

PUBLIC UNDERSTANDING OF ECONOMICS AND ECONOMIC STATISTICS: HOW PEOPLE THINK ABOUT ECONOMIC CONCEPTS AND MEASUREMENT

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Background

Research questions

1. How does the public understand and think about economic concepts, principles and measurement?
2. How do people view and evaluate economic evidence and statistics?
3. How might economic evidence and statistics be presented in ways which assist understanding and assessment?

Areas of investigation

'The economy', economic performance, inflation, unemployment, GDP, trade, budget balance, interest rates etc.

Methodology

- 12 focus groups (London, Manchester, Birmingham) in October 2019, N=130, purposive sample by gender, age and education.
- YouGov survey in February 2020, UK representative sample, N=1,655.

Way forward

As an economics community, we need to improve:

COMMUNICATION, ENGAGEMENT, TRUST, EDUCATION.

Current initiatives:

- We present and discuss the findings with a range of organisations (e.g. researchers, public bodies and departments, policymakers, media, private and third-sector organisations etc.), and draw out implications about their public communication and engagement.
- Research project involving online workshops bringing economists together with members of the public, to discuss the economy. To reduce the gap between "public understanding" and "expert understanding", we need to bring public closer to economists (through education, communication etc.), but also economists closer to the public (engagement by learning and listening, building trust etc.).

General findings

1. Public understanding of economic concepts is relatively limited

- especially weak on concepts relating to the national economy and seen as less important to people's everyday lives, e.g. GDP.
- some pockets of public economic expertise, driven by perceived relevance to everyday lives and personal finances, e.g. interest rates.
- People often have rich insights, but from a different perspective than economists: "personal economy" rather than "national economy".

2. Public understanding of the size of economic indicators is weak

- people lack confidence in assessing and judging economic figures when reported as absolute numbers, or as proportions or rates in percentages; preferring to speak in broad terms.

3. Misperceptions about how economic figures are collected and measured, and who they are produced and published by.

- led focus group participants to express a lack of confidence in the perceived accuracy and reliability of economic statistics.
- many participants were sceptical about any data and statistics they saw; view they could be manipulated to tell any story.

4. Survey found variations across key demographics

- higher interest, knowledge and confidence when participants were older; male; higher socioeconomic background; higher education.
- personal circumstances and experiences shape view of the economy.

Findings on specific economic statistics

Participants often felt **unemployment was higher than official figures suggested**. This sometimes led to a lack of confidence in the accuracy and reliability of unemployment statistics: 1) people expressed distrust in information from government seen as the source. People assumed figures were based on claimant or tax data, held and collected by government, and they associated economic data with politicians; 2) people questioned whether certain jobs were captured appropriately in the data, e.g. zero-hours contracts, gig economy jobs, and low-paid jobs. People assumed unemployment was a binary measure, and that people would be recorded as either "unemployed" or "employed".

Participants had a **good understanding that inflation was something to do with rising prices or costs**. People often saw inflation through their personal economy, linking inflation to own wages and paying close attention to price changes in personal consumption. People thought inflation was higher than figures suggested; and often suspected figures did not reflect their "own inflation", due to flawed calculation, e.g. disregarding housing costs, council tax, shrinkflation, or putting too much emphasis on luxury items not important for them.

People had **very limited knowledge of GDP**, but **good understanding of interest rates**, which were considered more relevant.

What is 'the economy'?

Main actors in economy

Economy day-to-day

