

POPLES APART

The public views many positions favored by economists with skepticism. Why?

BY AARON STEELMAN

Economists are famous — or infamous, some would say — for being unable to reach agreement on important issues. Harry Truman, for instance, famously pleaded, “Give me a one-handed economist. All my economists say, ‘On the one hand ... on the other.’”

There is some truth to Truman’s claim. Economics is a science, and there will always be disagreement about how to interpret the evidence. This is especially true when new, and often contradictory, evidence becomes available. Still, it’s easy to overstate the differences. On many matters, mainstream economists are in basic agreement — a point that is confirmed by several surveys conducted over the past 30 years.

In 1976, Brigham Young University economist J. R. Kearl and three colleagues sent a list of 30 propositions to economists around the country. The respondents were asked to state what they thought about those propositions, by choosing one of the following three options: “generally agree,” “agree with provisos,” or “generally disagree.” Kearl and his colleagues looked at the responses and concluded that “it is clear from this analysis that the perceptions of widespread disagreement are simply wrong.” Digging a little further, though, they determined that the strongest agreement was generally found on microeconomic issues, while macroeconomic propositions yielded more mixed results. In short, it was harder to find consensus on the most pressing issues of the day — inflation and unemploy-

ment, for instance — and thus not surprising that many people perceived economists as a disagreeable bunch.

Fourteen years later, Kearl and two new colleagues sent out a similar survey. And again they concluded that, across a wide range of issues, “there is much consensus among economists.” To cite just a few, more than 90 percent of respondents agreed that “tariffs and import quotas usually reduce economic welfare;” almost 80 percent said that “a minimum wage increases unemployment among young and unskilled workers;” and more than 70 percent stated that “inflation is primarily a monetary phenomenon.”

Enter the Public

Having determined that, among economists, agreement rather than contention was the norm on many issues, some researchers have turned to their attention to the public. What does the public believe about economics — and why?

A principal source of data on the public’s attitude toward economic issues is a 1996 poll done by the *Washington Post*, the Kaiser Family Foundation, and Harvard University titled simply, the “Survey of Americans and Economists on the Economy,” or SAAEE. The survey asked 1,511 members of the public and 250 economists to give their views on a series of economic questions that can be grouped into three broad categories: views of past and current economic performance; expectations for future economic performance; and explanations of why the economy is not doing better.

The findings of the survey were reported at length by the survey’s authors in a 1997 article in the *Journal of Economic Perspectives*. They argued that the data “show a substantial gap between how the public and economists view the economy.” In general, the public tended to believe that economic conditions were not as strong as stated in official government reports, and they were more pessimistic about future conditions than the economists polled. As for explanations, the public tended to have a much more populist outlook than the economists. About two-thirds of the public said that excessive foreign aid spending was one of the reasons the economy was not performing as well as it could, compared to just 1 percent of economists. Similarly, 69 percent of the public thought that high salaries for top executives were hurting the economy, compared to only 12 percent of economists.

Although the survey was not designed to determine the reasons the public holds widely divergent views from economists, the authors offered several possibilities, including the following: “Americans do not have a very good foundation of knowledge about how the economy operates, and therefore they may be having a difficult time making accurate assessments of how the economy is performing.” One question, in particular, demonstrated “the public’s lack of belief in market forces.” Nearly 70 percent said that when prices go up, it is mainly due to companies trying to manipulate prices to increase profits, while only 28 percent said price

increases were mainly due to supply and demand forces.

In a series of papers, George Mason University economist Bryan Caplan has mined the SAEE data to better determine the sources of the public's beliefs on economics. He argues that separating the questions into two categories — causal and noncausal — reveals some important distinctions. Causal questions ask respondents to describe how a particular variable — for instance, immigration — affects the economy. Noncausal questions, on the other hand, simply ask people to describe economic conditions — for instance, whether average family incomes rose, fell, or stayed the same during the last 20 years.

How the public responded to the two sets of questions depended on different demographic characteristics. For causal questions, the respondents' education and ideology are the dominant factors. For noncausal questions, the respondents' income growth is particularly important.

Consider immigration, a typical causal issue. "Education exerts an overwhelming influence on beliefs about immigration: As it rises, the estimated severity of the immigration problem rapidly falls," Caplan writes. In contrast, for real family income, a typical noncausal issue, people are significantly more likely to believe it rose over the last 20 years if their own income did and/or will grow.

How do we explain the differences? Caplan argues that on noncausal questions, respondents are "intuitive scientists." That is, they use their own experience to form beliefs about the

state of the economy. For instance, if their company is laying off workers, they are more inclined to believe that the economy as a whole is performing badly.

On causal questions, though, respondents are more inclined to rely on expert opinion. People with higher levels of education and more firmly held ideological beliefs generally have been exposed to "a bundle of 'off-the-shelf' theories" that are unfamiliar to less educated and ideological people, argues Caplan. In addition, these variables also "prompt individuals to reject — as mere prejudice or propaganda — theories they encounter in popular culture. This is particularly so with education, where much time is spent combating popular misconceptions of nonacademic origin."

One might expect that personal experience would affect responses to causal questions as well. For instance, a worker whose company has moved production offshore might be especially inclined to believe that globalization is harmful. But surprisingly Caplan has found that "interest variables" such as income growth generally do not play a large role in the formation of causal beliefs.

Bridging the Gap

What does this tell us? At least two conclusions can be drawn from the survey data. First, large segments of the public remain relatively uninformed about economics. Second, increased education can alter people's understanding of causal issues. It would seem, then, that economists should spend more time exposing the public to basic economic

concepts. (A complicating factor is ideology, which as we have seen also exerts strong influence on people's causal beliefs. Insofar as the ideologically faithful have already been "converted" to a specific set of policy proposals, exposure to new ideas might do little to change their minds.)

The incentives that academic economists face, though, are not consistent with an approach that would place more emphasis on economic education. Economists are unlikely to gain tenure by writing for a popular audience or by teaching introductory principles classes. Instead, they are rewarded for producing papers for peer-reviewed journals.

How can this problem be reconciled? There are some economists who are able to do both high-level original research and speak to the public clearly. Milton Friedman and Paul Samuelson are perhaps the two best examples. But they are rare.

Instead of relying on such exceptions, economists, in organizing their profession, might take more seriously one of the discipline's central concepts: the division of labor. Those economists who are well disposed to making high-level technical contributions could generally focus on original research, while those economists who are skilled in presenting more elementary concepts to the public could mainly focus on economic education. For economists in the latter category, this might require swallowing some pride. But if the profession agreed that it should place a higher value on speaking to the public, those economists could find that they would do well by doing good. **RF**

READINGS

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