Why Do Economists and the Public Disagree?

BY AARON STEELMAN

Winston Churchill remarked that if "you put two economists in a room, you get two opinions, unless one of them is Lord Keynes, in which case you get three opinions." Both Churchill and John Maynard Keynes have been dead for more than half a century, but the perception of such disagreement among economists remains widespread. Is that true? Less than you might think. The bigger division of opinion is between economists and non-economists.

Since September 2011, the Initiative on Global Markets (IGM) at the University of Chicago's Booth School of Business has surveyed a panel of economists about a wide variety of questions. Panel members are drawn from top economics departments around the United States across different subfield specialties, age cohorts, and political persuasions. Economists Roger Gordon and Gordon Dahl of the University of California, San Diego analyzed more than a year's worth of survey responses and concluded that overall "the main finding is of a broad consensus on these many different economic issues."

Also, in 2005, economist Robert Whaples of Wake Forest University surveyed a random selection of Ph.D.-holding members of the American Economic Association. Respondents demonstrated considerable agreement, as they did in a similar survey Whaples conducted in 2007.

So why the perception of broad-based disagreement among the profession? David Henderson, an economist at the Naval Postgraduate School and editor of *The Concise Encyclopedia of Economics*, suggests two reasons. First, the media often tend to present economic issues as more controversial than they really are. Second, people often don't distinguish between economists' positive and normative views. In other words, two economists might agree that a certain policy will produce a similar result but differ over whether that result is desirable.

While the degree of squabbling among economists is likely commonly overstated, the difference of opinion between economists and non-economists is, in fact, substantial. Economists Paola Sapienza of Northwestern University and Luigi Zingales of the University of Chicago compared data from the IMG survey with responses from the Chicago Booth/Kellogg School Financial Trust Index (FTI) panel, which surveys Americans on financial, economic, and public policy issues. On the 19 questions asked of both IMG and FTI respondents, Sapienza and Zingales report that agreement with a statement differs 35 percentage points between the two groups, on average.

What accounts for the difference? In a series of papers and in his book *The Myth of the Rational Voter*, George Mason University economist Bryan Caplan suggested that economists and non-economists tend to view the world through a different lens. In particular, Caplan argued that non-economists demonstrate four biases not generally shared among economists: an antimarket bias, an antiforeign bias, a make-work bias, and a pessimistic bias.

Arguably, the antimarket bias presents itself most commonly among what might be deemed fundamentally microeconomic issues. For instance, on the question of whether a carbon tax would be a less expensive way to reduce CO_2 emissions than mandatory standards for cars, fewer than a quarter of FTI respondents agreed, in contrast with more than more than 92 percent of IMG respondents.

Regarding antiforeign bias, in a 2004 speech William Poole, former St. Louis Fed president, noted that when asked about trade generally, non-economists often say they view it positively but when asked more specific questions they voice opposition. For instance, in a 2016 Gallup poll 58 percent of Americans said that foreign trade represents more of an opportunity for economic growth than a threat to the economy. But when asked if they supported higher import taxes on Chinese goods, more than twice as many respondents said yes than no, with about a quarter saying they were uncertain. Poole argues that opposition to trade largely stems from the fact that the costs of international trade — jobs lost in some domestic industries — are highly visible while the benefits — for instance, lower costs of goods — are harder to see.

The make-work bias is present in the trade debate as well. Many people acknowledge that trade permits specialization in a way that enhances productivity but favor protectionism anyway. Perhaps that is because they are concerned, for myriad reasons, with the change that trade inevitably brings, as non-economists are far more likely than economists to state that life was better in, say, 1960 than it is today — an example of pessimistic bias.

Finally, Sapienza and Zingales suggest that some of the recorded difference in opinion between economists and non-economists may be due to semantics. For example, nearly all economists surveyed agreed that the 2009 American Recovery and Reinvestment Act (ARRA) lowered the unemployment rate, compared to fewer than half of non-economists. It's likely many non-economists read that question as asking whether the ARRA was worth the costs, while economists read it more narrowly, with many believing it lowered the unemployment rate while also thinking there would have been better ways to achieve that end.

What's the upshot? Significant differences between economists and non-economists are likely to remain. But the economics profession also may be able to do a better job of explaining its views to the public and, in so doing, perhaps bridge some of that gap. **EF**