Do Economists Agree on Anything? Yes!

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Do economists agree on anything, when it comes to U.S. policy?

To listen to the debates, one might think not. Issues ranging from Social Security to the minimum wage, from educational vouchers to global warming, and from energy to taxation, seem to spark disagreement. But are the divisions real, or illusory?

After all, one can always find a talking head on either side of any issue. But are there issues where one talking head is essentially alone, while the other speaks for a significant majority of economists? The answer, I will show, is yes.

To demonstrate my point, I analyze responses to a questionnaire sent to 210 Ph.D. economists randomly selected from the American Economic Association. The focus is explicitly normative: almost all of the questions ask what policy makers *should* do. The results can help guide policymakers and researchers, and can serve as benchmarks for determining who has the upper hand in a wide range of policy debates among economists—as well as determining which talking heads speak for most economists, and which speak only for themselves.

KEY POINTS OF CONSENSUS

Several points of consensus emerge from the survey. (The responses to the survey are given in the Appendix where the methodology is also discussed.)

Economists overwhelmingly favor free trade—apparently, the freer the better. As the Supplemental Table (www.bepress.com/cgi/viewcontent.cgi?filename=0&article=1156&context=ev&type=additional) indicates, the overwhelming majority (87.5%) agree that the U.S. should eliminate remaining tariffs and other barriers to trade.[1] Even more (90.1%) disagree with the suggestion that the U.S. should restrict employers from outsourcing work to foreign countries. Apparently, many economists consider U.S. anti-dumping laws to be protectionist, as 61.3% agree that they should be removed, while 25.1% disagree.

Economists are very wary of subsidies. Substantial majorities favor eliminating agricultural subsidies (85.2%) and subsidies to professional sports franchises (also 85.2%).

Economists favor expanding competition and market forces in education. Over two-thirds (67.1%) agree that parents should be given educational vouchers that can be used at government-run or privately-run schools—while

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30.5% oppose the idea. Support for vouchers is even stronger when they are to be used by low-income parents or parents with children in poorly-performing schools.

Economists lean toward more competition in mail delivery, as well, with about 4 out of 7 supporting an end to the U.S. Postal Service's monopoly on the delivery of first class mail.

ECONOMISTS ON SOCIAL SECURITY: NEARING CONSENSUS ON RAISING RETIREMENT AGE

Economists agree (85.3%) that the gap between Social Security funds and expenditures will become unsustainably large within the next fifty years if current policies remain unchanged. In addition, they may be reaching a consensus that increasing the normal retirement age is the best way to deal with this problem—but they are not there yet.

The survey offers four simple choices about how to resolve the funding gap: move to mandatory personal accounts invested in the market; increase payroll taxes; increase the normal retirement age; and decrease Social Security benefits. These were not presented as mutually exclusive; respondents were simply asked to what extent they agreed or disagreed with each particular choice as the *best* method of dealing with the problem.

None of the four options was *strongly* supported (5 on the scale of 1 to 5) by more than one in six of the respondents who agreed that the funding gap will become unsustainably large.

Yet economists may be nearing consensus. Among the four choices, the preferred option is clearly increasing the normal retirement age (which was 65 for those born before 1938 and will reach 67 for those born after 1959). 77.2% see additional increases in the normal retirement age as the best option, but almost all of them "agree" rather than "strongly agreeing" with the idea.

Since these respondents do typically agree there's a problem here, it seems logical that they will move, in the coming years, to come to more strongly agree with their preferred option—unless, of course, the respondents prefer a solution that was not listed among the four.

The second most popular choice (favored by 57.1%) is to decrease Social Security benefits. Given the question's reference to the long-term (fifty-year) funding gap, this option implicitly refers to reducing *future* increases in real benefits projected to occur due to increases in real wages, rather than reducing current benefits (and a couple of respondents explicitly noted that this was their interpretation). Of course, an increase in the normal retirement age is the equivalent of a reduction in benefits for most retirees.

By a margin of about three to two, respondents reject the third choice: moving to mandatory personal accounts invested in the market. This result is quite interesting in light of the cliché that economists always tend to prefer market solutions; this area may be an exception to that proclivity.

Least popular of all is the idea of increasing payroll taxes, with only 20% favoring the option and 54.3% voting against.

Social Security's funding gap is partly related to shifting demographics due to higher life expectancies and low fertility rates, but the survey respondents firmly reject the idea (by a ratio of almost six to one) that developed countries with fertility rates below the replacement level should adopt policies which will increase their fertility rates—a path that some countries have begun to follow.

ECONOMISTS ON ENERGY: DISAGREEMENT ON GREENHOUSE GASES

While economists generally agree that the Social Security funding gap is a major

Table 1
Impact of Greenhouse Gases

In comparison to a world in which greenhouse gas levels were stable, rising levels of greenhouse gases by the end of the twenty-first century will cause GDP per capita in the U.S. to be:

a. more than 10 percent lower.	12.5%
b. about 5 to 10 percent lower.	7.1
c. about 1 to 5 percent lower.	21.4
d. less than 1 percent lower or higher.	35.7
e. about 1 to 5 percent higher.	16.1
f. more than 5 percent higher.	7.1

Note: 56 respondents.

problem, they do not agree on the import of another headline-maker—rising levels of greenhouse gas emissions.

Indeed, the survey showed that economists are not overly concerned about the long-term economic impact of rising levels of greenhouse gases. As Table 1 indicates, the median economist predicts that—in comparison to a world in which greenhouse gas levels were stable—rising levels of greenhouse gases by the end of the twenty-first century will cause GDP per capita in the U.S. to be virtually unchanged (i.e., less than one percent lower or higher). 19.6% project that rising greenhouse gas levels will reduce GDP a century from now by 5 percent or more, while 7.1% believe that rising levels will *increase* GDP by more than 5 percent.

Assuming that "more than 10 percent lower" = –15%, "more than 5 percent higher" = +10%, and taking the midpoint of the other categories, the collective estimate is that rising greenhouse gases will reduce GDP in 2100 by 1.86%—about the equivalent of only *one year* of American per capita economic growth over the past century.

Assessing the likely impact of rising greenhouse gas levels is fraught with complexity, which explains why this question had the lowest response rate in the survey. All in all, 41% believe that increased levels of greenhouse gases will reduce GDP by more than 1 percent, very similar to the share (41.3%) agreeing that the U.S. should ratify the Kyoto Accords—whose aim is to rein in greenhouse gas emissions. Economists are about as divided as possible on the Kyoto Accords, with those opposing its ratification slightly outnumbering those in favor.

Economists favor increased reliance on nuclear energy and higher energy taxes. One way to reduce greenhouse gas emissions is to rely more on nuclear power, an idea strongly supported by economists (63.1% agree, 10.0% disagree). Another method for discouraging emissions is an overall increase in energy taxes—a proposition that is also fairly strongly favored by economists (65.0% agree, 21.3% disagree).[2]

However, many economists seem to view Corporate Average Fuel Economy (CAFE) standards as a blunt instrument for conserving energy and protecting the environment. About half (53.8%) advocate increasing CAFE standards, but over one-third believe they should be eliminated (see Table 2).

On the final energy/environment question, economists lean against drilling for oil in the Arctic National Wildlife Refuge by about three to two.

Table 2
CAFE Standards

Corporate Average Fuel Economy (CAFE) standards should be:

a. increased.	53.8%
b. kept about the same.	11.4
c. decreased.	0.0
d. eliminated.	34.8

Note: 79 respondents.

ECONOMISTS ON OTHER TOPICS: TAXES, HEALTH, IMMIGRATION, AND MINIMUM WAGES

Economists reject eliminating the inheritance/estate tax—60.2% are opposed, 34.9% in favor. But they are torn about the merits of replacing the income tax with an equivalent tax on consumption—with opponents and proponents almost equally balanced, and many undecided.

Economists have not reached a consensus on the merits of universal health insurance—45.8% favor the idea, but almost an equal number (38.7%) oppose it. On the other hand, marijuana legalization is favored by a sizeable majority (62.2% favor, 17.0% oppose).

Few economists believe that current U.S. immigration levels are too high (16.7%)—although many (29.5%) are neutral on the matter.

The efficacy of the minimum wage continues to divide economists. As Table 3 shows, almost half (46.8%) have concluded that the federal minimum wage should be *eliminated*, while a slightly smaller number (37.7%) favor increasing it.[3]

Finally, economists predict that inflation will remain under control over the next twenty years. 44.2% forecast it to be about the same as over the past twenty years (1985 to 2005)—a period over which the Consumer Price Index rose at a compounded rate of 3.1% per year. 31.2% think the inflation rate will be slightly higher in the next two decades, 14.3% peg it to be lower, and 10.4% think it will be considerably higher.

Table 3
Minimum Wage

The federal minimum wage in the U.S. should be:	
a. eliminated.	46.8%
b. decreased.	1.3
c. kept at the current level.	14.3
d. increased by about 50 cents per hour.	5.2
e. increased by about $1 per hour.	15.6
f. increased by more than $1 per hour.	16.9

Note: 77 respondents.

Not all prices will move in sync, according to respondents. Among the seven items mentioned in the survey, economists estimate that over the next twenty years, quality-adjusted prices will rise most rapidly for medical care, followed by higher education, energy, housing, autos, food and electronic goods.[4]

Many professional economists will be unsurprised by these results. They should be, since the results are reflective of their peers' positions. However, I suspect that many outside the profession will learn much from this picture of the profession's collective wisdom. And when they see talking heads vie on television, they'll understand whether they're seeing a debate that's genuine, or concocted, and whether the apparent division is real, or illusory.

With public discourse so marked by partisan politics, it's useful to be able to look to professional consensus as a somewhat more objective benchmark—to learn what most of those with much more knowledge and education in economics than the average TV viewer, newspaper reader, or Internet surfer generally believe.

Letters commenting on this piece or others may be submitted at http://www.bepress.com/cgi/submit.cgi?context=ev.

APPENDIX

The survey was mailed to 210 randomly-selected, Ph.D.-bearing members of the American Economics Association (AEA) in Fall 2005. Because the survey is intended to reflect policies regarding the American economy, respondents all possessed undergraduate and graduate degrees from U.S. institutions. The response rate was 40.0 percent (84 surveys)—somewhat higher than reported in previous surveys of general AEA membership.[5]

Among the survey's respondents, 12.5% are female[6]; 65.1% identify their main employer as academic, 12.0% as government, and 22.9% as "other."[7] The median year of birth is 1948, with one-quarter born before 1941, and one-quarter after 1956.

Based on postmarks, the respondents represent twenty-six states and Washington, DC. Sixty percent are from states that voted Democratic in the 2004 presidential election.

NOTES

1. Whaples and Heckelman found almost an identical percent (87%) who agreed that "tariffs and import quotas usually reduce general economic welfare." Likewise, Fuller and Geide-Stevenson found that 92.6% "mainly agreed" or "agreed with provisos" with the statement.
2. The results are similar to those of economists at top research institutions, who collectively rated the idea of increasing gasoline taxes at 73 on a scale of 0 to 100 (Fuchs, Krueger, Poterba, 1998).
3. Whaples (1996) found that 43% of labor economists disagreed with the idea of increasing the minimum wages, while 57% agreed with the idea. The figures in the current survey are somewhat less supportive of increasing the minimum wage—perhaps due to a shift over time or because the earlier survey included only labor economists. The results are also similar to those of labor economists at top research institutions, who collectively rated the idea of increasing the minimum wage at 53 on a scale of 0 to 100 (Fuchs, Krueger, Poterba, 1998).
4. Respondents were asked to rank the items' price rises from 1 = fastest to 7 = slowest. Not all ranked all items, and about ten percent ranked only the top or top few items (74 respondents). The average numerical rankings are: medical care (1.65), higher education (2.57), energy (2.70), housing (3.92), autos (5.19), food (5.37) and electronic goods (6.32). Three of the respondents ranked electronic goods as most prone to inflation. But I suspect that this was an error—and that they inverted their scales inadvertently due to hasty completion of the survey's somewhat complicated last question. If their answers are reversed, the order stays the same and the averages are medical care (1.49), higher education (2.36), energy (2.61), housing (3.98), autos (5.29), food (5.43) and electronic goods (6.60).
5. Response rates among AEA member in recent surveys include 34.4% in Alston, Kearl and Vaughan (1992), 30.8% in Fuller and Geide-Stevenson (2003), 36.3% in Whaples and Heckelman (2005), and 26.6% in Klein and Stern (2005). This survey was a bit shorter than most, which may explain the higher reply rate. Surveys of economists within subfields tend to yield higher response rates, for example, 51% of economists in the Economic History Association in Whaples (1995) and 40.6% of AEA labor economists in Whaples (1996).
6. Based on first names, women made up 15.2% of the sample to whom the surveys were mailed.
7. "Other" may include some retirees, but the average age of the three groups is virtually identical—48.0 years old for academics, 49.7 for government, 49.4 for "other."

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