

What do Italians know about key economic statistics?

Background

Economic theory describes policy decisions as the result of optimisation processes carried out by rational agents; whereas, public choice models underline how electoral decisions are made by well informed citizens maximizing individual utility functions.¹ But, can we assume that agents are always so well informed and rational as supposed by economic and political models? The available empirical evidence on these issues is very limited and this is why, in preparation of the second World Forum on “Statistics, Knowledge and Policy” (www.oecd.org/oecdworldforum), the OECD has promoted the launch of an international survey on “what people know” about key economic and social indicators, i.e. those normally quoted in the media.

In this context, the Italian Research Institute for Economic Analyses (ISAE) carried out a first survey in the first week of March 2007, adding some specific questions to the questionnaire normally used in the monthly survey on Italian consumers. In particular, the additional questions concerned the extent to which consumers know the official statistics concerning GDP growth, inflation rate, unemployment rate and the ratio public deficit/GDP, the channels by which they receive this type of information, the importance of knowing this information and the desire of being more informed.

What Italians know?

As usual in this kind of survey², the share of those who provided a precise quantitative answer is quite low: although the survey was carried out during the week in which the Italian Statistical Institute disseminated the key macroeconomic data concerning the year 2006, only one third of the sample provided an estimate on inflation, unemployment and GDP growth (34%, 32% and 28% respectively), while only 14% of them indicated a value for the public deficit/GDP ratio, one of the crucial variables quoted in the context of the Italian economic policy. On average, respondents significantly overestimated the official figure for all variables, showing some optimism for GDP growth and pessimism for the other indicators. However, in all cases the standard deviation of answers is very high and answers are clearly biased, as in all cases the average value is much higher than the

¹ Blinder A.S., Krueger, A.B., “What Does the Public Know About Economic Policy, and How Does It Know It?”, NBER Working Paper n. 10787, September 2004, www.nber.org/papers/w10787.pdf.

² Blinder and Krueger (2004) show that the percentage obtained in a similar survey on US citizens was 26%.

median one. In general, the median value is quite close to the true value, with the notable exception of the unemployment rate, largely overestimated.

About 76% of the sample consider important to be informed on these indicators and 18% have the opposite view. The latter share is much higher than that (3%) reported by Blinder and Krueger for United States. Moreover, 42% of the sample does not want to be informed more about these issues, while 52% would like to receive more information.

Some first conclusions and next steps

The overall picture emerging from these preliminary data is not very encouraging, for official statisticians, media or policy makers. Obviously, it is possible that a limited quantitative knowledge of these statistics is accompanied by a good understanding of main trends and tendencies (a more qualitative knowledge), but these data underline the absence, among Italian consumers, of a well established and shared view of how the Italian economy is performing.

ISAE will collect more data in the April survey, covering other domains, such as the environment, social conditions, ageing population, etc. During the same month, Eurobarometer will carry out a similar survey on 29 European countries, while the University of Michigan will do the same for the United States. The full results of these surveys will be disseminated during the Istanbul Forum.

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Table 1 – Response rates (percentages)

Variable	Response rate
GDP growth rate	28.2
Inflation rate	34.5
Government Deficit-GDP ratio	13.8
Unemployment rate	32.4

Source: ISAE

Table 2 – Statistical Knowledge: Actual versus survey estimates

Variable	Actual	Survey Mean	Standard deviation	Survey Median
GDP growth rate (*)	1.9	2.7	3.7	2.0
Inflation rate (**)	1.8	4.5	8.7	2.4
Government Deficit-GDP ratio (*)	4.4	8.5	14.5	3.4
Unemployment rate (***)	6.8	14.5	13.0	10.0

(*) 2006; (**) February 2007; (***) 2006, third Quarter, Seasonally Adjusted

Source: ISAE, ISTAT

Table 3 – Importance and desire to be well informed (percentages)

How important is to be well informed?	
Extremely Important	8
Very Important	23
Important	45
Somewhat important	14
Absolutely not important	4
Don't Know	4
Don't Answer	2
Do you want to be more informed?	
Yes	52
No	42
Don't know / Don't answer	6

Source: ISAE

Table 4: Most important sources of information (multiple answers were possible)

Source	Percentage
Television	82
Newspapers	51
Internet	19
Radio	17
Friends and relatives	9
Political, civic and religious leaders	8
Don't Know	3
Don't Answer	2

Source: ISAE