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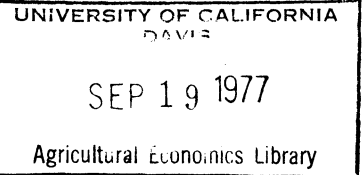
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ASSESSING PUBLIC POLICIES AND PROGRAMS:
DISCUSSION OF EQUITY CONSIDERATIONS*

Glenn Nelson**



Harper and Tweeten present results which should stimulate interesting and useful hypotheses. They have manipulated a rich source of data with a logical sequence of statistical routines. The limitations of factor analysis (Armstrong) and the problems of pre-test bias in a succession of regressions (Debertin) warrant additional emphasis. But the authors are more careful to recognize the value of prior information than many of their colleagues and are also aware their hypotheses need confirmation before application.

The failure of Harper and Tweeten to recognize explicitly the larger dynamic and macroeconomic setting is an important shortcoming. A major issue in the current debate of income redistribution is the tradeoff between equality and efficiency (e.g., Campbell). Efficiency in the context of this debate includes encouraging the innovation and investment which will maximize future production as well as insuring incentives exist for appropriate allocations in the current period. The underlying premise is that redistribution of income discourages both the contributor and recipient from putting their resources into the most productive uses. This very hypothesis was a prime motivation for the experiment whose results are being analyzed by Harper and Tweeten. Once this tradeoff is recognized and accepted, knowledge of the marginal utility of income among groups at a point in time, while useful, is clearly an inadequate base for policy formation.

Harper and Tweeten are overly anxious to have this type of study influence policy formation. A one dimensional measure of the quality of life, a few explanatory variables possessing the usual problems of measurement and

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correspondence to theoretical constructs, and a regression equation are inadequate for the complex problems which confront us. The analysts who will make an important contribution to equity issues in public policy in the near term will be those who explain "who gains, who loses, and why" along several socio-economic dimensions - and leave the weighting of the dimensions and the fixing of marginal utilities to the political process. The research reported by Harper and Tweeten is valuable but not as an immediate input to policy.

The second paper, by Hines and Reid, contains a good, concise description of the federal outlays data and other closely related series. The illustrations of comparisons of outlays with other demographic and economic variables are useful demonstrations of descriptive studies. Such studies address the issue of "who gains and who loses" from a variety of perspectives which, as noted earlier, is information much sought after and needed in political discussions. This account by two experienced analysts is a useful reference for those who wish to pursue studies with these data.

The major problem with the Hines and Reid paper is their failure to go beyond description in either illustrations or general discussion. The impacts on equity which they address are thus limited to initial impacts defined in narrow terms of who directly receives funds from or forfeits funds to the public treasury. The missing element is an analytic framework which would facilitate identification and measurement of causal factors and indirect impacts. Indirect impacts on regions, industries, occupations and other variables may either reinforce or counter the initial impacts of programs, e.g., see Golladay and Haveman.

The description of the allocation procedures raises the question of

whether analysts would be better advised in many cases to limit their analysis to rates of participation, i.e., recipients of outlays relative to members of the target population. When federal outlays are allocated to counties based upon their proportion of program participants, a comparison of estimated outlays and estimated target population is fundamentally one of comparing participant and target populations. A direct analysis of the participation rate would be more straightforward and less likely to be misinterpreted.

The third paper, by Martin and Lane, possesses problems of conceptualization, model specification, and interpretation. Part of the problem is the lack of a clear statement at the outset as to how equity is to be measured. The authors cite numerous studies showing socioeconomic variables such as location and race affect food stamp utilization. But my impression is that Martin and Lane regard an equitable situation as one in which families of equal size and equal net income receive equal bonus stamps regardless of other socioeconomic factors. If this interpretation is accepted, the relevant objective is to quantify the impact of socioeconomic factors associated with different levels of bonus stamps among the eligible people. Such a study is valuable.

A priori information reveals people of middle and higher socioeconomic status receive no, or extremely few, bonus stamps. This is easily explained by the income limitations of the program and is consistent with equity as defined above. An econometric analysis is not required. The equation explaining food stamp outlays per capita serves little or no useful purpose.

The equation explaining food stamp outlays per person in poverty is more appropriate in concept but is specified incorrectly. Categories of urbanization are entered as a continuum, forcing equal impacts at each step,

rather than as a set of binary variables. No direct measure of the severity of poverty is included despite the easy availability of "income deficit" by county from census data. Differences in regional and locational costs of living, and thus allowable deductions from gross income, are ignored.

The interpretation of the statistical estimates is riddled with errors. Coefficients are labeled statistically significant when they are not, and some which are significant are not appropriately labeled. These errors carry over into the text leading to fallacious conclusions. Finally, the recommendations with regard to elimination of purchase requirements and simplification of forms possess only a tenuous link to the empirical analysis.

Concluding Remarks

First, the definition of the concept of equity being investigated should be clearly stated in policy analysis. Distinctions between nominal and real goals are especially important in rural-urban comparisons. Should people receive more public assistance if they choose to live in high cost areas? How does this relate to our goals of the appropriate spatial distribution of people and economic activity? Which equity goals, if any, are best accomplished at regional, state and local levels rather than nationally?

Second, research on equity issues should be conducted with an awareness of an integrated conceptual framework which includes indirect impacts and other macro considerations. Economic theory is at least as relevant in equity as efficiency issues.

Footnotes

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