Relevance of Policy Analysis: Needs for Design, Implementation and Packaging

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Abstract

This article challenges the traditional model of the economist as a humble technocrat who simply provides analysis given the preferences of policy decision-makers. Since decision-makers rarely reveal their preferences, it is important that the would-be policy research/analyst know the political economy and be willing to identify potential performance goals for society. Researchers who are willing to incur the transaction cost associated with becoming involved in useful policy research must learn to work within the imperfect policy process. Policy research that considers the importance of implementation and that acknowledges the institutions and the history will have the highest chance of being useful to policy-makers.

Key Words: Implementation, Institutions, Policy Research, Political Economy

A few years ago I remember someone saying "Good research leads to good policy". Those words continue to haunt me. I have wanted to believe that they were true. Yet, I have been exposed to enough real experience to know that the statement should be reworked -- "Good research may lead to good policy" or "Bad research may lead to bad policy". It is equally likely that "Good or bad research may have no bearing on a policy." The policy process is imperfect. Misunderstandings, unforeseen conflicts of interest, institutional failures, etc., may convert a seemingly desirable and feasible policy into one which is unacceptable to many parties, politically unfeasible or ineffective. Despite these realities, I continue to believe that good research can be important in the imperfect policy process.

I have been asked to reflect on just these types of questions. A basic thesis of this paper is that more agricultural economists should strive to make their work more relevant to the imperfect policy process. In order to do this, we must see the process as it is, not as we might wish it to be. Since I was an undergraduate working for a U.S. Congressman, I have been a student of the policy process. In 1989, I spent time in Washington as Research Director for the Congressional Commission to improve the crop insurance program and as a visiting scholar at the Economic Research Service. These experiences added to my education. In addition, I have been heavily involved in the development of a new crop insurance program in the past four years. I trust that these experiences and my research program have provided me with some useful insights to share with my professional colleagues (In addition, see Skees [1992]).

Through the years, I have learned that simply performing research and getting it published in our professional journals is not enough if we want our work to contribute to improvements in policy. The effective policy researcher must be willing to promote general understanding of the value of his/her research. He or she must get to know policy-makers who are strategic to improved policy and he/she must learn to communicate and interpret complex research to the layperson. We

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must learn to cope with politics. Research by agricultural economists is being used in the policy process. However, it is likely that more of our work would be used if more agricultural economists were willing to incur the transaction costs associated with becoming more plugged into the policy process and if more economist paid more attention to the importance of implementation.

A major objective of this paper is to motivate others to become more involved in promoting their research-analysis in a manner that contributes to the policy process. In order to accomplish that task I will share some of my experience and views about coping with the transaction cost associated with this type of involvement. I begin with a brief review of the political economy. This will help explain my views about how economic research and economic education fit into the political economy. With this backdrop, I will further develop my views regarding the role of economists in the policy process and advice for those who would like for their research to become more useful to public policy decision-makers.

A Capsule Paradigm of the Political Economy

A key to a successful market and/or public endeavor is information. If either the consumer or the producer has more information than the other, rent-seeking opportunities will exist resulting in potentially serious inefficiencies. As I will explain in the next section, this type of asymmetry in information becomes a major justification for greater involvement of economists in the policy process.

The development of public policy in a democratic enterprise economy such as the United States is heavily influenced by the existing ideology and human interaction in established institutions. In the U.S., the prevailing ideology relies on markets to solve many problems. Government involvement generally sets the rules of trade and/or performs other functions that determine who will gain the most from individual rent-seeking behavior (see Buchanan and Tollison). Individuals wear many hats. Everyone is a consumer of both private market goods and public services. Most adult members of society also are producers of either private market goods and/or public services. And all citizens, by definition, are participants in a political process in which the rules of trade and property rights are defined and redefined.

At one time, agricultural policy was developed within an "iron triangle" of power consisting of individuals on the House and Senate agriculture committees, those in the major farm organizations, and the administrators of farm programs in USDA. Many different actors are now involved. More interest groups, executive agencies, and legislative committees now have a stake in the process (see Bonnen). There is no single decision-maker and there is no agreed-upon set of performance objectives. Rather there are multiple objectives within a process that is driven by shared information among those within a power cluster (Mitchell). The process is diffuse.

There are also many different arenas for policy conflict resolution. If an agricultural interest group has a special issue to champion, it is not sufficient to get an authorization bill passed in Congress. The budget and appropriation process must be also included in their calculus of how to allocate lobby resources. In addition, the interest group must be equally concerned about how the responsible executive agency will implement the legislation. They must also be prepared for any judicial challenges that emerge. Finally, the media will play a major role in public perceptions and must not be ignored by the agricultural interest group. For it is perceptions, not necessarily realities, that drive decisions.

In considering a workable model for political economy it is most important that one understand the behavior of the primary participants. In most cases, it is safe to assume that our participants are motivated by perceived self-interest. We have well-established theory to describe how consumers maximize utility and producers maximize profits. But in the political arena we must be aware that to elected officials this means maximizing votes and to bureaucrats maximizing security. Typically, our economic models do not allow us to consider the behavior of elected officials and bureaucrats who always operate in an environment of interest conflicts. Philosophical idealism must be reconciled with stubborn political and self-interest constraints.
Understanding this will help the economist performing policy research.

Elected officials are rarely forthright in revealing the performance objectives that they have in mind for a policy. Further, since most elected officials are faced with an impending election, the performance they want from a policy will typically focus on the short run — many times at the expense of the long run. Since election is critical, it is public perceptions that matter. Therefore, to the extent that the interested constituents believe that a policy will have a certain desired outcome — it will be supported by the elected official. This was a major message in our book *Sacred Cows and Potatoes* (Browne et al.). The message to a policy researcher is simple — your good research may matter very little if it runs counter to what the majority of constituents believe. This is a painful statement and it points to the importance of public policy education for the broader society. Some beliefs can only be changed through a long-term incremental process. There are many examples of alternatives developed by agricultural economists that took many years to adopt. Policy changes slowly and incrementally (Lindblom).

Bureaucrats are concerned with job security. If your research does not contribute to job security, it is not likely to be used by bureaucrats. It is also rare that those administering our agricultural policies will have thought through the short and long run consequences of many of their decisions. The performance objectives that they have will be a mixture of those passed on via the legislation and the influence of those whose well-being depends on how implementation occurs. Again, short-run performance dominates.

Information in A Political System

Toffler (1990) sums up the problem best when he argues that our ability to synthesize information is what drives modern societies. Economists continue to develop more complex conceptual frameworks and more powerful empirical methods that have the potential to improve the decision choices for policy-makers. Still these methods are constrained by basic data and by the ability of others to understand our research. Moreover, the theoretical paradigm that has come to predominate direct hypothesis development and testing is not universally sufficient to identify those elements of the problem necessary to intelligently formulate and implement a policy.

In public policy debates, information becomes a type of propaganda tool. Marshalling information to achieve political agendas takes many forms. These may range from anecdotal information, which is often conveniently used to validate society’s beliefs and biases, to complex econometric models, which are designed to predict the consequences of government regulations and market interventions. Moreover, information can be perceived either with suspicion or accepted as social fact without criticism.

Because developing and interpreting information is a social process, values mediate the usefulness and character of any given piece of information. As such, information has value in all political processes. That information is not value-free is not a disturbing conclusion. Rather, embedded in the recognition of the role of values in assessing the politics of information is the search for whose interpretation will have the greatest legitimacy. Consequently, it is in society’s interest for some of it’s institutions to provide a broader set of values than those with the greatest currency in the policy arena. It is quite logical that policy actors who currently have the greatest legitimacy often peddle information that is formed to protect and foster their interests (Skees and Swanson, pp. 15-16).

In short, if our research is used in the policy arena it is quite easy for it and us to become part of someone’s political agenda—“information becomes a type of propaganda tool”. The norms of society (the underlying ideology) has a large influence on the type of information that is developed.

As Alan Randall points out information is not value neutral. Information that is used in the policy process will have consequences. The policy
researcher/analyst must recognize this. What we chose to leave out of our research may be just as important as what we chose to include. These simple realities make the academics among us very uncomfortable. Welfare economics is grounded with assumptions that are rooted in a value set that gives equal value to each dollar -- regardless of who holds that dollar in our economy. There are economists who have lost sight of this. The debate about positive versus normative knowledge in economics is well-documented (see the papers from the Social Science Agenda Project). It is increasingly recognized that the fact-value or means-ends distinction that was the hallmark of empirical positivism will not stand close analytical scrutiny. Mark Blaug says it better:

any decision-maker starts with on-going activities and begins to define his objective in light of his experience with policies... decisions-makers do not try to get what they want; rather they learn to want by appraising what they get. Means and ends are undoubtably related, and evaluation of past decisions or technical advice about future decisions, searches in vain for a (determinate) social preference function that is not there (Blaug pp. 150-51).

Returning to the theme of rent-seeking behavior provides a basis for understanding why those with the most to gain from a policy change will be willing to invest the most in providing subsidized information in the process (see Bartlett). Additionally, many decisions in the policy process are made, not with scientific information, but with anecdotal information. Interest groups are well-trained in using anecdotal information. Personal testimony by citizens who are brought into Washington by an interest group can make a difference. Making policy based on such information begs the question about how generalizable the testimony may be or even whether it is objectively valid.

It is easy to understand why policy-makers default to such naive criteria when making decisions. There are a myriad of issues that confront them. The simple concept introduced by Simon long ago applies more today than ever before -- bounded rationality. The information overload limits the ability of decision-makers as cost of search for useful information increases. Each of us has a limit to the amount of information we can process. It is natural that policy-makers will default to naive criteria or use subsidized information that is supplied by rent-seekers. All of this only increases the power of those with the most to gain from individual policy decisions and who are positioned to focus attention on selected bits of information.

In theory, one would hope that economists within the publicly supported Land Grant Universities (LGU) have little financial gain from the type of information that they supply within the policy process. To the extent that this is true, economic research developed by LGU economists is important in the policy process. Such research has the potential to provide the countervailing influence needed to balance subsidized information provided by special interests.

Summary of the Political Economy Paradigm

1) The policy process is diffuse.  
2) There are many decision-makers within our policy process.  
3) Decision-makers in the policy process place more weight on short run performance than long run.  
4) Decision-makers will rarely disclose their performance criteria --even if they have a well developed set of performance criteria.  
5) Subsidized information produced by rent-seeking individuals dominates the political economy model.  
6) Elected officials tend to optimize votes and bureaucrats optimize job security.

In short, the political economy runs on rent-seeking, job security, and vote maximization behavior. Each of these activities are economically inefficient. As I will argue below, economists are among the few who will speak out for efficiency.
The Role of the Economist in the Policy Process

As a matter of simplicity I introduce the notion that professional agricultural economists select the world in which they will operate abstracting from or ignoring other realities. Some have remained "pure" and write and perform research for academic review. They restrict their work to professional journals and the advancement of the discipline as defined by their peers. There are others who have chosen to perform applied research that can be used directly by individuals to solve problems. They may publish in journals as well as other more "readable" outlets. They may also work directly with decision-makers. And there are those who have entered the political arena where their research may only be as valuable as the political agenda of the policy-makers for whom they work. Finally, there are those of us who attempt to function in all three worlds.

Economic thinking has been heavily influenced by the progressive movement (Nelson). The role of the economist as a humble technocrat still dominates many within our profession. In this role, economists are presumed to know the "objective function" of the government. We are supposed to be able to identify what course of action helps to maximize the objective function. Such a model is obsolete. As Blaug explains:

The notion is that the economist displays the menu of alternative possibilities, and then the decision-maker chooses from the menu in the light of his preference function. The decision-maker extends advice on both ends and means. How indeed is that economist supposed to discover the decision-maker's preference function among objectives without imposing his own? Asking him will usually produce a blank stare: if the decision-maker is a politician, he is committed first of all to maximizing electoral support and that is best secured by blurring objectives, not by revealing them. Nor can the economist deduce the politician's preference function by studying his past behavior: he may be inconsistent between one decision and another; he may have altered his preference function over time as a result of learning-by-doing; besides, circumstances themselves are changing and this itself makes inference difficult (p. 129, Blaug).

Since decision-makers are unlikely to fully reveal their preferences, it is not possible for the policy researcher/analyst to perform the role of humble technocrat. The policy researcher/analyst must identify preferences of potential importance to society. Helping raise the right questions is important. Our training should make us uniquely qualified to provide structure to real policy problems. Part of that structure should involve identification of performance criteria that we can then use in the traditional policy model (Issues -> Alternatives -> Consequences). Once we identify relevant performance criteria, we are much more clear in our presentation of how we evaluate consequences -- such an evaluation requires a set of performance criteria. Decision-makers will determine what weights to place on the performance criteria that we help identify.

Efficiency is a performance criterion that economists will have on the list. It should come as no surprise that many policy-makers discount the importance of this goal. This is the source of much of the disillusion suffered by economists who attempt to work in the policy arena. Policy-makers do not want to hear that their pet program will lead to inefficiencies -- they are generally more interested in transferring benefits with their program. Nonetheless, I believe we have a professional responsibility to point to the efficiency implications of different alternatives. That is what we were trained to do and there is no reason to apologize for our training. Still, if we are to be effective, we must recognize other performance criteria in our research/analysis.

Over the years, I have asked those agricultural economists who have served with the President's Council of Economic Advisors "How frequently does the economic argument rule the day in White House decisions?" The range is somewhere between 10 and 15 percent of the time. I then rephrase the question and ask "How frequently does the economic argument change the nature of the debate in White House decisions?" The range has been between 20 and 50 percent from my very selective sample. These are the political realities for an economist in the policy arena.
does not suggest that we should be dismayed. There are simply other performance criteria that dominate efficiency.

In other words, economists can provide information that is consistent with a list of performance goals that we help to illuminate. This information will be limited since we do not suffer the consequences of any final policy decisions. This type of accountability falls on decision-makers. Ultimately, they must decide what performance goals count and on that basis they will determine what is good or bad policy. For this reason, we should strive to make our list of performance goals as comprehensive as possible. This will increase the chances that we will provide useful structure and information to policy decision-makers.

The Individual Researcher versus the Professional Society

For those wishing to increase the use of their research in the policy process, there are certain risks. The more one’s research is used, the more likely that the researcher will be forced into providing quick analyses on very complex topics. This makes most of us uncomfortable. Further, it is easy for our colleagues to be critical of this type of work. A certain tension will develop between those who are more academically pure and those who are working with policy decision-makers. I think that this is a healthy tension that must be channelled into a constructive review process.

The operative question is very simple -- is the policy analyst-researcher compromising the discipline by “quick and dirty” analysis-research -- just as it is dangerous to oversell narrow economic efficiency arguments in the political arena. Second, it is important for the policy analyst-researcher to obtain review from peers to minimize potential logical or empirical shortcomings. This can be arranged in any number of ways. In my work on crop insurance I have been fortunate to have access to a national advisory committee that has provided critical review of my work. I recently attended the Food and Agricultural Policy Research Institute’s (FAPRI) baseline review. In this process, FAPRI organized a major conference to critique their outlook information. I think that this type of activity is highly constructive.

It also remains critical that LGU policy analyst-researcher must continue to publish in the refereed journals. It is simply not enough to write papers and present them to professional societies. Those of us who are working within the policy arena have a professional responsibility to continue to publish in our journals. First, it is important that our work be subjected to the scientific review process. Despite the pain and the shortcomings of our review processes, such reviews do give the policy analyst-researcher a different perspective on his/her work. I have found that new and useful methods and/or approaches to problems have been revealed during the review process. Second, acceptance of the policy analyst-researcher’s work in journals does carry weight with policy-makers. They may not read or understand the journal article work, but I have found that they respect such publications and they reference the work when they are using other work by the policy analyst-researcher. Third, we have a responsibility to our colleagues to publish our work so that they will gain an appreciation for how applied policy research is being used in the policy process. Additionally, if we expect our “basic science” colleagues to develop theoretical tools and quantitative methods that can illuminate policy decisions, they must be confronted by the “derived demand” that comes from knowing the policy-making process.

There is a naivete in much of what appears in our journals. It is common to see authors who strive or stretch to point to the “policy relevant” dimensions of their published work with little or no understanding of the institutional constraints in the political economy. The article by Robison in this
issue illustrates the point. Robison classifies over half of the articles published in the *Review of Agricultural Economics* as being policy relevant. Yet, when you examine his classification of readers, it is clear that very few policy-makers read the journal. Despite these realities, rather than become disillusioned, or, worse, cynical, those of us doing policy research must publish our work in the professional journals, if for no other reason, to help our colleagues focus on theory or methods that will further the policy analysis enterprise.

Among the most difficult challenges for a policy researcher-analyst is holding true to the work after it is part of the policy process. Since policymakers have an agenda of their own, it is understandable that they seek research-analysis that fits their biases. Further, policymakers may extend our work beyond its limits. Last year I found myself caught in this trap. I was heavily involved in designing a pilot test of a new crop insurance alternative. This new product, the Group Risk Plan (GRP), was being pilot tested in 96 counties when the President’s budget was released in February of 1993. The budget called for replacing the traditional Federal crop insurance product with the GRP. I was called for Congressional testimony. During this very awkward period, I was forced to explain that while GRP was a reasonable alternative for many markets, it could not be introduced in much of the U.S. because of inadequate county yield data and other limitations. Congress ultimately mandated that GRP be expanded "to the extent practicable" (See Skces [1993]).

When confronted with a challenge where policymakers are using your work beyond its valid limits, I think we have a professional responsibility to speak out. This is very awkward because we want our work to be used. Still, no one should understand the limits of the work better than the responsible researcher-analyst.

In short, I favor a scientific review process as a constructive check on the policy researcher. I believe the researcher must seek out such reviews for his(her) own protection. However, I am also pragmatic in understanding that all research-analysis that enters the policy process cannot be reviewed immediately and in appropriate depth. The utility of good research-analysis depends on its timeliness. It would be inappropriate for our profession to attempt to institute a formal process such as a clearing house before professional agricultural economists could release their work since policy decisions will go on with or without economic analysis. If an agricultural economist attempts to peddle research-analysis that is seriously flawed, I believe that others within our profession will discover the shortcomings rather quickly. It is our responsibility to share the concerns with the researcher-analyst and others who may be using the information. There are sufficient checks and balances in our profession to reduce the frequency and/or the impact of flawed research-analysis entering the process, although the process is never riskless.

The Importance of Knowing the Institutions, History, Actors, etc.

In order to be of the most use, our policy research must not be developed in a vacuum. We must know the institutions and the history of the policy. Much of our contribution can be enhanced if we understand what is practical within the given political environment. Last year, I soon learned that pilot testing a new crop insurance program could not be completed without a good knowledge of the current crop insurance program. Issues that may have been taken for granted, such as how to develop the regulations for a new crop insurance program, became potential roadblocks. I learned that economic principles had to be emphasized as those in charge of the regulations set about their important work. I also learned that there were certain things that simply could not be done. The rules and regulation process of the U.S. government does limit the range and flexibility of procedures used in designing an experiment in government.

Understanding the constraints and limitations of the bureaucratic process is extremely important if the policy economist intends to provide analysis that will be used by an implementing agency. Agricultural policy is replete with examples of corruption and failure that can be linked to poor forethought about implementation. Such foresight is important as we structure our assumptions and as we provide focus to policy research. Further, this type of understanding can help as we attempt to translate our findings into a usable product.
Knowing the institutions and the actors who will be responsible for implementation will help since much of the policy activity does occur outside the legislative process. Potentially good policies can quickly become bad ones due to inept regulatory decrees or poor implementation. Implementation plays a major role in agricultural and food policies. Implementing agencies need policy research as much or more than legislators. In many cases, implementing agencies will fund research. But if the research is to fulfill its function, it must comprehend the problem matrix of the implementing agency and its support base.

**Simplicity is Needed**

Among the most important aspects of useful policy research-analysis is simplicity. We are not trained to meet this challenge. Our methods are becoming increasingly complex. Many times the methods far surpass the quality of our data. And many of our methods are typically too complex to be understood by policy-makers. For the would-be policy economists learning to evaluate the marginal value product of more complex methods is essential. We must be willing to compromise on methods to get results.

In recent years, I have tried to impress this point on my graduate students. They resist because the journals reward complexity of methods. I have tried to structure problems so that they can evaluate the value of information from more complex methods versus more simple methods. If simple provides nearly as much value -- simple is better because it is more easily communicated, comprehended, and interpreted. I believe a large part of the art of a successful economist who decides to wander from campus is an ability and willingness to use more direct methods to reach the same conclusions. This does not mean that your work cannot be backstopped with more complex methods that could appear in the journals. It does mean you must make compromises and that you must be willing to accept ridicule from those who think your research is too simple.

A major part of simplicity is good communication skills with an ability to communicate the substance of a complex idea in understandable terms. Effective presentations to groups that have a stake in the policy outcome will enhance the usefulness of policy research. This will help them understand the work and also provide feedback about their concerns and needed improvements in the work. Writing for outlets beyond the journals is also essential.

**The Need to Anticipate Emerging Issues**

Policy research-analysis requires timely input. This means that the would-be policy economist must learn to anticipate emerging issues. Becoming an expert in an emerging area requires focus and dedication. However, if your instincts are right and the area that you decide to focus in becomes "hot", the dividends can be high both in terms of policy outcome and professional reputation.

In order to anticipate issues, it is important to develop a network of other policy researchers. This may mean going outside of the discipline of economics and it should mean some contact with those who are closest to the policy process. Researchers within the LGUs have a good deal of flexibility to work on issues they consider important. Developing one or two focus areas that you think will be important is a first step to making yourself valuable to policy-makers. Once a topic becomes "hot" it is too late to develop a research agenda. Those who have a record of research will not only be in demand, but more importantly, they can bring a considerable latitude in judgement to the process. In short, without some previous research, it would be impossible to answer the types of questions asked by policy-makers. Further, if you cannot provide rather quick responses to policy-makers, your input is of little value. Anticipating issues will help you capitalize on the teachable moment.

**Conclusions**

Policy research is **being used** in the policy process. Still the profession can contribute more in this arena. However, it requires that the policy researcher/analyst be willing to accept the fact that most people do not think like an economist. Performance other than efficiency dominate political decisions. This imposes a large transaction cost for those agricultural economists who want their research/analysis to be used in the policy arena.
Coping with the political economy requires that the analyst/researcher develop a workable paradigm of the political economy. Such a paradigm also affords the analyst/researcher more insights into conducting policy relevant research since it can identify the broader array of elements that are germane to informed decision-making.

In this paper, I have dismissed the humble technocrat model for agricultural economists. This dismissal was based on three factors: 1) It is difficult to get to know the performance criteria of decision-makers; 2) We can contribute to the process by helping illuminate important performance goals; and 3) Economists are very likely the only constituents for efficiency. Once we recognize that other performance goals are important, we can more effectively use the

Issues -> Alternatives -> Consequences

framework whereby we include efficiency as part of a larger set of performance goals in our evaluation. Those in the decision process will determine how much weight efficiency will receive.

As economist we are too quick to develop well structured models that use a limited model based on only economic efficiency. The major shortcoming is that what we believe may be a good policy alternative simply cannot be implemented or, worse, if an attempt to implement the concept is made, there are serious unintended and unanticipated consequences. Knowing the institutions and the history within our political economy model may improve our ability to model and develop policy alternatives that are more in tune with the political realities.

In short, the would-be policy researcher/analyst must be willing to cope and adapt within a political economy where efficiency is not an important performance goal. Quite possibly the biggest risk associated with an economist becoming more involved in the policy making process is that he/she may become cynical. This is a major reason that one must strive to understand why the system works the way it does. I remember one particularly bleak evening in my Washington experience. As I walked across the Key bridge, I wondered if I would ever feel the naive enthusiasm about the Washington environment again. Although I have reflected on that evening numerous times over the years, I have not yet become cynical. I remain a bit awed that the process works as well as it does. I have also learned that the information that economists bring to that process can improve the process and that is enough to warrant a rather large analytical input.

References


