

# Economic Experts vs. Average Americans

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In 2012 the National Public Radio program *Planet Money* created a fake presidential platform based on the issues a small sample of economists, with different political views, agreed upon. In focus groups this platform found no support among the public at large. Is this just a feature of the particular selection made by NPR or is it a generalizable feature? If so, is this because ordinary people have not been trained in economics or because economists lack common sense or miss important political considerations?

In this article we try to address these questions. To do so we compare the answers to a common set of policy questions provided

by the Economic Expert Panel at the University of Chicago Booth School of Business (EEP) with those provided by the Chicago Booth/Kellogg School Financial Trust Index (FTI), which quarterly interviews a representative sample of the U.S. population. Economists' opinions differ greatly from those of other ordinary Americans: On average the percentage of agreement with a statement differs 35 percentage points between the two groups. This difference does not seem to be driven by a different composition of the sample.

We also find a large variation in the difference between the two samples across questions. The topics most covered in the economic literature, where economists agree among themselves the most, are also the topics in which their opinions are most distant from those of average Americans. This

difference does not seem to be driven by knowledge, since informing people of the expert opinions does not have much impact on the responses of ordinary Americans.

The explanation most consistent with our limited evidence is that people do not trust many of the implicit assumptions embedded into the economists' answers and that economists give them for granted.

### **I. The Datasets**

Since late 2010 the Initiative on Global Markets (IGM) at the University of Chicago Booth School of Business asks a panel of 41 expert economists—"senior faculty at the most elite research universities in the United States," two policy-related questions each week. We will refer to it as the Economic Expert Panel (EEP). As the Web site describes, the goal of the EEP is to "explore the extent to which economists agree or disagree on major public policy issues." The panelists are chosen "to be geographically diverse, and to include Democrats,

Republicans and Independents as well as older and younger scholars" (see also Gordon and Dahl, (2013)).

To compare the experts' opinions with those of average Americans we rely upon the Chicago Booth Kellogg School Financial Trust Index survey (FTI panel). Each wave of the survey, conducted by Social Science Research Solutions, collects information on a representative sample of roughly 1,000 American households. The main purpose of these surveys is to study how the level of trust that people have in the financial system changes over time. We added some questions for the purpose of comparisons in the waves 13 to 17 from December 2011 to December 2012.<sup>1</sup> Details about the survey and its design are provided in Guiso, Sapienza and Zingales (forthcoming).

For cost considerations we limited the number of questions asked to the FTI panel to 19, which we slightly modified to eliminate

<sup>1</sup> The survey was conducted using ICR's weekly telephone omnibus service. ICR used a fully replicated, stratified, single-stage random-digit-dialing sample of landline and cellular phones.

jargon or make them more comprehensible to an average citizen (for the exact wording see Table 1 in the online Appendix, henceforth “Appendix”).

## II. The Questions

The policy questions asked can be grouped along various dimensions. Gordon and Dahl (2013) classify them on the basis of the volume of economic literature present on the topic. We classify them also on the basis of the degree of political partisanship embedded. We labeled as highly partisan questions that are directly related to some policy initiative of President Obama, like the stimulus package. By contrast, we labeled as neutral ideas that have not been embraced by any of the two main political parties, like the carbon tax idea. Finally, we put in the middle the questions that have some partisan element (like questions on Fannie and Freddie), but are not a clear proposal of any of the two parties (see Appendix). Finally, a number of questions have strong redistribution considerations. For

example, the question “A tax on the carbon content of fuels would be a less expensive way to reduce carbon-dioxide emissions than would a collection of policies such as ‘corporate average fuel economy’ requirements for automobiles” has a very different implication if one answers it from the point of view of a social planner who thinks about the average consumer, rather from a perspective of somebody who is not planning to buy a new car soon, and travels more miles than the average person. Similarly, the question “On average, citizens of the U.S. have been better off with the North American Free Trade Agreement than they would have been if the trade rules for the U.S., Canada and Mexico prior to NAFTA had remained in place” while requires to think about the average citizen, has very different implications if the respondent is unwilling or unable to average the welfare of all the Americans and focuses, for example, on a subset of people whose employment has been

affected by the trade agreement. While all questions contain a distributional element, we classify as “distributional” those where it is expressly asked to look from the point of view of the average citizen.

To study whether the two samples differed along some important dimension, we asked both the FTI sample and the EEP sample two questions about their level of trust towards the government and the market. The exact question was “On a scale from 1 to 5 where 1 means “I do not trust them at all” and 5 means “I trust them completely”, can you please tell me how much do you trust the government [the market]? 88% of the EEP sample responded. Similarly, we asked both samples (albeit only in one wave of the FTI) their level of agreement (where 1 is “disagree strongly” and 5 is “strongly agree”) with three statements that tried to elicit the political attitudes (in the economic sphere) of the panelists. The three statements were “The government should focus more on equalizing

opportunities available to the American people rather than redistributing resources through taxation.”, “Income differences in America today are necessary in order to motivate people to change their financial situation”; In most situations, government intervention cannot make the market system work better.” The questions were framed so that a higher value tends to be more “conservative”, while a lower value more “liberal”.

### **III. Empirical Results**

Table 1 presents the average responses for each of the 19 questions for both the FTI and the EEP samples. We collapse “agree” and “strongly agree” into one single category and so for “disagree” and “strongly disagree”. Economists’ opinions differ greatly from those of ordinary Americans. On average, the percentage of agreement with a statement differs 35 percentage points between the two groups. This difference might be due to a different composition of the two samples, to a difference in knowledge between the two

samples, or by a difference in the way questions are interpreted and thus answered. We analyze these possibilities in turn.

When we compare the EEP and FTI samples on their level of trust towards government and markets, we find that the EEP sample tends to trust both the government and the market much more than average American (see Table 2 in Appendix). When we look at the policy preference questions, we find that the EEP sample appears to be much more “liberal” than American population at large. Is this just a feature of the economic training or of the higher level of education of the EEP sample? To investigate these possibilities we compute the average responses for some selected subsample of the FTI survey: Democrats, Republicans, more highly educated, etc. To construct an FTI subsample that matches the responses of the EEP, we restrict the FTI sample to individuals who respond at least with a 3 to the trust-in-market question (as economists do) and that declare

themselves Democrats. In this FTI subsample the average responses to the trust and political questions look very similar to the ones of the EEP sample.

Having matched the EEP sample in term of political orientation, we compare the responses to the policy questions between the EEP sample and the FTI subsample of high-trust-in-markets Democrats. While the results show a reduction in the disagreement from 35 percentage points to 30 percentage points (Table 3 in Appendix), the difference is still high.

More interestingly, there is a very large difference in degree of agreement across questions. The statement “A tax on gasoline would be a less expensive way to reduce CO2 emissions than mandatory standards for cars” elicits answers that are 70 percentage point apart in the two panels. By contrast, the statement “If the government money currently being spent on education was used for school vouchers most students would be better off”

elicits very similar answers (the difference is only five percentage points).

In Table 1 economists' opinions seem to be more distant from those of the US population on those topics where economists agree the most among themselves. To test formally this hypothesis, we regress the difference in responses on the uncertainty among economists (the percentage of economists who answered either "Uncertain" or "No opinion"). We get a coefficient of -0.396, significant at the 10% level (Table 4 in Appendix). The same is true if we substitute the Gordon and Dahl (2013)'s measure of uncertainty to our own. The results do not change if we insert a dummy for highly partisan questions, which is highly significant.

An obvious explanation for this variation is that there are some topics where economists know more as a result of their training. If there is a unique solution to an equation, people trained in math will all agree on the answer and they are likely to be distant

in their responses from the average people who randomly guess. By contrast, if there is no "right" solution, experts are likely to answer randomly as average people do, leading to very little difference.

To test more directly this hypothesis, we study the effect of informing the FTI sample about the opinion prevailing among experts. We do so for three questions where experts' answers differ greatly from the FTI ones. We compare the answers obtained in an FTI wave where we did not inform the respondents to the answers in an FTI wave where we did provide the information in the form of a statement "Nearly all economic experts agree that ..." before the question is asked (the answers are comparable since the two samples are designed to be representative of the same population and hence are similar).

Providing to average Americans the experts' opinion changes their answers very little (Table 5 in the Appendix). The preference for a carbon tax instead of emission

standards move from 23% to 26% when respondents are told “Nearly all economic experts agree that a carbon tax is better.” The belief that NAFTA was good for America changes from 46% to 51%, when the experts’ opinion is shared with them. Ironically, the belief that stock prices are hard to predict goes down from 55% to 42% when the experts’ opinion is shared with them. Thus, there is not much support for the idea that average Americans answer differently because they do not know the “truth”.

As an additional test of whether ordinary citizens suffer of an information gap, we ask them what they expect to happen to car prices when the mandatory standards for cars are introduced. 70% answer prices will increase. Thus, ordinary Americans are aware of the trade-off between higher gasoline prices and higher car prices, they just prefer the latter.

Thus, the gap between experts and ordinary Americans does not seem to be due

to an information gap, at least a gap that can be bridged by informing the public about the experts’ opinion.

An alternative explanation for this opinion gap is that experts answer the same question in a different way than ordinary Americans. One reason for this difference might be the well-known “experimenter effect”. Even in anonymous lab experiments, subjects try to please the experimenter, responding to subtle social cues that the investigator provides in the instructions and administration of the game (e.g., Rosenthal (1969)). This effect is only strengthened if subjects do not respond anonymously as in our case. The subjects may perceive the questions as exam questions rather than policy ones, eliciting in economists the desire to give an answer consistent with the prevailing economic literature rather than an answer that corresponds to their policy advice. Clearly, this pressure may be present only among the experts, who answer the questions non

anonymously and have an academic reputation at stake. This pressure is also likely to be stronger, the most well established in the economic literature a topic is, accounting for the observed cross sectional variation.

Another related explanation is that economists, who are trained to be precise and feel more scrutinized by their peers, interpret the questions more literally than ordinary Americans do. For example, ordinary Americans reacts roughly in the same way to the statement “Because of the American Recovery and Reinvestment Act of 2009, the U.S. unemployment rate was lower at the end of 2010 than it would have been without the stimulus bill” (46% agreement) and “the ARRA benefits exceeded the costs” (43% agreement). By contrast, economists reacted very differently (92% agreement to the first statement and only 53% to the second). Obviously, the two statements are different. Yet, there is a sense in which the first statement, interpreted literally, is trivial and

irrelevant. Are we really interested in knowing whether \$800 billion of stimulus package were able to create one single extra job? While, literally, this is what the question asks, one could reasonably argue that the goal of the question is to try to assess whether the stimulus package created benefits that justify its costs (more like the second question). Economists answer in a technical way (hence the difference in responses), average Americans answer in a substantive way (hence the lack of difference). At this stage this is just a hypothesis, but a hypothesis that needs to be considered especially in disseminating the results of the EEP survey. If the public at large interprets the two questions as the same, there is a great deal of manipulation one can do in presenting only the answer to the first question, letting people interpret it as an answer to the second one.

A third difference in the way questions can be interpreted between the two groups regards the issue of aggregation. By training

economists are used to consider the aggregate outcome as the net sum of welfare benefits in some groups and welfare losses in others. Individuals are less used to do so and they are more likely to respond according to their own perspective. If the size of the welfare benefits and losses were roughly equal, then the average across the responses of ordinary citizens should correspond to the average response of economic experts. Yet, if the size of the welfare gains and losses is very asymmetric, this might not be the case. If most of the gains from trade, for instance, occur to a few firms, while the costs are more widely distributed, the majority of citizens might regard NAFTA as a loss, while economists could still conclude that NAFTA is welfare improving “on average”. Consistent with this hypothesis, when we ask people who responded NAFTA made the average citizen worse off why they did so: 20% answer because they are personally worse off and 16% because all the new jobs are oversea.

When we look at Table 1, however, the questions where this problem is most severe end up both at the top of the list (where the difference between EEP and FTI sample is the smallest) and at the bottom (where is the biggest). When we insert a dummy variable in the regression of the difference of opinions on uncertainty, the coefficient of the distribution dummy is positive but not statistically significant at conventional levels. So while differences in the distributional perspective can explain the large difference in some responses, it cannot be a general explanation neither of the level nor of the cross sectional variation in the responses.

Finally, ordinary Americans might interpret the questions in a different way because they do not trust that the “ceteris paribus” assumption holds as much as economists do. In reacting to the statement “A tax on the carbon content of fuels would be a less expensive way to reduce carbon-dioxide emissions than would a collection of policies

such as “corporate average fuel economy requirements for automobiles” an economist is likely to assume that the additional revenues raised by the carbon tax will be easily and fairly rebated to all the citizens. Without this (implicit) assumption, the superiority of the carbon tax is not a forgone conclusion. Such an assumption, however, is far from true. Rebating the additional revenues to each driver is difficult. Most importantly, the average citizens might not believe this will occur.

To test this hypothesis we asked FTI respondents who favored a mandatory standard whether they would change their minds if “the government promises that the additional burden imposed on you by a gasoline tax would be compensated by a reduction in other taxes you pay.” Only 17% changed their minds. Asked to explain why not, 51% says that they do not trust the government to actually rebate the extra tax revenues and 14% that they do not trust

experts. Thus, ordinary Americans are skeptical of carbon taxes not because they do not understand the economics underneath it, but because they do not trust all the assumptions underlying the economic reasoning.

To test whether the difference in responses between the two samples is due to the different assumptions economists and laypeople are willing to make in interpreting the same question we look at the importance of the ‘trust in government’ variable in the two samples. If the lack of trust in the government rebate is a big factor in choosing mandatory standards instead of a carbon tax, when we regress the probability of supporting the carbon tax on the trust in government we should find a positive and statistically significant coefficient. As Table II shows, this is indeed the case for the FTI sample. Yet, it is not the case for the EEP sample. And it is not just an issue of statistical power. In the EEP

sample the coefficient for trust in government is negative, not positive.

This difference applies more broadly. As Table 2 shows, in general the trust in government does not affect the answers of economists, except for those cases where the government has an explicit role in the question (stimulus package, auto bailout). By contrast, in the FTI sample, trust in government plays a role also in the questions where the role of the government is implicit in the assumptions, such as school vouchers and NAFTA. This is consistent with economists assuming that all the standard assumptions hold, while ordinary Americans have to trust that to be the case. The more technical the question is, the more implicit assumptions are needed, hence the difference in the response between the two samples.

#### **IV. Conclusions**

When faced with policy questions, economic experts seem to provide answers very different than those of average

Americans, the more so the more agreement among economists there is and the more technical the questions are. This difference does not seem to be justified by a superior knowledge of economists, but by a different way average Americans interpret the questions. Economists answer them literally and take for granted that all the embedded assumptions are true, average Americans do not.

Our analysis cautions against using these economic expert opinions as a policy tool. The context in which these questions are asked induce economists to answer them in a literal sense, given for granted that the standard economic assumptions hold. Hopefully, the same economists, when they do policy advice, would answer the same questions very differently. Otherwise, we would have to conclude with William F. Buckley, Jr. that “I’d rather entrust the government of the United States to the first 400 people listed in the

Boston telephone directory than to the faculty of Harvard University.”

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TABLE 1: COMPARISON BETWEEN EEP PANELISTS AND FTI RESPONDENTS

Short Summary	FTI		EEP		$\Delta$	Distribution
	Agreement	Uncertainty	Agreement	Uncertainty		
School vouchers to public school students	56.29	8.54	51.43	42.86	0.05	1
Benefits of automakers bailouts will exceed their cost	51.95	8.64	57.58	30.30	0.06	0
Risky students loans	61.05	19.81	69.70	27.27	0.09	1
2009 Stimulus: benefits will exceed its costs	43.42	12.41	52.78	33.33	0.09	0
Size large banks: efficiency vs government support	39.45	-	17.95	76.92	0.22	0
CEOs are overpaid	66.80	9.19	39.39	51.52	0.27	0
2010 unemployment rate was lower thanks to automakers bailouts	54.82	13.06	84.85	12.12	0.30	0
2008 bank bailouts: benefits outweighed costs	38.73	12.13	69.70	15.15	0.31	0
Raise in federal tax rate and tax revenues	66.39	7.91	97.44	2.56	0.31	0
Large banks: size and implicit government support	65.27	12.13	33.33	56.41	0.32	0
Fannie and Freddie do not rebate subsidies through lower interest rates	66.79	-	31.43	60.00	0.35	0
Changes in US gasoline prices mainly due to market factors	54.31	9.17	92.31	7.69	0.38	0
It is hard to predict stock prices	55.22	15.70	100.00	0.00	0.45	0
2009 ARRA lowered unemployment rate	45.63	13.00	91.67	2.78	0.46	0
NAFTA increased welfare	46.17	15.39	94.59	5.41	0.48	1
Eliminating tax deductions on mortgages improves efficiency in individual financial decisions	35.61	15.35	89.47	5.26	0.54	1
"Buy American" has a positive impact on manufacturing employment	75.65	9.27	11.43	31.43	0.64	1
Healthcare sustainability	67.61	10.24	0.00	15.15	0.68	1
Carbon tax vs car standards	22.51	13.81	92.50	5.00	0.70	1

Notes: Respondents are asked to what express in a range from 1 (strongly disagree) to 5 (strongly agree) to the statements reported (exact wording in Table 1 Appendix). Uncertain is the percentage of economists who answered either "Uncertain" or "No opinion" to the question. The distance ( $\Delta$ ) is defined as the absolute value of the difference of the two measures for each question. "Distribution" equals to 1 if the question refers explicitly to the average effect, zero otherwise.

TABLE 2: EFFECT OF TRUST IN GOVERNMENT AND TRUST IN MARKETS IN THE TWO SAMPLES.

Dependent variable	EEP			FTI		
	Trust in Government	Trust in the Market	Obs	Trust in Government	Trust in the Market	Obs
School vouchers to public school students	-0.072 (0.160)	0.059 (0.287)	33	-0.124** (0.050)	0.148*** (0.051)	793
Benefits of automakers bailouts will exceed their cost	0.365** (0.154)	-0.668** (0.277)	32	0.359*** (0.044)	-0.102** (0.046)	824
Risky students loans	-0.303* (0.155)	-0.046 (0.266)	32	-0.012 (0.040)	0.046 (0.042)	791
2009 Stimulus: benefits will exceed its costs	0.599*** (0.185)	-0.414 (0.317)	31	0.290*** (0.042)	-0.053 (0.044)	817
Size large banks: efficiency vs government support	-0.007 (0.106)	0.043 (0.197)	35	0.017 (0.015)	0.083*** (0.016)	788
CEOs are overpaid	0.000 (0.142)	-0.256 (0.254)	29	0.056 (0.045)	-0.160*** (0.046)	817
2010 unemployment rate was lower thanks to automakers bailouts	0.095 (0.151)	-0.004 (0.271)	32	0.203*** (0.045)	-0.039 (0.046)	821
2008 bank bailouts: benefits outweighed costs	0.502*** (0.169)	-0.655** (0.304)	32	0.262*** (0.044)	0.012 (0.046)	813
Raise in federal tax rate and tax revenues	-0.061 (0.118)	-0.198 (0.212)	35	0.211*** (0.047)	-0.216*** (0.043)	846
Large banks: size and implicit government support	-0.278* (0.158)	0.395 (0.293)	35	-0.089** (0.042)	-0.024 (0.043)	762
Fannie and Freddie do not rebate subsidies through lower interest rates	-0.254 (0.151)	0.183 (0.242)	33	-0.024 (0.018)	-0.005 (0.018)	600
Changes in US gasoline prices mainly due to market factors	0.144 (0.132)	-0.349 (0.208)	34	0.231*** (0.048)	-0.104** (0.049)	810
It is hard to predict stock prices	-0.059 (0.108)	0.200 (0.197)	34	0.011 (0.046)	0.090** (0.042)	842
2009 ARRA lowered unemployment rate	0.070 (0.117)	-0.303 (0.201)	31	0.317*** (0.042)	-0.071 (0.043)	809
NAFTA increased welfare	-0.045 (0.117)	0.106 (0.216)	32	0.135*** (0.045)	0.202*** (0.047)	723
Eliminating tax deductions on mortgages	-0.064 (0.170)	-0.017 (0.308)	34	0.008 (0.047)	-0.010 (0.044)	834
Buy American has a positive impact on manufacturing employment	0.211 (0.186)	0.261 (0.327)	31	0.034 (0.041)	-0.147*** (0.039)	841
Healthcare sustainability	0.047 (0.166)	-0.323 (0.287)	30	0.024 (0.042)	-0.158*** (0.043)	828
Carbon tax vs car standards	-0.107 (0.129)	-0.034 (0.231)	36	0.151*** (0.042)	0.033 (0.044)	806

Notes: A variable that captures the extent to which respondents agree with each statement (1 “strongly disagree” to 5 “strongly agree”) is regressed on a set of dummies for trust in government and trust in market, separately for each sample. In the FTI sample the dependent variable for “Size large banks: efficiency vs government support” and for “Fannie and Freddie do not rebate subsidies through lower interest rates” are dummies that take value 1 if the respondent agrees and zero otherwise; furthermore, controls include education, income and political affiliation. \*\*\* Significant at the 1 percent level. \*\* Significant at the 5 percent level. \* Significant at the 10 percent level.