributor toward increased national savings:

This is where the budget deficit comes in. The deficit must be cut to increase government saving, but it must be cut in ways that encourage private saving and increase public investment. On the revenue side, some kind of consumption tax should be considered. (Tyson 1988)

At the beginning of Clinton’s first term, she supported a tax increase to reduce the deficit and promote economic growth:

President Clinton proposed a multi-faceted economic plan to reverse the growth of the Federal budget deficits and to redirect private and public sector spending toward productivity-enhancing investment...Over 80 percent of the tax increases contained in OBRA 1993 are borne by those with annual incomes over $200,000...For those workers at the bottom of the income scale, OBRA 1993 substantially increased the earned income tax credit. (Tyson 1994)

In 1999, with a newly found budget surplus, she was not ready to give into tax cuts (Tyson 1999). Likewise, she strongly opposed the 2001 Bush tax cuts, warning that they would “cause a return to escalating budget deficits as soon as next year [2002]” (Tyson 2001). At the same time, she supported a stimulus package that included temporary tax relief, allowing the Social Security surplus to cover the hits taken in the rest of the budget (Ibid). This was a rare occurrence for Tyson, being the only instance I found her supporting any type of tax cut in the absence of tax increases elsewhere, and a rarity in that she did not distinguish the Social Security surplus from the rest of the budget.

Tyson became nearly silent after 2004, recording only one comment on the deficit. It came in 2009, pushing the Obama administration to implement a second
stimulus package when it was reluctant to do so (Tyson 2009). Hence, there was no significant evidence of tune change in the case of Laura Tyson.

**Glenn Hubbard**

Only one of Glenn Hubbard’s public comments fell outside of the Bush administration (2001-2008). It occurred in 1999 when, given a rare budget surplus, Hubbard strongly supported marginal tax cuts:

> We are having a national discussion about what to do with the federal budget surplus because there is a surplus…Assigning surpluses to taxpayers via reductions in marginal tax rates does not imply a fiscally irresponsible path of locking ourselves into large changes in taxes irrespective of whatever budget consequences actually materialize. (Hubbard 1999)

To his dismay no tax cuts were implemented, and he blamed the slowing growth rates of 2001 on the insistence to run a substantial surplus:

> Remarkably, the U.S. has chosen to maintain a substantial unified surplus at a time of slowing economic growth…First, budget surpluses are the product of a strong underlying private economy—not the other way around. The Clinton administration claimed surpluses caused economic growth, a suggestion that is the budget equivalent of new math…But correlation and causation are not the same thing. In the short term, budget surpluses will vary with cyclical movements in the economy. Over the longer term, cyclical considerations fade and the resources in the economy, and thus the budget, are dependent upon productivity growth. In other words, the “standard of living” for the government comes from the same pool as the standard of living for the private economy. (Hubbard 2001)

Thus, after the economy eventually turned upward in 2003, Hubbard credited the Bush tax cuts (Hubbard 2004a). A harsh critic of Rubinomics—the doctrine associated with former Treasury Secretary Robert Rubin that placed a very high priority on reducing the budget deficit—he advocated that a budget surplus was the result of a strong economy not the other way around:

> Rubin’s story of the salutary effect of deficit reduction on interest rates, investment and growth gave birth to Rubinomics. To be sure,
this “virtuous cycle” explanation for the 1990s boom has been disputed by non-economists (Robert Reich) and economists (Joseph Stiglitz) in the Clinton administration. But Rubin clarifies his worldview, inviting close examination of the deficit-reduction/growth thesis. (Hubbard 2003)

He, therefore, blamed the return and rise of budget deficits from 2002 to 2004 on a flailing economy and credited the reduction of the deficit through 2007 on a resurgent economy fueled by tax cuts (Hubbard 2008). Moreover, a balanced budget should be pursued through constrained spending not an increase in taxes:

First I have to get beyond the current debate over whether or not deficits are raising interest rates enough to choke off the recovery. The deeper, long-term problem facing America is that pressures for higher government spending are no longer effectively countered by budget rules that cap that discretionary spending. The Bush Administration is proposing ways to put new rules in place and must nurture an agreement with Congress on fiscal policy objectives. (Hubbard 2004b)

With no comments regarding deficits in relation to either the 1991 or 2009 recession, there is not enough evidence to say Glenn Hubbard changed his tune when the White House changed party.

**Alicia Munnell**

Each of Alicia Munnell’s fourteen comments on the budget deficit were made in the context of Social Security. Her primary concern was that surpluses in the Social Security portion of the budget were being used to pay deficits in the rest of the budget:

The most crucial factor is making sure that the trust fund surpluses are not simply offset by deficits in the rest of the budget. If payroll tax revenues earmarked to pay future retirement benefits are loaned to the Treasury, and the Treasury uses these monies to cover current outlays in the rest of the budget, then the surpluses will have contributed nothing to overall capital accumulation…Fiscal responsibility demands that our tax and spending activities be brought more in line. Continued deficits produce a large burden for our children and make our own welfare dependent on the goodwill of foreign governments. (Munnell 1988)
Her second concern was to make sure that there would be a sufficient amount of future funds for Social Security. Accordingly, she supported the accumulation of reserves at the Federal level calling for “government saving in a way that we have not had government saving before” (Munnell 1998).

Despite her concern for future generations represented by a desire to protect the Social Security system, she did not appear equally dismayed if the deficit were the result of investment in a public works program:

It would probably be more beneficial to spend the $10 billion on infrastructure investment than to use the funds to reduce the deficit. This is not to say that the government should throw money at public works with no concern for the deficit, but rather that the deficit should not prevent productive public works investment. (Munnell 1991)

Such preference implied a sort of policy bias on the topic of budget deficits, one that was also present in other economists mentioned above. However, Munnell did not directly criticize the opposing party.

**Michael Boskin**

Michael Boskin was active in the budget debate from 1988-1996. His view on the deficit was largely peripheral to his concern with reduced spending and lower taxes. He was not overly concerned about the deficit leading up to elections in 1988:

I think the hysteria and urgency that some people have about the budget deficit neglect a large number of important simple facts. The budget deficit has been declining…if we can do just what we’ve done for the last three years, keep the growth of spending outside of Social Security just to the rate of inflation, living for another few years on growth but only modest growth in the overall size of the budget, we’ll be able to get steady steady progress toward reducing the deficit toward balance over the next several years. (Boskin 1988)

After four years of continued deficits under Bush Sr., Boskin continued to support a program of spending caps and tax incentives for private investment that he believed would eventually lower the deficit:

You have one set of people, you have one Party, you have a President running for election who wants to control government spending, wants to get the deficit down. Wants to lower taxes, wants to stimulate
investment and create jobs. You have the other candidate who wants to raise spending, raise taxes and by everyone’s estimate it would increase the budget deficit. (Boskin 1992)

Under Clinton, however, increased spending and taxes indeed accompanied, but not necessarily caused, a reduction in the budget deficit. Boskin remained unconvinced and critical:

Those who have argued that the best thing we can do to raise the nation’s saving rate is to reduce the budget deficit are only correct if they add the proviso: in a manner that does not reduce private saving...even if the tax increases collect the projected revenues—and my guess is they will not—they had no net effect on national saving. The smaller deficit is being matched by less saving. This is at best circular. I favor tax policies that reduce or redress the disincentives to save, invest and innovate in our current tax system, as well as policies to reduce the federal budget deficit. (Boskin 1995)

While other economists, such as Summers, were keen to further deficit reduction regardless of the means (even if they had a preference), Michael Boskin was steadfast in allowing growth, led by reduced spending and taxes, to gradually eat away at the budget deficit. On this point, he was consistent and made no apparent change in tune across administrations.

Janet Yellen

Each of Janet Yellen’s comments occurred after 1996. She persistently supported deficit reduction throughout the 1990s and credited progress made during that time to the Clinton Administration and Federal Reserve:

The Administration’s economic policies have contributed to these successes, in part, by bringing down the federal budget deficit, thus permitting a larger share of private sector savings to finance the investments in plant and equipment that equip American workers with the tools they need to be productive on the job. I believe that the Federal Reserve has also played a positive, and complementary, role by pursuing monetary policies that have facilitated this favorable mix shift, while keeping the economy operating at its potential. (Yellen 1997)
She made only two comments related to the budget deficit during the Bush Administration, holding to her previous view that it posed long-term risk to the US economy:

In addition to energy prices, the huge and unsustainable current account deficit and the budget deficit pose longer-term risks to the U.S. economic outlook. Indeed, the latter is even more of an issue now, with the massive rebuilding plans for the Gulf Coast. (Yellen 2005)

In 2009, she strongly supported stimulatory policies at the cost of rising deficits in the near term:

On the one hand, one group worries about the long-term inflationary implications of a seemingly endless procession of massive federal budget deficits. At the same time, others fear that economic slack and downward wage pressure are pushing inflation below rates that are considered consistent with price stability and even raising the specter of outright deflation...extraordinary and aggressive response of governments and central banks around the world saved the day, heading off the kind of financial meltdown that would have inflicted catastrophic damage on the economy. I can assure you that we will be ready, willing, and able to tighten policy when it's necessary to maintain price stability...until that time comes, we need to defend our price stability goal on the low side and promote full employment. (Yellen 2009)

Even though she tolerated deficits in 2009, she maintained her opposition to them in the long run. She did not change her tune.

William Niskanen

The only third-party affiliated economist on our list, William Niskanen gave his periodic opinion on the budget deficit during each of the last three decades. As Chairman of Reagan's Council of Economic Advisers, Niskanen supported deficit reduction through spending restraint rather than tax increases:

The most pressing fiscal problem is to reduce the Federal deficit, but it is also very important about how it is reduced. The economic consequences of reducing the deficit will depend very strongly on
the particular measures that are chosen to reduce the deficit and
the consequences of reducing it by spending restraint and economic
growth will be far more favorable than measures that increase tax
rates, particularly those tax rates on business investment. So the most
pressing early problem we have to resolve is to reduce the Federal
deficit and preferably by the combination of spending restraint and
economic growth. (Niskanen 1984)

Post-Reagan, he was skeptical of both Clinton and Bush Sr. budget plans but
strongly supported reducing deficits even by means of tax increases:

The Clinton budget projects a reduction of the cumulative deficit
through fiscal 1997 by $313 billion, and a reduction in the fiscal
year 1997 deficit by 140 billion. For these reductions to be realized,
however, three conditions must be met: All of the proposed spending
costs and tax increases must be implemented; Congress may not
increase spending or reduce taxes in later years; and the combination
of the spending and tax measures must not reduce economic growth, a
combination of conditions based on our recent experience that seems
most unlikely. Moreover, even if all of these reductions are realized,
the projected deficit would increase again beginning in fiscal year
1998. (Niskanen 1993)

In 1997, he criticized the budget resolution passed by Congress:

In the name of balancing the budget, our political leaders have done
what they most like to do, which is to increase spending and reduce
taxes for favored constituencies. It’s much more important for the
American public, however, to realize what is not in this budget deal. It
does not reduce the deficit faster than if there were no deal. It does not
increase economic growth. It does not control entitlements. In fact, it
added two new entitlements: one for kiddie care and one for college
education. It does not restructure defense to reflect the realities of the
post Cold War world. And it does not move toward tax reform. And
it does not limit the relative size of government in the United States.
Those are major objectives that most Republicans have shared for a
long period of time, none of which they have even moved toward in
this agreement. (Niskanen 1997)
He was equally critical of Bush’s budget plan leading up to the 2004 elections. He called Bush’s plan to cut the deficit in half by 2009 “not credible”, citing Bush’s previous spending increases across the board (Niskanen 2004). The deficit was reduced in both instances contrary to Niskanen’s predictions.

Perhaps Niskanen’s most adamant criticism of any administration came in 2008 in response to Obama’s fiscal program:

There is no way to restore a reputation for fiscal responsibility other than a broad confrontation with the Obama fiscal program. Oppose every major new spending program, including the proposed tax credits to the middle class. Reinforce the existing support for a pay-go rule, even at the risk of a tax increase. Look for some budget cuts that might be supported by the Democrat “Blue Dogs.” Stop pretending that budget deficits do not matter; they are effectively a tax increase on your children and grandchildren. (Niskanen 2008)

Niskanen was the only economist on our list to unilaterally oppose the Obama program in the wake of the financial crisis. Feldstein disagreed with the specifics of it but agreed with it generally (Feldstein 2009). The only change from Niskanen over the years came in regard to his stance on taxes. He did not support tax increases under Reagan. He tolerated them under both Clinton and Obama. This, in itself, did not seem to show any sort of bias toward one administration or another. Niskanen consistently criticized budget deficits in both Republican and Democrat administrations, and, therefore, did not change his tune.

Paul McCracken

Paul McCracken commented on the deficit debate during the Reagan, Bush, and Clinton Administrations. He largely supported deficit reduction in most circumstances. In the early 1980s, he supported deficit spending to bring the economy out of recession but realized the perverse effects if the deficit was not dealt with promptly thereafter, even calling for a tax increase as early as 1983 (McCracken 1982). Elevating his rhetoric in 1985 as deficits continued to soar, he claimed, “the course of world history could be altered” if the government found a way toward fiscal discipline (McCracken 1985). McCracken continued to push for a balanced budget the remainder of the decade (McCracken 1988). In the same way, he remained tough on the deficit in the 1990s as the Clinton Administration tried their hand on the issue: “a decision to go with budgets that involve deficits is a decision to have a future economy delivering lower incomes…We are living
it up at the expense of our children and grandchildren. The logic is inexorable” (McCracken 1995).

The only possible accusation of tune change against McCracken was for his support of a tax cut in 1997 (McCracken 1997). However, considering the deficit was a meager 0.3% in 1997 while it was 5.7% in 1983 when he supported a tax increase, there was ample economic reasoning to support his differing views in each circumstance (CBO Historical Budget Data). I see no change of tune in McCracken.

**Paul Samuelson**

Most of Paul Samuelson’s comments about the budget deficit came in relation to tax policy. He favored increasing taxes as the economy was still struggling to come out of the recession in 1992:

> Well, I think the worst thing in the world would be to move towards a higher plateau of structural Reagan-O’Neill type deficit and I shouldn't do anything in the short run that increases that likelihood. For the long run, we are the lowest taxed nation. I was just looking up the numbers of the nations that I profess to envy, Western Germany, Japan, France, that have grown faster than us, and how we grew in earlier times, and we are the lowest taxed of all those nations. So the notion that we are at the limit of capacity, one more fenege of taxes and we are caput, there is no scientific basis for that at all. (Samuelson 1992)

He called Reagan’s 1981 tax cuts “rash” primarily blaming them for “the colossal basic fiscal deficit and the horrendous balance-of-payments deficit” (Samuelson 1986). He was also rather glib toward the Bush tax cuts, skeptical of giving them any credit for the positive growth rates in 2003: “Yet it is never possible to prove decisively a negative. It is unlikely that pigs can be taught to fly in the lifetime of anyone now living. But I won’t absolutely be certain about that until all but the last one of us is dead” (Samuelson 2003). We did not find any comments in 2008 or 2009.

While the logic of Samuelson’s criticism was consistent, he remained completely silent in each of the last three Democrat administrations. Given that silence, his tune—in a minor way—did indeed change, between outspoken and silent, when the White House changed party.
Robert Lawrence

Robert Lawrence’s comments about the budget deficit pulled the other oft-mentioned deficit into the conversation, the trade deficit. He argued that the twin deficits needed to be brought down in tandem so as to provide a smooth adjustment for the economy:

When the trade deficit improves, it injects purchasing power into the economy…it would be folly to try to simply improve the trade deficit, to bring down the dollar, without taking the necessary off-setting effects by withdrawing purchasing power through the budget deficit. (Lawrence 1989)

Lawrence’s view on the relationship between private saving and the budget deficit offered another distinct contribution. He argued that a consumption tax, not fiscal policy, should be used to encourage private saving (Lawrence 1991). He emphasized the long run and, accordingly, supported deficit spending to offset economic downturns in 1991, 2003, and 2007.

While Lawrence, like Samuelson, recorded zero comments during Democrat administrations, none of his comments were directly pointed as criticism toward the administration in office. There is, hence, little ground for saying he changed his tune.

Robert Solow

Robert Solow’s comments on the budget deficit were few and far between. Of his four comments, two fell in the Reagan administration and two in the George W. Bush administration. Only one of the four, however, addressed the deficits of the past decade, one in 2004 being about the policies of Ronald Reagan:

As for Reagan being responsible [for the 1990s boom], that’s far-fetched. What we got in the Reagan years was a deep recession and then half a dozen years of fine growth as we climbed out of the recession, but nothing beyond that. (quoted in Mandel 2004)

Another comment regarding the Reagan years showed a similar position:
But I think that we’re selling the long run for short run prosperity here. Everyone has to understand what’s wrong about a budget deficit. What’s wrong about a budget deficit is that it’s a way for the federal Treasury to absorb private saving, of which we do not have a lot and certainly none to spare in this country, and deprive American industry of access to that amount of capital. Over the longer run, I think that the continuation of budget deficits at anything remotely like what we have will simply bleed the country slowly. (Solow 1988)

Solow’s comment toward the younger Bush policies did not give a complete picture of his opinion, but it seemed to imply an opposition, or at least a frustration, with the return of the deficit: “There has been a dissipation of the huge budget surplus, and all we have to show for that is the city of Baghdad” (Solow 2003). Similar to Samuelson, Solow was critical during Republican administrations and silent during Democrat administrations. Thus, in the same manner, he changed his tune in a minor way.

**Conclusion**

Overall, our research finds that most economists don’t change their positions when the White House changes party. Only two economists changed their tune in a significant or moderate way. The strongest case is Paul Krugman. He explicitly supported deficit reduction in the 1990s and early 2000s under Republican administrations, then changed his view once Clinton entered office in 1993 and the Democrats gained control of Congress in 2006. The case is strengthened due to his large number of comments. He is the most frequent contributor on our list, a fact that reduces the chance of error in our conclusion. Alan Blinder also changed his tune, though in a less significant manner than Krugman. He consistently supported deficit spending that resulted from Democratic policies and criticized deficit spending that resulted from Republican policy.

Four other economists—Martin Feldstein, Murray Weidenbaum, Paul Samuelson, and Robert Solow—changed their tune in a minor way. That leaves eleven economists with strong cases in favor of nonpartisan commentary regarding the budget deficit. Given such consistency, they appear to be close to impartiality.

**Appendix**

Workbook of all relevant quotations by economists treated (Excel file). [Link](#)
References


**Congressional Budget Office.** Historical Budget Data. (Accessed: January 23, 2010) Link.


About the Author

Brett Barkley will receive his B.S. degree in Economics from George Mason University in May 2010. He also holds a minor in Theatre. He has worked for Econ Journal Watch as a Research Assistant since the fall of 2008.

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Character Issues

Convictions Opposed to Certain Popular Opinions: The 1903 Anti-Protectionism Letter Supported by 16 British Economists

ABSTRACT

The letter reproduced below appeared in the *The Times* (London) and other papers on 15 August 1903. It is has been reproduced here from its reprint in the *Economic Journal* 13(51), September 1903: 446-449. The letter protests motions toward protectionism to create an imperial trading bloc and to fund a new of program of welfare statism, a cause championed by the member of the Cabinet and leading Unionist politician Joseph Chamberlain.

During the years 1903 through 1906 the controversy over “tariff reform” was intense. “Almost all the economists of the day were involved on one side or the other—Marshall, Ashley, Cunningham, Edgeworth, Hewins, Pigou, Foxwell, Cannan, and all the rest. One broad line of division is discernible among them—the historical school came out in favor of the return to protection proposed by Chamberlain; the orthodox, abstract economists stood loyally by free trade” (McCready 1955, 259).

literary skill—helped in verbal changes, and now I think that on the whole we may be proud of it (qtd. in McCready 1955, 265-66). On the episode, see also Gomes (2003, 226ff).

In 1903 the prime minister was Arthur Balfour of the Conservative party. The party was split on tariff reform. The Liberal party rallied for free trade and won a landslide victory in 1906. The protectionist movement had been thwarted.

In the midst, Marshall wrote in a letter of 29 September 1903: “I am very sad. I feel that Chamberlain (who organizes the cleverest appeals to selfish ignorance all around) needs to be combated by rough &—to speak frankly—more crude and unscientific arguments & methods than I have either the taste or the faculty for” (qtd. in McCready 1955, 267).

— Daniel Klein

References


The following letter appeared in The Times (London) and other papers on 15 August 1903:

SIR,

We the undersigned beg leave to express our opinions on certain matters of a more or less technical character connected with the fiscal proposals which now occupy the attention of the country.

One of the main objects aimed at in these proposals—the cultivation of friendly feelings between the United Kingdom and other parts of the Empire—is ardently desired by us; and we should not regard it as a fatal objection to a fiscal scheme adapted to this purpose that it was attended with a considerable sacrifice of material wealth. But the suggested means for obtaining this desirable end do not seem to us advisable; firstly, because there would probably be incurred an immense and permanent sacrifice not only of material but also of higher goods, and, secondly, because the means suggested would be likely in our judgment to defeat rather than attain the end in view.

Firstly, having regard to the prevalence of certain erroneous opinions, to which we advert below, we think that any system of preferential tariffs would most
probably lead to the reintroduction of Protection into the fiscal system of the United Kingdom. But a return to Protection would, we hold, be detrimental to the material prosperity of this country, partly for reasons of the same kind as those which, as now universally admitted, justified the adoption of Free Trade—reasons which are now stronger than formerly, in consequence of the greater proportion of food and raw materials imported from foreign countries, and the greater extent and complexity of our foreign trade. The evil would probably be a lasting one, since experience shows that Protection, when it has once taken root, is likely to extend beyond the limits at first assigned to it and is very difficult to extirpate. There are also to be apprehended those evils other than material which Protection brings in its train, the loss of purity in politics, the unfair advantage given to those who wield the powers of jobbery and corruption, unjust distribution of wealth, and the growth of “sinister interests.”

Secondly, we apprehend that the suggested arrangements, far from promoting amity, may engender irritating controversies between the different members of the Empire. The growing sense of solidarity would be strained by an opposition of interests, such as was experienced in our country under Protection, and has been noticeable in the history of the United States and other countries. Such an opposition of interests would be all the more disruptive in the case of the British Empire as it is now held together by a central Government.

Our convictions on this subject are opposed to certain popular opinions, with respect to which we offer the following observations:-

1. It is not true that an increase of imports involves the diminished employment of workmen in the importing country. The statement is universally rejected by those who have thought about the subject, and is completely refuted by experience.

2. It is very improbable that a tax on food imported into the United Kingdom would result in an equivalent “or more than equivalent” rise in wages. The result which may be anticipated as a direct consequence of the tax is a lowering of the real remuneration of labour.

3. The injury which the British consumer would receive from an import tax on wheat might be slightly reduced in the possible, but under existing conditions very improbable, event of a small portion of the burden being thrown permanently on the foreign producer.

4. To the statement that a tax on food will raise the price of food, it is not a valid reply that this result may possibly in fact not follow. When we say that an import duty raises price, we mean, of course, unless its effect is overborne by other causes operating at the same time in the other direction. Or in other words, we mean that in consequence of the import duty the price is generally higher by the amount of the duty than it would have been if other things had remained the same.
5. It seems to us impossible to devise any tariff regulation which shall at once expand the wheat-growing areas in the Colonies, encourage agriculture in the United Kingdom, and at the same time not injure the British consumer.

6. The suggestion that the public, though directly damnified by an impost, may yet obtain a full equivalent from its yield is incorrect, because it leaves out of account the interference with the free circulation of goods, the detriment incidental to diverting industry from the course which it would otherwise have taken, and the circumstance that, in the case of a tax on foreign wheat—English and Colonial wheat being free—while the consumer would have to pay the whole or nearly the whole tax on the wheat, the Government would get the tax only on foreign wheat.

7. In general, those who lightly undertake to reorganise the supply of food and otherwise divert the course of industry do not adequately realise what a burden of proof rests on the politician who, leaving the plain rule of taxation for the sake of revenue only, seeks to attain ulterior objects by manipulating tariffs.

Signed
C.F. BASTABLE
(Professor of Political Economy at the University of Dublin).
A.L. BOWLEY
(Appointed Teacher of Statistics in the University of London at the London School of Economics).
EDWIN CANNAN
(Appointed Teacher of Economic Theory in the University of London at the London School of Economics).
LEONARD COURTNEY
(Formerly Professor of Political Economy at University College, London).
F.Y. EDGEWORTH
(Professor of Political Economy at the University of Oxford).
E.C.K. GONNER
(Professor of Economic Science at the University of Liverpool).
ALFRED MARSHALL
(Professor of Political Economy at the University of Cambridge).
J.S. NICHOLSON
(Professor of Political Economy at the University of Edinburgh).
L.R. PHELPS
(Editor of the Economic Review).
A. PIGOU
(Jevons Memorial Lecturer at the University College, London).
C.P. SANGER
(Lecturer in Political Economy at the University College, London).
W.R. SCOTT
(Lecturer in Political Economy at the University of St. Andrews).

W. SMART
(Professor of Political Economy at the University of Glasgow).

ARMITAGE SMITH
(Lecturer in Political Economy at the Birkbeck College, Recognised Teacher at the University of London in Economics).

[The Economic Journal adds the following:] PROF. H. S. FOXWELL, Prof. W. A. S. Hewings, Mr. R. H. Inglis Palgrave, Mr. L. L. Price, Dr. J. Venn, and Mr. G. U. Yule have written to the Press to explain their reasons for not signing the letter; and Professors S. J. Chapman and J. H. Chapman have written desiring that their names should be regarded as added to the list of signatories.

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44 Economists Answer Questionnaire on the Pre-Market Approval of Drugs and Devices

Jason Briggeman¹, Daniel B. Klein², and Kevin D. Rollins³

ABSTRACT

In the January 2010 issue of this journal, we asked 305 economists to complete an online questionnaire on the pre-market approval of drugs and medical devices. You may access the questionnaire here (interactive html) or here (pdf showing questionnaire architecture). The 305 individuals called to the questionnaire were selected because they were on the editorial board of a leading health-economics journal, because they had been identified as having published a judgment on the issue, or because of a secondary reason (detailed at Klein and Briggeman 2010, 105). In fact, all but one (Kenneth Arrow) of the 44 respondents who have since completed all or part of the questionnaire fall into at least one of the two categories just mentioned.

While our questionnaire speaks of pre-market approval in terms of United States government policy administered by the Food and Drug Administration (FDA), we invited economists across the world to address the matter. The 44 respondents come from 12 countries. Most of them hold academic positions but some are in government, industry, the non-profit health sector, and independent research/consultancy firms. We have not established that every one of the 44

¹. Graduate student, Department of Economics, George Mason University, Fairfax, VA 22030.
². Professor of Economics, George Mason University, Fairfax, VA 22030.
³. Managing Editor, Econ Journal Watch, Fairfax, VA 22030.

Acknowledgments: We are grateful to the 44 individuals, identified in the present article, who answered our call. Also, we thank Joel Friedman and SurveyWriter, Inc. for their help in hosting the survey, and Mike Watkins for help with outputting the data to manageable forms.
respondents is an “economist,” whether by degree, title, or publication record, but clearly most are, and all are working on matters included under the rubric of health economics. Hence we refer to them as economists.

We promised to “collate the responses of the summoned economists and write up a summary report to publish alongside the individual transcripts. As with a similar non-anonymous questionnaire on the minimum wage (Klein and Dompe 2007), the follow-up report to appear in this journal will not criticize or challenge the responses” (Klein and Briggeman 2010, 105).4 The present article is the promised report. In addition to this brief report, a compendium of complete transcripts is included as an appendix in both PDF (link) and Excel (link) formats. The appendix consists of nothing more than 44 transcripts that can be read naturally as conversations, and, indeed, it makes for better reading than does this report.

Here is a list of the 44 individuals who kindly took our questionnaire. Our deep appreciation goes out to each of them:

Kenneth Arrow
Pedro Pita Barros
Marc L. Berger
Cornelis Boersma
John E. Brazier
James F. Burgess Jr.
Noel D. Campbell
J. Jaime Caro
William S. Comanor
Anthony John Culyer
Thomas DeLeire
David Dranove
Randall P. Ellis
Denis Getsios
Dale H. Gieringer
Paul Greenberg
Paul Grootendorst
Michael Grossman
László Gulácsi
David R. Henderson
Randall Holcombe
Charles L. Hooper
John Hornberger
Don Husereau
John Hutton
Naoki Ikekami
Michael Iskedjian
Jonathan Karnon
Gordon G. Liu
Karl A. Matuszewski
C. Daniel Mullins
Sam Peltzman
Charles E. Phelps
Gérard de Pouvourville
José Luís Pinto Prades
Paul H. Rubin
F. M. Scherer
David A. Selar
Robert M. Sigmond
Shirley Svorny
Robert Tollison
Michael R. Ward
Albert I. Wertheimer

Results

Here is the list of respondents grouped by answer to the question, “Which best describes your attitude toward the U.S. government policy that requires premarket approval of new pharmaceuticals and devices?”

4. Readers might be interested in a methodologically similar study by Klein and Tabarrok (2008), based on virtual conversations regarding off-label practices and efficacy requirements for both on- and off-label uses. That investigation differed from ours in three ways: (1) the respondents were physicians, not economists; (2) the respondents were anonymous; (3) the authors provided their evaluations of the responses.

Oppose, not strongly (4): Burgess, Caro, Dranove, Grootendorst.


Support, not strongly (7): Barros, Boersma, Ellis, Husereau, Hutton, Liu, Selar.

Support strongly (16): Arrow, Berger, Brazier, Comanor, Culyer, Getsios, Ikegami, Karnon, Maniadakis, Matuszewski, Mullins, Pouvourville, Prades, Scherer, Sigmond, Wertheimer.

While we did not aim at obtaining a sample representative of any particular population of economists, that a majority of our respondents support pre-market approval comports with research showing broad support among American Economics Association members for FDA regulation of the pharmaceutical market (Klein and Stern 2006, 334).

As stated in the January article, our impetus for this project was to “explore whether there is any basis for the support” given by economists to the pre-market approval policy; specifically, we wondered, “Is any economist today ready to stand up and stand by a market-failure rationale for the pre-market approval policy?” In the questionnaire, we asked whether each respondent thought there was a “sound” market-failure rationale for the policy. Thirty of the 43 who replied to that question said yes; not surprisingly, belief that such a rationale exists was well correlated with support for the policy, as illustrated in the following table.

<table>
<thead>
<tr>
<th>4. Do you think there is a sound market-failure rationale for the policy that requires pre-market approval?</th>
<th>Oppose pre-market approval</th>
<th>Neutral</th>
<th>Support pre-market approval</th>
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<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>4</td>
<td>23</td>
</tr>
<tr>
<td>No</td>
<td>12</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Those who said there is a sound market-failure rationale then were asked the closed-end question “Which of the following describes the nature or source of the market failure that justifies the policy requiring pre-market approval?” We offered four answer choices: “Imperfect information,” “Public-goods aspects of knowledge,” “Government has superior ability to assure safety and efficacy,” and “Other.” Respondents were able to select any or all of the choices, and were asked to elaborate on a response of “Other.” Of the 29 respondents answering this question, 24 selected “Imperfect information,” 17 selected “Public-goods aspects
of knowledge,” eight selected “Government has superior ability to assure safety and efficacy,” and nine described an “Other” market failure. All 29 selected at least one of the provided choices, i.e., no one selected “Other” only. Here are the respondents grouped by combination of provided choices selected:

5b. Which of the following describes the nature or source of the market failure that justifies the policy requiring pre-market approval?

- Imperfect information [II]
- Public-goods aspects of knowledge [KPG]
- Government has superior ability to assure safety and efficacy [Gov]

Respondents by response-combination:

II, KPG, and Gov: (5) Boersma, Ikegami, Maniadakis, Matuszewski, Sigmond.
II and KPG: (7) Arrow, Barros, Brazier, Dranove, Hutton, Scherer, Sclar.
II and Gov: (3) Getsios, Husereau, Prades.
KPG and Gov: (0).
II only: (9) Berger, Culyer, Ellis, Gulácsi, Karnon, Mullins, Pouvourville, Ward, Wertheimer.
KPG only: (5) Comanor, Grootendorst, Grossman, Liu, Phelps.
Gov only: (0).

Irrespective of whether the respondent thought there was a market-failure rationale, he or she was asked questions related to common notions of market failure. While we are not attempting to summarize in this report the responses to the several open-end questions (see appendix for these), the frequencies of responses to the closed-end questions are reported in the following tables:

<table>
<thead>
<tr>
<th>1. In public discourse, the effect of the pre-market approval policy in preventing harm is…</th>
<th>Oppose pre-market approval</th>
<th>Neutral</th>
<th>Support pre-market approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>…typically overstated.</td>
<td>7</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>…often overstated.</td>
<td>7</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>…neither understated nor overstated.</td>
<td>1</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>…often understated.</td>
<td>0</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>…typically understated.</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>
2. In public discourse, the effect of the pre-market approval policy in suppressing would-have-been benefits is…

<table>
<thead>
<tr>
<th></th>
<th>Oppose pre-market approval</th>
<th>Neutral</th>
<th>Support pre-market approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>...typically overstated.</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>...often overstated.</td>
<td>0</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>...neither understated nor overstated.</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>...often understated.</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>...typically understated.</td>
<td>11</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

7b/6a. Do you believe that consumers or patients systematically err when coping with uncertainties related to health and treatment?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale</th>
<th>Those who do not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>7</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>

9b/8a. Do you believe that doctors systematically err when selecting and prescribing therapies?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale</th>
<th>Those who do not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>No</td>
<td>17</td>
<td>8</td>
</tr>
</tbody>
</table>

11b/10a. Say the policy that requires pre-market approval was eliminated and, in its place, a policy was implemented allowing new pharmaceuticals/devices and initially classifying them as requiring a doctor's prescription (pending a review process to consider dropping the prescription requirement). Do you think such a liberalized system would be superior to the current system?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale</th>
<th>Those who do not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>3</td>
</tr>
</tbody>
</table>
13b/12a. Do you believe that uncertainty per se constitutes a market failure?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale</th>
<th>Those who do not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
<td>13</td>
</tr>
</tbody>
</table>

17b. You indicated that public-goods aspects of knowledge do not justify the policy requiring pre-market approval. Is that because you think such aspects are better addressed by subsidizing the generation of knowledge, e.g., via the National Institutes for Health?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale, but not from public-goods aspects of knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>6</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
</tr>
</tbody>
</table>

18b. You indicated that public-goods aspects of knowledge are a source of the market failure that justifies the policy requiring pre-market approval. Do you think that this source of market failure would be better addressed with a policy that subsidizes the generation of knowledge, e.g., via the National Institutes for Health?

<table>
<thead>
<tr>
<th></th>
<th>Those who believe there is a sound market-failure rationale, based at least in part on public-goods aspects of knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>7</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
</tr>
</tbody>
</table>
20b/14a. Imagine a new pharmaceutical being developed within the current regulatory system and brought all the way through to FDA approval. Do you think the policy that requires pre-market approval induces the generation of more knowledge about the new pharmaceutical than there would have been in the absence of the policy? Those who believe there is a sound market-failure rationale Those who do not

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>8</td>
</tr>
</tbody>
</table>

22b/15a. As compared to the current system, would you favor making approval of a new drug automatic upon completion of the safety and efficacy testing processes specified by the FDA, regardless of what those testing results turned out to be? Those who believe there is a sound market-failure rationale Those who do not

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>7</td>
</tr>
</tbody>
</table>

17a. Relative to doctors and consumers, do you believe the government has superior ability to judge the safety and efficacy of pharmaceuticals (assuming, that is, that the government does not have exclusive access to certain research information)? Those who do not believe there is a sound market-failure rationale

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4</td>
<td>9</td>
</tr>
</tbody>
</table>
24b. You indicated that a superior ability of government to assure the safety and efficacy of pharmaceuticals justifies the policy requiring pre-market approval. Does that superiority stem from the FDA having special expertise in evaluating safety and efficacy?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

26b. Would you say that impartiality or commitment to the public good are sources of the government's superior ability to assure safety and efficacy?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

29b/19a. As compared to the current system, would you favor a reform so that pharmaceuticals approved by the FDA counterparts in Europe, Japan, Canada, or Australia were automatically approved for the United States?

<table>
<thead>
<tr>
<th>Those who believe there is a sound market-failure rationale, based at least in part on government's superior ability to assure safety and efficacy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>9</td>
</tr>
</tbody>
</table>
31. Prior to 1962, the FDA did not consider efficacy when making drug approval decisions. Doctors today are at liberty to prescribe drugs for “off-label” use—that is, for use where there has been no FDA evaluation of the drug’s efficacy. However, as part of the current pre-market approval process, the FDA requires proof of efficacy in the drug’s “on-label” use(s). Would you favor dropping efficacy requirements from the pre-market approval process?

| Yes | 2   | 9   |
| No  | 24  | 4   |

32. Efficacy requirements were introduced in 1962. Do you believe that the pre-1962 record shows systematic failure in assuring efficacy?

| Yes | 15  | 1   |
| No  | 9   | 3   |

Conducting the Survey

We were able to find at least one email address for 304 of the 305 listed individuals, though some of these initial addresses turned out to be invalid. By paying careful attention to bounced emails and then doing additional web research to find second and third email addresses, we were eventually able—we think—to find valid or current email addresses for 302 of the 305. A first round of emails (to the initial 304 email addresses) was sent out January 21-26. A round of reminder emails was sent February 15-17 to those who did not acknowledge the initial emails. We then searched for telephone numbers for those who had not completed the survey or refused, and placed a round of calls in the evenings and on weekends.

5. Of the 305 economists, there is only one (John M. Vernon) whom we are sure we failed entirely to contact. Two others (David H. Klein and Ben S. Bernanke) could only have been reached with the postcard sent toward the end of the data-collection period.
March 9-28, leaving voicemails with instructions for accessing the survey. To those who could not be contacted by phone, a postcard was mailed on April 16. Finally, a last round of emails was sent April 15-19.

In addition to the 44 individuals who completed all or part of the survey, another 28 contacted us in some way; that leaves 230 individuals whom we believe we contacted via email but from which we received no personal communication. Several of those who contacted us but declined to participate indicated that they did not feel well suited to address the subject matter of the questionnaire. A few mentioned our ideological orientation as a concern; for example, one refusal read in part: “This does not look to me like social science but like pure policy advocacy, albeit advocacy driven by a specific economic point of view.” While in the January piece (which was cited and offered by link in the personalized invitations) we were open about our being decidedly pro-liberalization, some of those who were invited likely did not read the January article. In hindsight, we might have done better explicitly to have reiterated our decidedly pro-liberalization position in the introduction to the survey itself. Doing so would have made it clear that the voice of the survey itself was coming from such a position.

If we were to conduct the survey again, we might consider replacing some of the yes-no questions with Likert questionnaire items, i.e., allowing for variation in intensity of agreement or disagreement as well as for neutral responses. Several respondents expressed frustration with the “forced choices” between yes and no. When we designed the survey, we opted for the yes-no questions because the primary purpose of such questions was not statistical but rather the elicitation of interventionist rationales. We believed that open-end questions would be more naturally posed and understood if they were to follow “no” responses than if they were to follow responses of (for instance) “disagree somewhat.”

Concluding Remark

We feel that the 44 conversations provide a rich set of discourse that should help anyone think through the matter and decide for him- or herself: Is there a sound market-failure rationale for the banned-till-permitted policy for drugs and devices? We hope that researchers, students, policymakers, and citizens make use of this unique set of material.

6. The 230 figure includes those from whose email accounts we received only automated replies (e.g., “out of office”).
Appendix:

Compendium of complete transcripts of all 44 conversations. Links (PDF, Excel).

References

Klein, Daniel B., and Jason Briggeman. 2010. 305 Economists Called to Answer Questionnaire on the Pre-market Approval of Drugs and Devices. *Econ Journal Watch* 7(1): 99-106. Link


About the Authors

Jason Briggeman is a graduate student in the George Mason University Department of Economics. His email is jbriggem@gmu.edu.
Daniel Klein is professor of economics at George Mason University, and associate fellow and academic advisor at the Ratio Institute in Stockholm. He is the chief editor of *Econ Journal Watch*. His email is dklein@gmu.edu.

Kevin D. Rollins serves as Executive Vice President at InnoSci Technologies, Inc, a technology and research startup and as Managing Editor of *Econ Journal Watch*. He is an Adjunct Fellow at the Rio Grande Foundation, a think tank based in New Mexico. Previously, he was a 2008-2009 graduate student fellow at the Mercatus Center at George Mason University. He holds an MA in economics from GMU. His email is ejw@kevinrollins.com

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Economic Enlightenment in Relation to College-going, Ideology, and Other Variables: A Zogby Survey of Americans

Zeljka Buturovic¹ and Daniel B. Klein²

ABSTRACT

We present results of a December 2008 Zogby International nationwide survey of American adults, with 4,835 respondents. We gauge economic enlightenment based on responses to eight economic questions. A number of controversial interpretive issues attend our measure, including: (1) our designation of enlightened answers; (2) an asymmetry in sometimes challenging leftist mentalities without ever specifically challenging conservative and libertarian mentalities; (3) our simple 8-question test is merely a baseline and does not gauge the heights of economic enlightenment; and (4) a concern about response bias—namely, that less intelligent people would be less likely to participate in the survey.

Even with the caveats in mind, however, the results are important. They indicate that, for people inclined to take such a survey, basic economic enlightenment is not correlated with going to college. We also show economic enlightenment by ideological groups—the “conservatives” and “libertarians” do significantly better than the “liberals,” “progressives,” and “moderates”—and we show that the finding about education holds up when we look within each ideological group (with perhaps the

¹. Research associate, Zogby International, Utica, NY 13501.
². Professor of Economics, George Mason University, Fairfax, VA 22030.
Acknowledgments: For valuable feedback, we are grateful to Niclas Berggren, Jason Briggeman, Bryan Caplan, Tyler Cowen, April Kelly-Woessner, Richard Redding, and Charlotta Stern.
exception of the “conservative” group). We discuss possible explanations for the finding that economic enlightenment is not correlated with going to college.

We also report simple findings for the relation between economic enlightenment and each of the following variables: 2008 presidential vote, party affiliation, voting participation, race or ethnic group, urban vs. rural, religious affiliation, religious participation, union membership, marital status, membership in armed forces, NASCAR fandom, membership in the “investor class,” patronage at Wal-Mart, household income, and gender.

We have opted to keep the reporting direct and simple—we have not applied any weights to the data. We do not report any regression results. We make the data available online as a linked appendix and invite others to explore the data for findings beyond those reported here.

**Origination of the Survey and the Present Paper**

The survey was designed by the first author of this paper, Zeljka Buturovic, who holds a PhD in psychology from Columbia University and is currently a Research Associate at Zogby International.

Buturovic’s motivation in designing the survey grew out of her dissatisfaction with previous surveys treating economic understanding. She regarded many questions on previous surveys to be either too narrowly factual, too dry in a textbook way, and too removed from policy context, or, alternatively, too general in eliciting policy judgments apart from specific economic consequences. Either way, many questions on previous surveys were too antiseptic with respect to really knowing economics in relation to important issues. In designing the survey, she sought to formulate questions that would reflect enlightenment about economic facts or consequences, especially those in tension with established policy and popular political mentalities. To Buturovic, questions about unintended effects of a variety of economic policies, such as rent-control and mandatory licensing, seemed like a good start. Like all Zogby surveys, the questionnaire included standard demographic questions. The questionnaire instrument and all data are linked at the end of this paper.

The survey was administered by Zogby International by usual procedure. It was a nationwide survey of American adults, randomly selected from the Zogby International online panel routinely used in political and commercial research. On December 5, 2008, Zogby sent by email 63,986 invitations to the members of the panel. The invitation included a link that would take the respondents to the survey on Zogby’s own secure servers. The link expired after one use, which is one of several security measures Zogby takes to prevent answer duplication. Because
the panel is large it is difficult to maintain currency of all the email addresses in it. Zogby estimates that the number of invitations actually received to have been around 75%, or 47990. Of these, 6699 respondents started the survey and 4835 completed it by the close of the survey on December 8. This gives us a response rate of 14% and a completion rate of 10%.

Several months after the survey had been conducted, Buturovic issued a working paper based on the survey (Buturovic et al 2009), and she was subsequently contacted by this paper’s second author, Daniel Klein. They then pursued the present paper and together decided which set of questions would constitute what is treated here as an 8-question test of basic economic enlightenment.

### The Eight Questions We Use to Gauge Economic Enlightenment

The questionnaire contained 21 questions on economics, 16 of which were in the following format:

- Restrictions on housing development make housing less affordable.
  1. Strongly Agree
  2. Somewhat Agree
  3. Somewhat Disagree
  4. Strongly Disagree
  5. Not sure

Of the 16 questions in that uniform format, this paper deals with only eight. We have omitted 8 of the economic questions in that format because they are not as useful in gauging economic enlightenment, either because the question is too vague or too narrowly factual, or because the enlightened answer is too uncertain or arguable. For example, the statement “economic development makes things more affordable” hinges greatly on the interpretation of “affordable”—maybe economic development makes “normal living” more expensive, but it also makes incomes higher. The statement “the more people there are, the more wealth there is” is uncertain in its context. The statements of the omitted questions are provided elsewhere.\(^3\)

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3. Among the omitted questions are the following eight of the same format as those used here: 1. Poverty causes crime. 2. Business contracts benefit all parties. 3. Private property protections primarily benefit the well-off. 4. More often than not, employers who discriminate in employee hiring will be punished by the market. 5. In the USA, more often than not, rich people were born rich. 6. Consumption grows the economy. 7. Economic development makes things more affordable. 8. Foreign aid helps economic growth of recipient countries. In addition, there were five other economic questions, but in a different format. These are given in the appendix.
As it happens, our main findings would not be affected by adding any of the omitted questions with enlightened answers plausibly ascribed, as one may confirm using the provided database. We choose to confine our report to the eight questions that most reliably gauge economic enlightenment.

The statements of the eight questions used are the following:

1. Restrictions on housing development make housing less affordable.
   • Unenlightened: Disagree

2. Mandatory licensing of professional services increases the prices of those services.
   • Unenlightened: Disagree

3. Overall, the standard of living is higher today than it was 30 years ago.
   • Unenlightened: Disagree

4. Rent control leads to housing shortages.
   • Unenlightened: Disagree

5. A company with the largest market share is a monopoly.
   • Unenlightened: Agree

6. Third-world workers working for American companies overseas are being exploited.
   • Unenlightened: Agree

7. Free trade leads to unemployment.
   • Unenlightened: Agree

8. Minimum wage laws raise unemployment.
   • Unenlightened: Disagree

We think it is reasonable to maintain that if a respondent disagrees with the statement “Restrictions on housing development make housing less affordable,” the respondent betrays a lack of economic enlightenment. Challengers might say something like: “Well, not every restriction on housing development makes housing less affordable,” but such a challenger would be tendentious and churlish. Unless a statement in a questionnaire explicitly makes it a matter of 100%, by using “every,” “all,” “always,” “none,” or “never,” it is natural to understand the statement as a by-and-large statement about overall consequences. Do restrictions on housing development, by and large, make housing less affordable? Yes they do. Does free trade lead, overall, to greater unemployment? No, it does not. For someone to say the contrary is economically unenlightened.

**Caveat 1 of 4:** Some will take exception to our take on the eight questions, particularly the one about minimum wage laws. We understand that the blackboard model is highly misleading—it eclipses non-wage job attributes, black markets, search intensity, future pay schedules, and so on. These surely mitigate the dis-
employment effect, but they do not eliminate it. Some will even say that, because of monopsony or coordination problems, minimum wages increase employment, but we judge such arguments to be of dubious plausibility and significance. We think that the basic logic asked by the question is revealed by carrying it to a minimum wage of, say, $20. Unemployment would go up a lot. True, the moderate increases observed and usually discussed produce only small effects in overall unemployment, but they are increases. It still seems to be the case that most economists agree that “minimum wages increase unemployment among young and unskilled workers.” Moreover, our remarks arguably find indirect support by responses given by economists who signed a “raise the minimum wage” petition. But most importantly, take out the question and our results still hold up. Our basic results do not depend on including the minimum wage question.

Caveat 2 of 4: We acknowledge a shortcoming about the set of economic questions used here, and a corresponding reservation. None of the questions challenge the economic foibles specifically of “conservatives,” nor of “libertarians,” as compared to those of “liberals”/“progressives.” It would have been good, for example, if a question had asked about negative consequences of drug prohibition, or the positive consequences of increased immigration from Mexico. We doubt, however, that any partisan aspect of the questions much upsets our interpretations—for reasons to be discussed once the findings are laid out.

Caveat 3 of 4: Even if one accepts that our handling of each of the eight economic questions tracks economic enlightenment, the set represents a baseline rather than the heights of economic wisdom. In other words, the most economically enlightened mind would score no better than a solidly sensible mind on the eight questions, as they would both ace the 8-question exam. Yet presumably almost all of the most economically enlightened minds in the United States have all gone to college. In this respect our treatment fails to do justice to the relationship

4. In their 2000 survey of AEA members, Fuller and Geide-Stevenson (2003, 378) found that 45.6% agreed, 27.9% agreed with provisos, and 26.5% generally disagreed.
5. Klein and Dompe (2007) designed a questionnaire sent to the signatories (mostly economists) of a “raise the minimum wage” petition. Regarding mechanisms justifying their support for raising the minimum wage, of four mechanisms listed, the monopsony and coordination mechanism received significantly less endorsement than “equalizing an imbalance in bargaining skills” and “inducing a transfer from employers to workers” (142), indicating that their support was based more on the idea of redistributive transfer than employment effects. And in a question about possible negative consequences of raising the minimum wage, of six possible negative consequences, the one they were most concerned with was the disemployment effect. Of the 88 respondents who responded to the disemployment question, 24 (or 27%) denied the disemployment effect, while 54 (or 61%) acknowledged it as a “minor” negative consequence, and 10 (or 11%) acknowledged it as a “significant” negative consequence (149). Again, these economists had signed the “raise the minimum wage” petition. Meanwhile, Neumark and Wascher (2008) write: “the balance of the evidence indicates that, even if its aggregate effects are relatively small, a higher minimum wage will reduce job opportunities for the least-skilled workers most likely to be affected by the wage floor” (1316).
between the education variable and economic enlightenment. The reader should keep in mind that when we speak of “economic enlightenment,” we mean it in relation to performance on a very basic test, not an average over the entire range of economic enlightenment.

Results on Economic Enlightenment and Going to College

Previous Literature on College-Going and Economic Knowledge

College is called “higher education.” The 2008 report of Science and Technology Indicators finds that factual knowledge of science is “positively related to the level of formal schooling” (Chapter 7). A National Geographic (2006) survey of geographic literacy finds that knowledge of geographic facts, such as locating a country on a map, is significantly correlated with going to college (8, 11).

Some studies find that a college degree is correlated with one’s knowledge of facts related to economics. Blinder and Krueger (2004, 348) found modest relationship between knowledge of economic facts and going to college. The type of economic facts that they tested for consisted of items such as “what percent of income is paid in taxes?” and “what is the current minimum wage?” Caplan (2007, 164) finds that college degree makes one more likely to agree with professional economists on economic facts and mechanisms. Walstad and Rebeck (2002), in reviewing five studies conducted from 1991 through 1999, find a significant relationship between college and knowledge of economics. Knowledge tested on these five surveys ranged from asking about the most-widely used measure of inflation to simple textbook problems, such as “if the price of beef doubled and the price of poultry stayed the same, people would be most likely to buy” (answer: more poultry and less beef). The study from which the last example was taken was a multiple-choice survey performed by Harris Interactive multiple times for the National Council on Economic Education (NCEE). Those surveys generally found large coefficients for college-going on the kind of knowledge they tested. A subsequent NCEE/Harris survey (Markow 2005) likewise found, after weighting the data, that college graduates were four times as likely as adults with only a high school education to score “A” or “B” on their survey. Though the effects found in these studies were sometimes modest, they all appear to be pointing in the

6. Blinder and Krueger (2004) found that voters with college degrees were somewhat more likely to oppose raising the minimum wage than were those without college degree—an attitude that the authors speculated could have resulted from the college graduates’ understanding of the negative effects of minimum wage. As we will see, in our data such belief is not correlated with going to college.
same direction: that going to college is positively correlated with understanding of standard economic course material.

Meanwhile, Caplan and Miller (2006) use General Social Survey data including a ten-word vocabulary subtest, which the authors treat as a proxy for IQ, in addressing whether general-survey respondents “share the economic beliefs of the average economist.” They find that “the estimated effect of education sharply falls after controlling for IQ. In fact, education is driven down to second place, and IQ replaces it at the top of the list of variables that make people ‘think like economists.’”

A difference between our questions, which challenge establishment thinking, and those treated by Walsted and Rebeck may account for the considerable difference in answering correctly. The questions treated by Walsted and Rebeck were typically answered correctly by about 70 percent of the samples they examine. In our survey, respondents scored much less well. We think that, for many respondents, economic understanding takes a vacation when economic enlightenment conflicts with establishment political sensibilities.

**Economic Enlightenment Was Not Correlated with Having a College Degree**

The question on schooling ran as follows:

Which of the following best describes your highest level of education?

- Less than high school graduate
- High-school graduate
- Some college
- College degree or more
- (Refuse to answer)

Of those answering each of the following questions, we found:

- Gender: 61.1% male, 38.9% female
- Highest level of schooling: 0.4% hadn’t graduated high school, 6.5% were high school graduates, 27.5% had some college, 65.5% had a college degree or more.

Because the number of those without high-school degree is small (0.5% of the sample), we combined that category with the next, making a composite category: high school or less. So we work with three levels of schooling: (1) high school or less; (2) some college (but not a degree); (3) a college degree or more.

In our data, economic enlightenment is not correlated with going to college. To demonstrate the result, we have coded the economic responses in three different ways. In all three ways, the results are the same. The three ways we have coded the data are as follows:

- On the original five point scale (with “not sure” responses coded as a middle point). Over the eight questions, this scale ranges from 0 to 32.
• Recoded into a three-point scale: (1) “strongly agree” or “somewhat agree,” (2) “not sure,” (3) “strongly disagree” or “somewhat disagree.” This scale ranges from 0 to 16.
• Recoded into a two-point scale where the middle “not sure” point of the three-point scale was recoded “enlightened.” Thus, answers were counted as incorrect only when a respondent explicitly endorsed an unenlightened view (either strongly or somewhat). Scores on this scale range from 0 to 8.

For each question, the points are awarded in accordance with economic enlightenment. In the five point scale, for example, “strongly agree” is scored as a 4 on the living-standards-higher-today question and as a 0 on the free-trade-causes-unemployment question.

The results are presented in Figure 1. The horizontal axis gives the three levels of education; the vertical axis gives a corresponding average score. Since, as described above, we scored our respondents in three different ways, there are three average scores for each type of respondent. The line that is highest on the graph presents an average score on a 5-point scale, and the middle line presents an average score on a 3-point scale, and the lowest line presents an average score on the 2-point scale. No matter, all three lines are flat. These results would seem to conflict with previous studies that find a positive correlation.

Figure 1. Mean economic enlightenment score (for 5, 3, and 2-point scales) by level of education.
Now we address the possibility of response bias: Is there any reason to suspect either that, among less schooled people, those more economically enlightened would be more likely to complete the survey, or that, among more schooled people, those less economically enlightened would be more likely to complete the survey?

Caveat 4 of 4: In commenting on this paper in draft, Bryan Caplan suggested that there is a strong reason to suspect that, among less schooled people, those more economically enlightened would be more likely to complete the survey. The survey was initiated by email, and taking the survey would require a certain level of curiosity, reading compression, and cognitive focus. The survey procedure tends to screen out those of low IQ. The conjecture is supported by the fact that among our respondents, only 7 percent had no college—a percentage far below that of the population. In our view, Caplan has a good point. Although we see no reason to suspect that, among more schooled people, those less economically enlightened would be more likely to complete the survey, we do think that the sort of effect suggested by Caplan is certainly operating to some extent. Meanwhile, as shown by Caplan and Miller (2006), IQ correlates with economic understanding. Thus, we can imagine how Figure 1 would look if somehow the sample were truly representative: The ends at the left would be lower, and so the lines would slope upward, indicating a positive correlation between economic enlightenment and education level.

But we have no simple way to determine, gauge, or confidently correct for any such response bias, so we just proceed to report the data such as they are.

We now turn to results by individual question. To make the presentation simple, we here work with the two-point scale. Thus, for “Restrictions on housing development make housing less affordable,” we count as (equally) not incorrect “strongly agree,” “somewhat agree,” and “not sure;” we count as (equally) incorrect “somewhat disagree” and “strongly disagree.” (The results using the two-point scale are also found using the three or five point scale.)

In the tables that follow, using the two-point scale, we report on the percentage of response that are INCORRECT. Thus, in the tables that follow, high numbers are bad. We focus on incorrect responses to highlight the problem of “people knowing what ain’t so.” Table 1 again shows that, for people inclined to participate in such a survey, going to college is not correlated with economic enlightenment. With the large sample size, all but the smallest of differences are statistically significant at the 0.05 level. But the magnitudes are small. It is possible that college-goers would have made a better relative showing if some of the questions had challenged interventions that are relatively unpopular with the college crowd (such as drug prohibition).
Table 1. Percentage INCORRECT by Schooling (using two-point scale for question responses)

<table>
<thead>
<tr>
<th></th>
<th>High School or Less (n=335)</th>
<th>Some College (n=1327)</th>
<th>College or More (n=3156)</th>
<th>TOTAL* (n=4818)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictions on housing developments make housing less affordable</td>
<td>37.0%</td>
<td>35.6%</td>
<td>39.3%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Mandatory licensing of professional services increases the prices of those services</td>
<td>23.6%</td>
<td>29.5%</td>
<td>37.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Overall, the standard of living is higher today than it was 30 years ago.</td>
<td>33.4%</td>
<td>34.0%</td>
<td>30.5%</td>
<td>31.7%</td>
</tr>
<tr>
<td>Rent control leads to housing shortages.</td>
<td>40.3%</td>
<td>42.7%</td>
<td>42.6%</td>
<td>42.4%</td>
</tr>
<tr>
<td>A company with the largest market share is a monopoly.</td>
<td>28.4%</td>
<td>27.0%</td>
<td>16.5%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Third-world workers working for American companies overseas are being exploited.</td>
<td>51.9%</td>
<td>53.7%</td>
<td>49.2%</td>
<td>50.6%</td>
</tr>
<tr>
<td>Free trade leads to unemployment.</td>
<td>37.3%</td>
<td>37.7%</td>
<td>31.1%</td>
<td>33.3%</td>
</tr>
<tr>
<td>Minimum wage laws raise unemployment.</td>
<td>43.9%</td>
<td>43.1%</td>
<td>49.7%</td>
<td>47.5%</td>
</tr>
<tr>
<td>Average INCORRECT (out of 8 items)</td>
<td>2.96 (SE=0.11)</td>
<td>3.03 (SE=0.06)</td>
<td>2.96 (SE=0.04)</td>
<td>2.98 (SE=0.03)</td>
</tr>
</tbody>
</table>

* Total includes only those respondents represented in the preceding three columns; that is, it does not include respondents who did not answer both the education question and the policy question treated in the row.

Lack of Enlightenment by Self-Identified Ideology

A question about ideology ran as follows: 7

Which description best represents your political ideology?
- Progressive/very liberal
- Liberal
- Moderate
- Conservative
- Very conservative
- Libertarian
- Not sure
- (Refuse to answer)

Table 2 gives results by ideology:

---

7. In addition, our survey asked respondents to rate themselves on a 9 point scale (1-extremly liberal to 9-extremely conservative), but in this paper we do not make use of the question.
Table 2. Percentage INCORRECT by Ideology (using two-point scale for question responses).

<table>
<thead>
<tr>
<th>Statement</th>
<th>Progressive (n=577)</th>
<th>Liberal (n=742)</th>
<th>Moderate (n=1086)</th>
<th>Conservative (n=1423)</th>
<th>Very Conservative (n=540)</th>
<th>Libertarian (n=369)</th>
<th>TOTAL* (n=4737)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictions on housing development make housing less affordable.</td>
<td>67.6%</td>
<td>60.1%</td>
<td>45.9%</td>
<td>22.3%</td>
<td>17.6%</td>
<td>15.7%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Mandatory licensing of professional services increases the prices of those services.</td>
<td>51.3%</td>
<td>50.0%</td>
<td>40.7%</td>
<td>25.6%</td>
<td>19.1%</td>
<td>12.7%</td>
<td>34.3%</td>
</tr>
<tr>
<td>Overall, the standard of living is higher today than it was 30 years ago.</td>
<td>61.0%</td>
<td>52.0%</td>
<td>36.9%</td>
<td>13.8%</td>
<td>12.0%</td>
<td>21.1%</td>
<td>31.2%</td>
</tr>
<tr>
<td>Rent control leads to housing shortages.</td>
<td>79.2%</td>
<td>70.9%</td>
<td>52.4%</td>
<td>23.0%</td>
<td>14.1%</td>
<td>15.7%</td>
<td>42.5%</td>
</tr>
<tr>
<td>A company with the largest market share is a monopoly.</td>
<td>30.8%</td>
<td>27.9%</td>
<td>26.0%</td>
<td>12.5%</td>
<td>13.5%</td>
<td>6.8%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Third-world workers working for American companies overseas are being exploited.</td>
<td>83.0%</td>
<td>77.0%</td>
<td>60.7%</td>
<td>30.9%</td>
<td>25.9%</td>
<td>29.3%</td>
<td>50.6%</td>
</tr>
<tr>
<td>Free trade leads to unemployment.</td>
<td>60.8%</td>
<td>44.6%</td>
<td>40.0%</td>
<td>20.9%</td>
<td>16.1%</td>
<td>19.5%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Minimum wage laws raise unemployment.</td>
<td>92.5%</td>
<td>86.3%</td>
<td>64.8%</td>
<td>17.5%</td>
<td>11.3%</td>
<td>17.6%</td>
<td>47.6%</td>
</tr>
<tr>
<td>INCORRECT (average)</td>
<td>5.26</td>
<td>4.69</td>
<td>3.67</td>
<td>1.67</td>
<td>1.30</td>
<td>1.38</td>
<td>2.98</td>
</tr>
</tbody>
</table>

* Total includes only those respondents represented in the preceding six columns; that is, it does not include respondents who did not answer both the ideology question and the policy question treated in the row.

The line at the bottom reports for each ideological group the average number of incorrect answers. Adults self-identifying “very conservative” and “libertarian”
perform the best, followed closely by “conservative.” Trailing far behind are “moderate,” then with another step down to “liberal,” and a final step to “progressive,” who, on average, get wrong 5.26 questions out of eight.

Here again we should acknowledge that none of the eight questions challenge typical conservative or libertarian policy positions, and that had some such questions been included, the measured economic-enlightenment means by ideological groups may well have been somewhat different.

Nonetheless, we think that the measurement as-is captures something real. At least since the days of Frédéric Bastiat, many have said that people of the left often trail behind in incorporating basic economic insight into their aesthetics, morals, and politics. We put much stock in Hayek’s theory (Hayek 1978, 1979, 1988) that the social-democratic ethos is an atavistic reassertion of the ethos and mentality of the primordial paleolithic band, a mentality resistant to ideas of spontaneous order and disjointed knowledge. Our findings support such a claim, all the caveats notwithstanding. Several of the questions would seem to be fairly neutral with respect to partisan politics, particularly the questions on licensing, the standard of living, monopoly, and free trade. None of those questions challenge policies that are particularly leftwing or rationalized on the basis of equity. Yet even on such neutral questions the “progressives” and “liberals” do much worse than the “conservatives” and “libertarians.”

**Within Each Ideological Group**

The reader might wonder whether the three variables—economic enlightenment, education, and ideology—interact in subtle ways. We avoid delving into these matters except to provide Figure 2, which, using the five-point enlightenment scale to open up the possible range (0-32), shows that within each ideological group, for the sort of people who are likely to participate in such a survey, there is still no substantial correlation between enlightenment and college, except perhaps for the “conservative” groups. But even there the effect of the education variable, though it might be called substantial, cannot be called large.
Possible Explanations for the Lack of Correlation between Economic Enlightenment and Going to College

Our data indicate that Americans of the sort to participate in such a survey, those who are college-educated are no more economically enlightened than those who are not. Certain obvious factors would seem to tend towards a positive correlation between enlightenment and going to college. We figure that for the relationship to zero out into noncorrelation there must be some offsetting negative factors or mechanisms. Here we speculate on such negative factors.

We offer four possible explanations for the observed lack of correlation between economic enlightenment and going to college. The first two pertain to the...

Figure 2. Economic enlightenment (using the five-point scale) by education and ideology.
possibility that, in terms of becoming economically enlightened, going to college simply does not surpass not going to college. Explanations 1 and 2 are the two sides of such a comparison.

**Explanation 1:** The college professoriate is very preponderantly centrist, center-left, or left. Economic enlightenment tends to go with being classically liberal—perhaps “conservative” or “libertarian” in today’s parlance, and such types are rare among the professoriate.\(^8\) Once a person has been acculturated and committed to the pattern of social-democratic political aesthetics, she might become not only unreceptive to economic enlightenment, but actually unfriendly to it, especially where it upsets cherished beliefs and values. Our study might suggest that college does not do much to make students aware of the undesirable consequences of certain policies the desirability of which is often taken for granted among professors. Although research does not find faculty ideology to have large effects on student ideology (e.g., Mariani and Hewitt 2008 points one way and Hewitt and Mariani 2010 points the other way), the point here is that the professoriate might be doing little that would elevate economic enlightenment.

**Explanation 2:** If we think of the young adult years as especially formative, it may be that the non-college experience—notably, the workplace or just “living on one’s own”—tends to impart economic enlightenment better than does the college experience, and college goers simply miss the advantage of learning what they would have learned from the non-college experience.

The next two explanations have to do with sorting effects—screening by colleges and self-sorting by individuals.

**Explanation 3:** If being economically enlightened, or receptive to it, were to make it less likely that one would be admitted to college, that could help explain the findings, but we doubt that there is much to the idea. One small experimental study found that graduate programs in clinical psychology discriminate against social/religious conservatives (Gartner 1986). Is it possible that college admission criteria that stress social activism and community involvement or even party politics might be biased in favor of fledgling social democrats?

**Explanation 4:** It may be that, all else equal, being economically enlightened, or receptive to economic enlightenment, tends to make one less inclined to go to college, maybe because such bents make one more likely to enter the workplace or to forge ahead on one’s own, or maybe one perceives academia to be left-leaning and avoids it for that reason. Also, if someone suspects that admission might be biased against him, and applying is costly, that only would make one less likely to apply.\(^9\)

---

\(^8\) Klein and Stern (2009) summarize the findings on the ideological profile of professors.

\(^9\) On college seniors deciding whether to go to graduate school see Woessner and Kelly-Woessner (2009).
Conclusion: Remarks on Economics Instruction at Colleges and Universities

Although an additional section follows below, reporting other results, here we offer some remarks that conclude the foregoing discussion. In this paper we have striven to present our results simply and transparently. We have presented the raw data, excluding the veil of weights. We make the data and instrument publicly available. We have been candid and scrupulous about the four caveats we see as potentially clouding interpretations of the results. The caveat that we see as most significant as pertains to the education variable is that the survey procedure likely tended to discourage low-IQ individuals from participation, thus artificially raising the observed economic enlightenment scores of the less educated groups, and tending to flatten the relationship between economic enlightenment and education level. But with this point in mind, we may read the results as pertaining to those who are likely to participate in such a survey, and even on that reading the results are significant and disturbing.

A great deal of literature over many decades has discussed academe. A recent overview is offered by the American Enterprise Institute volume, *The Politically Correct University: Problems, Scope, and Reforms* (Maranto et al. 2009). Questions of the ideological profile of the professoriate pertain not merely to certain narrow concerns, but to grand struggles between conflicting worldviews, to the course of liberal civilization.

Our results raise questions about economics instruction on campuses. One issue is students’ exposure to economics in the general curriculum. Research has found that economics instruction does affect political attitudes slightly, though it is hard to say whether it “sticks” (Scott and Rothman 1975; Whaples 1995). Yet a study conducted and published by the American Council of Trustees and Alumni (ACTA) examined core requirements at 50 leading universities, including the “Big Ten, Big Eight, Ivy League and Seven Sisters” (Latzer 2004). Figure 3 reproduces the findings on subjects included in the core. None of the 50 schools requires a student to take economics. ACTA is continually expanding its coverage, and the latest finds that of 178 schools, coursework in economics is required at only four, Grambling State University, the United States Air Force Academy, the United States Military Academy (West Point), and University of Alaska-Fairbanks (see whatwilltheylearn.com). One angle for reform would be for trustees, administrators, and faculty to place more emphasis on economics instruction.
Another issue is the kind of economics instruction that students receive when they do take economics courses. We advise students and parents to beware of economics-principles courses that either stress blackboard models divorced from judging important policy positions, or that are hostile to classical liberal thinking and values. Students and parents should understand that while academic economists are, relative to other faculty, more attuned to economic enlightened, a substantial majority vote Democratic and maintain an ideological character in line with that of most of the humanities and social-science faculty. In selecting schools and courses, students and parents need to drill down to the individual professor, and investigate his or her webpage and course syllabi.

**Other Results**

As noted, the survey contained a large number of social variables aside from school-level and ideology. Here we simply report mean INCORRECT over the eight economic questions, for each group for each such social variable. Again, “incorrect” is coded based on the two-point scale (with “not sure” treated as not
incorrect). The maximum number incorrect would be eight, the minimum would be zero. Again, high numbers are bad—the best possible score is 0 and the worst possible score is 8. (The questions have Zogby numbering—“2002” in the case of the one immediately following.)

2002. How likely are you to vote in national elections?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very likely</td>
<td>2.97</td>
<td>.03</td>
</tr>
<tr>
<td>Somewhat likely</td>
<td>3.19</td>
<td>.27</td>
</tr>
<tr>
<td>Not likely</td>
<td>3.10</td>
<td>.28</td>
</tr>
<tr>
<td>Not sure</td>
<td>3.13</td>
<td>.52</td>
</tr>
</tbody>
</table>

2003. In the 2008 presidential election, the candidates were Democrat Barack Obama, Republican John McCain, independent Ralph Nader, Libertarian Bob Barr and Green Cynthia McKinney. For whom did you vote?

<table>
<thead>
<tr>
<th>2008 Election</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obama</td>
<td>4.61</td>
<td>.04</td>
</tr>
<tr>
<td>McCain</td>
<td>1.60</td>
<td>.03</td>
</tr>
<tr>
<td>Nader</td>
<td>4.92</td>
<td>.33</td>
</tr>
<tr>
<td>Barr</td>
<td>1.56</td>
<td>.16</td>
</tr>
<tr>
<td>McKinney</td>
<td>5.56</td>
<td>.46</td>
</tr>
<tr>
<td>Someone else</td>
<td>2.63</td>
<td>.23</td>
</tr>
<tr>
<td>Did not vote</td>
<td>2.98</td>
<td>.23</td>
</tr>
<tr>
<td>Not sure</td>
<td>2.60</td>
<td>1.08</td>
</tr>
</tbody>
</table>

2004. In which party are you either registered to vote or do you consider yourself to be a member?

<table>
<thead>
<tr>
<th>Party</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Democratic</td>
<td>4.59</td>
<td>.04</td>
</tr>
<tr>
<td>Republican</td>
<td>1.61</td>
<td>.04</td>
</tr>
<tr>
<td>Independent/unenrolled/unaffiliated</td>
<td>3.03</td>
<td>.07</td>
</tr>
<tr>
<td>Libertarian</td>
<td>1.26</td>
<td>.13</td>
</tr>
<tr>
<td>Constitution</td>
<td>1.94</td>
<td>.30</td>
</tr>
<tr>
<td>Green</td>
<td>5.88</td>
<td>.32</td>
</tr>
<tr>
<td>Other</td>
<td>3.00</td>
<td>.41</td>
</tr>
<tr>
<td>Not sure</td>
<td>3.20</td>
<td>.36</td>
</tr>
</tbody>
</table>
702. Which of the following best represents your race or ethnic group?

<table>
<thead>
<tr>
<th>Race</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>2.95</td>
<td>.03</td>
</tr>
<tr>
<td>African American</td>
<td>4.26</td>
<td>.15</td>
</tr>
<tr>
<td>Asian/Pacific</td>
<td>2.58</td>
<td>.31</td>
</tr>
<tr>
<td>Arab American</td>
<td>3.09</td>
<td>.42</td>
</tr>
<tr>
<td>Other</td>
<td>3.10</td>
<td>.17</td>
</tr>
</tbody>
</table>

703. Do you consider yourself Hispanic or Latino?

<table>
<thead>
<tr>
<th>Hispanic/Latino</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>3.30</td>
<td>.17</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>2.98</td>
<td>.03</td>
</tr>
</tbody>
</table>

905. Which of the following best represents where you live?

<table>
<thead>
<tr>
<th>Live</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large City</td>
<td>3.18</td>
<td>.06</td>
</tr>
<tr>
<td>Small City</td>
<td>3.11</td>
<td>.07</td>
</tr>
<tr>
<td>Suburbs</td>
<td>2.76</td>
<td>.06</td>
</tr>
<tr>
<td>Rural</td>
<td>2.84</td>
<td>.07</td>
</tr>
</tbody>
</table>

907. Which of the following best represents your religious affiliation?

<table>
<thead>
<tr>
<th>Religion</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catholic</td>
<td>2.69</td>
<td>.07</td>
</tr>
<tr>
<td>Protestant/other non-denominational Christian</td>
<td>2.40</td>
<td>.05</td>
</tr>
<tr>
<td>Jewish</td>
<td>3.5</td>
<td>.16</td>
</tr>
<tr>
<td>Muslim</td>
<td>3.29</td>
<td>.46</td>
</tr>
<tr>
<td>Atheist/realist/humanist</td>
<td>1.91</td>
<td>.25</td>
</tr>
<tr>
<td>Other/no affiliation</td>
<td>4.04</td>
<td>.11</td>
</tr>
</tbody>
</table>

908. (Only if 907=2) Do you consider yourself to be a born-again, evangelical, or fundamentalist Christian?

<table>
<thead>
<tr>
<th>BornAgain</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>2.03</td>
<td>.07</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>2.72</td>
<td>.07</td>
</tr>
</tbody>
</table>
970. How often do you attend church, mosque, synagogue, or other place of worship?

<table>
<thead>
<tr>
<th>Attend services</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than once a week</td>
<td>2.34</td>
<td>.10</td>
</tr>
<tr>
<td>About once a week</td>
<td>2.36</td>
<td>.07</td>
</tr>
<tr>
<td>Once or twice a month</td>
<td>2.70</td>
<td>.10</td>
</tr>
<tr>
<td>Only on religious holidays</td>
<td>2.73</td>
<td>.12</td>
</tr>
<tr>
<td>Rarely</td>
<td>3.15</td>
<td>.06</td>
</tr>
<tr>
<td>Never</td>
<td>3.81</td>
<td>.07</td>
</tr>
</tbody>
</table>

909. Are you or is anyone in your household a member of a union?

<table>
<thead>
<tr>
<th>Union</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>3.58</td>
<td>.08</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>2.84</td>
<td>.04</td>
</tr>
</tbody>
</table>

914. Which of the following best describes your marital status

<table>
<thead>
<tr>
<th>Status</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>2.72</td>
<td>.04</td>
</tr>
<tr>
<td>Single</td>
<td>3.42</td>
<td>.09</td>
</tr>
<tr>
<td>Divorced/widowed/separated</td>
<td>3.41</td>
<td>.08</td>
</tr>
<tr>
<td>Civil union/domestic partnership</td>
<td>4.05</td>
<td>.15</td>
</tr>
</tbody>
</table>

926. Do you consider yourself to be mostly a resident of: your city or town, America, or planet earth

<table>
<thead>
<tr>
<th>Residency</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>My city or town</td>
<td>2.87</td>
<td>.07</td>
</tr>
<tr>
<td>America</td>
<td>2.24</td>
<td>.04</td>
</tr>
<tr>
<td>The planet earth</td>
<td>4.59</td>
<td>.06</td>
</tr>
<tr>
<td>NS/refused</td>
<td>3.15</td>
<td>.26</td>
</tr>
</tbody>
</table>

940. Are you or is any member of your family a member of the Armed Forces?

<table>
<thead>
<tr>
<th>Armed Forces</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>2.68</td>
<td>.07</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>3.06</td>
<td>.04</td>
</tr>
</tbody>
</table>
946. Do you consider yourself a NASCAR fan?

<table>
<thead>
<tr>
<th>NASCAR fan</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8) Yes</td>
<td>2.43</td>
<td>.08</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>3.06</td>
<td>.04</td>
</tr>
</tbody>
</table>

972. Would you consider yourself a member of the “investor class”?

<table>
<thead>
<tr>
<th>Investor Class</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8) Yes</td>
<td>2.38</td>
<td>.05</td>
</tr>
<tr>
<td>No/Not sure</td>
<td>3.46</td>
<td>.04</td>
</tr>
</tbody>
</table>

757. How often do you shop at Wal-Mart?

<table>
<thead>
<tr>
<th>Wal-Mart</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8) Every week</td>
<td>2.24</td>
<td>.07</td>
</tr>
<tr>
<td>A few times a month</td>
<td>2.45</td>
<td>.06</td>
</tr>
<tr>
<td>A couple of times a year</td>
<td>2.93</td>
<td>.06</td>
</tr>
<tr>
<td>Never</td>
<td>4.24</td>
<td>.07</td>
</tr>
<tr>
<td>Other</td>
<td>3.32</td>
<td>.25</td>
</tr>
</tbody>
</table>

921. Which of the following best represents your household income last year before taxes?

<table>
<thead>
<tr>
<th>Income</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8) &lt; $25K</td>
<td>3.68</td>
<td>.13</td>
</tr>
<tr>
<td>$25-35K</td>
<td>3.42</td>
<td>.12</td>
</tr>
<tr>
<td>$35-50K</td>
<td>3.22</td>
<td>.10</td>
</tr>
<tr>
<td>$50-75K</td>
<td>3.19</td>
<td>.07</td>
</tr>
<tr>
<td>$75-100K</td>
<td>2.93</td>
<td>.08</td>
</tr>
<tr>
<td>$100K+</td>
<td>2.63</td>
<td>.06</td>
</tr>
</tbody>
</table>

922. Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Mean</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total incorrect (0-8) Male</td>
<td>2.60</td>
<td>.04</td>
</tr>
<tr>
<td>Female</td>
<td>3.58</td>
<td>.05</td>
</tr>
</tbody>
</table>

Appendices

Appendix 1: The survey instrument: Link.
Appendix 2: The data: Link.
References


Buturovic, Zeljka, Grace Ren, and Katherine Schwalbe. 2009. The Role of Education In Folk Economic Beliefs. Poster presented at the annual meeting of the ISPP 32nd Annual Scientific Meeting, Trinity College, Dublin, Ireland, July 14. Link


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About the Authors

Zeljka Buturovic holds a PhD in psychology from Columbia University. She is a research associate at Zogby International where she studies socio-economic intuitions and how they are used by competing political groups to enhance in-group solidarity, among other things. Her email is zeljka@paradox.columbia.edu.

Daniel Klein is professor of economics at George Mason University, and associate fellow and academic advisor at the Ratio Institute in Stockholm. He is the chief editor of Econ Journal Watch. His email is dklein@gmu.edu.

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