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POLICY FORMATION AND THE ECONOMIST

by

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POLICY FORMATION AND THE ECONOMIST

Running through my presentation tonight are four assumptions or assertions which I believe to be true. First, that our founding fathers put a heavy emphasis on education by word and deed. They believed it necessary for the functioning and preservation of the type of society they were forming. Second, that the changing structure of our society in recent years has increased the number of decisions made in the public arena relative to the private. Third, that while all disciplines of a university may contribute research results necessary to policy formulation, economics is the pivotal discipline. And fourth, that because policy decision making is so value laden, it requires a special educational approach.

Back in the late 1920's when I became associated with Purdue University, the average yield of corn in Indiana for the decade of the 20's was $35\frac{1}{2}$ bushels per acre. This was typical of the Corn Belt. It was just $1\frac{1}{2}$ bushels more than was produced per acre in the decade of the 1870's -- fifty years before. It was being produced according to the conventional stream of knowledge. Then we added another stream of technical knowledge from the universities, supported by supply organizations and from this combined stream we have increased yields on the average $1\frac{1}{2}$ bushels per acre each year since.

Today we are making policy decisions at the local, state and national levels from the stream of conventional knowledge plus a small stream of scientific policy information. Do we not need to enlarge the scientific policy stream just as in the technical areas?

You will note in my title I have said Policy Formation and the Economist, not the agricultural economist. Many of us are economists with an agricultural specialty, but many people in the Agricultural Economics Departments are working on problems broader and other than agriculture. Therefore, I do not believe we should get trapped by the agricultural economic term. Some departments have already changed their name without materially changing their staffs.

Let us now turn for a moment to what certain distinguished economists and public administrators have said about public policy and the economist.

Chester Davis, [2] one of the grand old men of agriculture in the 1930's and 40's, in summarizing the previous policy work of the economists in the 1920's and 30's in the 1940 Department of Agriculture Yearbook said, "The economist was long on analysis but short on solutions."

President James Nielson, [6] in his address to this Association last year said, "--but in the past decade, I believe that we have over-invested in the development and refinement of quantitative methods. We have spent too little time and energy on discovering and tackling the emerging economic and social problems that most trouble our society."

Secretary of the Treasury, William E. Simon, [10] approaches the point more subtly when he stated, "I sometimes think that economists use decimal points in their forecasts to prove they have a sense of humor."

Dr. James T. Bonnen, [1] who was a director of a public policy study in 1968 for the presidents of the Land-Grant Colleges said at the National Policy Conference in 1970, "I believe the universities have a great potential in public affairs if they will focus on the problems of society."

Dean Richard L. Kohls, [5] in speaking before this Association last year said, "For some reason research and extension efforts in the public policy arena seemed to have declined sharply in recent years. The major role of both policy research and education is to help clarify the problem issues, develop and evaluate potential alternatives for solving them. Perhaps there were no substantive issues, or the problems themselves were too obscure in the public consciousness to deserve attention. --Frankly, considering the problems that our country seemingly faces in the whole broad range of economic policy, this may be the opportunity for agricultural economics again to lead the way."

What these gentlemen are trying to say to us and what I am trying to say to you is, let's split some new rails and spend a little less time sand papering the old and we will have a bigger pasture. And, let's put in a gate so some of the other pertinent disciplines can join us in this enlarged pasture.

The Formulation of Policy Research

Most students of decision making have come to agree that if there is more than one choice, and there usually is, that that procedure is to:

- 1 - Identify and delineate the problem.
- 2 - Develop the possible solutions.
- 3 - Set forth the consequences of each solution.
- 4 - Make the decision.

This procedure applies equally well in the public policy decision education area except that the decision is left to the public. In the private decision area the individual or company makes the decision after perhaps a definite recommendation by the consulting firm. In the private area the decisions are usually more technical and economically weighted, while in the public area they are more value and goal weighted.

Policy decisions are made today in the public sector without many citizens having the opportunity to go through the decision making process. They should have an opportunity to have the major public problems clearly identified, their alternatives set-forth and their consequences analyzed from both the short and long-run standpoint. They also need to know not only the total costs and benefits, but what are the public costs and benefits and what are the private costs and benefits and upon whom do these costs and benefits fall in society. The decision can then be made by the normal political processes.

We need, today in our universities more individuals and groups with the ability and the courage to tackle the fundamental issues facing United States citizens. We need individuals to develop useful blocks of research which can be fitted into the decision making framework. Then we need individuals who will develop the framework

for public decision making including the other necessary blocks of research. In fact, the preferred approach would be to develop the decision making framework first but we usually end up with the former approach.

Throughout our universities much of the research has policy implications. Therefore, it cannot be coordinated by one school or department, but rather this information needs at appropriate times to be lifted up by some group in the university and put in a policy-decision making framework for the public. This group also needs, on a voluntary basis, to encourage research in certain critical areas that appear to be coming to the forefront in public policy.

The citizen today not only wants to know the consequences of various solutions on equity and efficiency but also on supply, environment programs, security and freedom or how much regulation will be involved. This makes it mandatory that the policy analyzed brings in the contributing disciplines.

It also becomes important that we appraise the longer-run impacts as well as the short-run. The pollster sends out the questions, "Do the citizens want higher fuel prices?" There comes back a resounding "No." Therefore, most politicians are hesitant about talking about any realistic solutions because they all raise costs to the consumer in some manner. This is when we need a strong educational program to get out the facts and solutions and to say what the politician does not feel he can afford to say.

Some politicians say you're asking too much when you ask us to make the analysis and then to educate the public. They say we are

supposed to represent the public. I think they have a point especially in closely contested districts where they cannot afford to be a statesman.

Too much of our policy information is in bits and pieces. It needs to be brought together in a decision making framework by competent scholars. It has probably overemphasized the short-run equity and efficiency criteria at the expense of the other considerations and the longer-run impacts. As Solzhenitsyn says, "He who draws a conclusion only halfway fails to draw it at all."

When some phase of our economic system in the short or long-run view is not performing adequately as viewed by society we have tended to regulate it or socialize it. Witness the postal system, the railroads, the natural gas companies. Our success record in these areas has been something less than sensational. Now we are discussing further regulating or socializing the eastern Railroads because of inadequate service and financial failure. We are discussing socializing the medical system and the oil companies because of either inadequate service or because they are making too much money.

Equity is one of the important considerations in regulating or socializing the industry. It may correct equity, but it does not necessarily solve the problem of efficiency, environment, safety or many other issues. The issue is not regulations per se, but rather are they oppressive and restrictive on the industry or do they allow for creativity and competition. We still need policy research even though the audience may change from the people to the central government.

Our challenge, as economists, is to develop alternative institutions which allow the producing segments to perform reasonably, efficiently, and effectively by society's standards. It should also be involved in developing social, welfare, and community institutions which most effectively accomplish society's goals. It is further our responsibility to help people understand the limitations of any system for people with widely varying expectations and goals.

We also have a related problem of the moment in this area as expressed by Edith Hamilton [3] in "The Greek Way to Western Civilization" when she said, "It is not men's greed, nor their ambition, nor yet their machines; it is not even the removal of their ancient landmarks, that is filling our present world with turmoil and dissention, but our new vision of the individuals claim against the majority claim."

The values of equity, justice and freedom have always been difficult values for the public policy educator to handle. Let me say that I have personally been forced to accept certain cornerstones in these areas.

First, is the free spirit of individuals or the right to reject any policy or religion as long as the consequences of that rejection are accepted by them.

Second, in a democratic society the protection of the right to dissent must be protected.

Third, in a democracy the right of the majority to rule must prevail.

Fourth, as Professor Rostier [8] (in Goals for America) has said, "Democracy, let us remember, has as fundamental commitment to equality,

in the best and more realistic senses of that word, to equality before the law, equality of political voice, equality in constitutional rights, equality of opportunity, and equality of considerations."

But after having said this, I also have to accept that we, as individuals, all have varying productive capabilities and goals as a result of our environment and heredity. Thus, if we reward people on their productivity, we get a wide variation in incomes.

We put considerable emphasis in our society on justice and equality. But, we also know that if everyone's income is the same, that productivity tends to fall to the level of the least productive. Thereby, everyone has less.

Thus, our continuing problem as we modify our institutions is to find that mix of rewards that keeps production up and also provides some equity in the distribution of income. It is a never ending issue which is intertwined in most of our major policy issues. We must have a reward system if we allow for the free spirit of the individual.

It has also seemed to me that there is some relationship between economic freedom and economic creativity. For this reason Joseph Schumpeter's [9] writings have haunted me to some degree.

The Universities' Teaching Task

As indicated earlier, the public sector of the economy has grown relative to the private sector. The proportion of jobs in the public administration area has increased. Likewise, the mushrooming of regulations arising in the public sector has multiplied the public issues with which those in the private sector must cope. As a result of these changes in society, two needs have developed in the University

teaching area: (1) The need for individuals trained in public administration, and (2) The need even more for individuals entering the private sector to understand the skills required for public problem solving. These needs are being recognized by the staffs in the different universities as is presently shown by their various attempts to meet them.

Today, graduating engineers, agriculturists, business administrators and students of other professions need a minor in public policy. These should include a limited series of comprehensive courses involving at least the tools for decision making in public policy, government organization and operation, group dynamics, and social action and public administration. This is not an idle proposal, for the President and Provost of Purdue University are now in the process of attempting to establish such a program. They are not alone in their thinking as university administrators.

For this program to be successful, it must be staffed by scholars who understand the real world as well as the theoretical. They must not become involved in the impossibility of determining the theoretical concepts of the good society, but rather how to have a "better" society as expressed by the goals of the people. I have searched the literature and the world for a definition of the good community. I have always been driven back to the definition that it is what that community wants after the people and leaders of that community have been exposed to what are the possibilities of that community.

In this day of highly specialized training we need a common denominator for all graduates. What is more a common denominator than how they govern themselves? At least the grads would have something more to talk about other than the experiences of their fellow classmates. They might also turn to the University for information in the public policy area as they do now in the technical area.

The Adult Educational Job

The public today with all its complicated issues has need for as nearly objective sources of information as possible. But, I am convinced after observing the fine work that many of our educational foundations, institutes, and centers have performed in the public policy area that this is not enough. The public wants many sources located in their own regions and states. The Land Grant Colleges are in a unique position to fulfill this role.

The requests for educational assistance with community problems is growing. It is interesting that we now have a vigorous National Community Development Organization with many professional people from the Land Grant Colleges as members. Community development is public policy at the local level.

The several sets of leaflets, prepared by specialists in the various states and sponsored and published by the National Educational Policy Committee, The Farm Foundation, and the Federal Extension Service and in certain instances through the cooperation of the Institutes at Iowa and North Carolina and the Illinois and the Ohio Agricultural Experiment Stations have made a start in the preparation

of educational materials. With time, the quality and clarity of these types of publications can be improved and their numbers increased.

However, as necessary as publications and mass media are to public policy education, they must be backed up by eyeball to eyeball presentations if they are to get into the public policy dialogue of these who make policy.

Public policy education must be directed to the total groups that make the public decisions on an issue. Public policy educators working with adults must be sensitive to the values and knowledge of the groups with whom they are working. This is necessary so that the groups' time is not wasted on either unimportant or known facts to them.

Dean Daniel M. Ogden, Jr. [7] in speaking before the National Educational Policy Conference in 1971 said, "Public policy in the American political system is made within power clusters which operate with remarkable independence from one another within the common constitutional and political party structure. Each power cluster consists of administrative agencies, executive review staff, legislative committees, interest groups, influential private citizens, and attentive publics who center their public policy concerns and activity primarily in one broad policy area. Most power clusters operate at all levels of government."

It is desirable that the educator working in a given area has credibility with such groups. That is usually necessary if he is to be effective. This does not mean he has to agree with the cluster as there is usually much difference of opinion within the cluster.

But, the educator needs to be accepted as a creditable person by the cluster.

I asked Professor J. B. Kohlmeyer, a colleague of mine, who has spent most of his life at all levels of public policy education, what was his most significant observation in the public policy field. He said, it was the implication in the method of policy education which developed when he first discovered that two men of good will, equally well informed concerning a policy issue, could come to quite different conclusions. The fact that any one solution could not be scientifically proven superior to another posed the challenge of how do you do educational work in this area.

Dr. R. F. Spitze, [11] of the University of Illinois, in his presentation entitled, Searching For the Educator's Role With Public Economic Policy said, "I believe the most important guideline for teaching public agricultural policy is to remember one's status as an educator; that is, to be as objective as possible, yet humanly so. To proceed otherwise is to risk subtracting the individual value-formation process of each person, which is indispensable to the truly public policy-making function of a democratic society. ---Indoctrination or promotion, no matter how well reasoned its origin or the years of experience behind it, or the stature of the professional dispensing it, has little place in public policy education."

"For many years, I sought - like many others, I am sure - that ultimate role in which I could serve, accomplish some end, crusade for a cause. As I attempted to be an educator in public policy, I could help society to have ever-expanding reliable knowledge, to

understand, and to solve problems. I was not crusading anymore for an end, but rather for an intellectual process."

Lord Keynes [4] said in his Essay on Persuasion, "If economists could arrange to get themselves thought of as humble competent people, on a level with the dentist, that would be splendid."

We need in every state university a minimum critical mass of at least four people in the public policy area with the characteristics set forth by Spitze and Keynes.

Summary

We have made some progress in public policy education in the last one half century. We have developed an educational approach to controversial public issues. We have had some limited success with specific programs. We have legitimized the educational function of public policy education to a considerable degree. Is it just possible in the period ahead that the Land-Grant-Colleges through a cadre of practically minded scholarly economists could add to that public policy knowledge stream in such a way that it would make a difference. I think it is worth a try.

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