



Editorial note: *The May 2010 issue included, “Economic Enlightenment in Relation to College-going, Ideology, and Other Variables: A Zogby Survey of Americans,” by Zeljka Buturovic and Daniel Klein ([link](#)). That article and a related Wall Street Journal piece engendered much critical commentary. We posted an invitation to submit criticism to EJW, and specifically invited eleven individuals who had published critical remarks on the Internet ([link to the post](#)). We received the four comments that follow. A reply from Buturovic and Klein will appear in the next issue. —Kevin D. Rollins*

The Unenlightening “Economic Enlightenment in Relation to College-going, Ideology and Other Variables”

Roderick Hill¹

ABSTRACT

Buturovic and Klein (2010) attempt to assess the level of “economic enlightenment” among an unrepresentative sample of Americans according to their views on eight statements. They compare the responses of the college-educated to those with less education. They also ask whether “economic enlightenment” is related to other things, like political ideology. Their findings are unconvincing, in part because of the nature of the survey questions.

One could ask factual questions to test economic knowledge, as opposed to “economic enlightenment”. Only two of the statements attempt this: “*A company with the largest market share is a monopoly*” and “*Overall, the standard of living is higher today than it was 30 years ago*”.

1. Professor of Economics, Department of Social Science, University of New Brunswick, Saint John, NB E2L 4L5.

Instead, most of Buturovic and Klein's statements require analysis. While this sets a higher standard, it raises greater difficulties in determining the "enlightened" answer. Applying economic analysis to a policy question often involves a choice among alternative theoretical models. Different models can give qualitatively different answers, a problem Buturovic and Klein don't mention.

The details of policy matter too. Buturovic and Klein (177) explain how to interpret the statements: "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." Potential critics who might interpret a statement as applying to every conceivable situation are called "tendentious and churlish". Thus, "*Restrictions on housing development make housing less affordable*" does not apply to every conceivable restriction.

So how should one interpret "*Minimum wage laws raise unemployment*"? Does it refer to the consequences of actually-existing minimum wage laws? Given pervasive monopsony power (Manning 2003) and the unclear empirical findings now widely acknowledged in the principles texts, an answer of "somewhat disagree" is surely defensible, particularly if the respondent thought the statement referred to any significant change in unemployment.

But Buturovic and Klein write (178): "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." Apparently then the statement is to be understood as "*No conceivable minimum wage law could raise unemployment*", contradicting their earlier claim about how these statements should be interpreted.

At least Buturovic and Klein explain their "enlightened response" to the minimum wage statement. To explain the statement: "*Free trade leads to unemployment*", they simply write: "Does free trade lead, overall, to greater unemployment? No, it does not." Apparently, evidence is not required.

It is trivially true that free trade leads to unemployment for workers displaced from import-competing industries. The point is to move some resources, including labour, from protected import-competing activities to higher-value uses. The resulting unemployment and the large costs borne by those displaced are what make trade liberalization controversial. Anyone aware of this issue, including free traders, should strongly agree that "free trade leads to unemployment".

Yet Buturovic and Klein claim the statement means something else entirely: "*Free trade leads, overall, to greater unemployment*". (If this is what they meant, why didn't they phrase the statement this way?) In other words, does employment expansion in export and non-tradeables industries at least offset employment declines in what are typically labour-intensive import-competing industries, leaving overall unemployment no greater than before trade liberalization, all else

equal? There is no theoretical reason why this should be the case. What empirical evidence is there? For example, Baldwin, Mutti, and Richardson (1980, 417), in a rare study of this question, find a net increase in unemployment when they simulate the effects on the United States of a multilateral tariff reduction.

How about “*Third world workers working for American companies overseas are being exploited*”? One’s response depends on an ethical judgement about what constitutes “exploitation”, telling us nothing about “economic enlightenment”. This normative statement is out of place with the other seven positive statements.

Given these problems with 3 of the 8 statements (themselves selected on unclear criteria from 16 statements in the poll), whatever results Buturovic and Klein report with their unrepresentative sample is of little interest.

Finally, none of the poll statements challenge conservative or libertarian sensibilities, as Buturovic and Klein themselves point out. What are the possible consequences, if we accept their ideas of what constitutes “economic enlightenment”?

Suppose many respondents know nothing about economic analysis, but have clear ideological views. Although none of the positive statements imply anything about the (un)desirability of any policy, suppose the ignorant don’t know enough to know that and think that policies that they favor must lead to good things, and policies they dislike lead to bad things.

The ignorant libertarian could agree that “*Rent control leads to housing shortages*”, believing that rent control is bad and thinking that housing shortages are bad too, so one bad thing leads to another. The ignorant progressive likes rent control and will disagree that rent control leads to housing shortages. (She hasn’t read Arnott and Igarashi (2000), who show that while rent controls increase search time for housing, this could improve efficiency in an imperfectly competitive market.) Seven of the eight statements are structured so that ignorant respondents answering in this way would produce just the results Buturovic and Klein claim: that conservatives and libertarians are more “economically enlightened” than liberals and progressives.

References

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About the Author



Roderick Hill is a Professor of Economics in the Department of Social Science at the University of New Brunswick, Saint John, Canada and a Research Associate with the Canadian Centre for Policy Alternatives. With Tony Myatt, he is the author of *The Economics Anti-Textbook: A Critical Thinker's Guide to Microeconomics* (Zed, 2010).

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