



THE ROLE OF EXPERTS IN TODAY'S CLIMATE

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I would like to thank the organizers of this conference for the invitation to speak before this distinguished group and to thank our hosts for their splendid hospitality.

Long ago, as a young economist I made my first professional trip to a foreign country. It was to Tanzania; the trip was sponsored by Canadian foreign aid; and I had a wonderful time travelling that beautiful country discussing spending and tax issues with local governments. The Tanzanian Government gave me a title and it was "expert". Mercifully no one ever asked me what I was an expert in.

Unfortunately, the title, "expert" is not as prestigious as it once was. Experts have been held in disrepute all over the world. They overwhelmingly opposed Brexit in the United Kingdom and were thoroughly beaten by the voters. Climate experts have not been given a voice in the Trump administration and U. S. legislators largely ignored fiscal experts who warned that recent tax cuts and spending increases in the United States would lead to massive budget deficits.

Remarkably, in the midst of what appears to be a growing disdain for expertise, a counter movement has begun in the United States known as "evidence based policy making". This notion has been around for quite a while and it can be found in other countries as well. But it gained some momentum in the United States when in the destructive partisan climate now afflicting our politics, the Republican Speaker of our House of Representatives, Paul Ryan, teamed up with Senator Patti Murray, a quite liberal Democratic Senator from Washington state to form a commission to promote evidence based policy making within the U.S. government.

Bipartisan cooperation of this type is almost nonexistent today. The commission recommendations were not earth shaking, but they made some useful suggestions on how to make program data more available within the government and how to share it among agencies. The emphasis was on generating data that measured the output of government programs, particularly poverty programs, instead of inputs like the number of programs or dollars spent.

I do not want to imply that scientific policy analysis will suddenly become predominant in policy formulation and certainly the retirement of Paul Ryan is a setback for the movement, but these days having any movement at all of this type must be considered something of an accomplishment.

For the rest of this talk I shall focus on the role of expertise in the narrow topic of program evaluation and not on its role in governing all economic and societal affairs. I will bravely argue that program evaluation has become very much more sophisticated and probably more accurate in recent decades because of the evolution of the computer.

When I first joined the Congressional Budget Office in 1983, we did not have any desk top computers. If we wanted to investigate the effects of a policy change on the economy, say a change in important tariffs, we would contract out the job to a private firm that possessed models of the U. S. economy and main frame computers to run them. The typical cost of a job of this type was about \$10,000.

It was not long after I arrived that desk top computers became available. We were able to give them to most analysts and now we could develop our own models and simulate the effects of a wide variety of policies. Simulations that had previously cost \$10,000 could now be completed for about \$2.50 – the cost of a disc.

However, the new computers were painfully slow. An analyst simulating a policy change would often turn on the computer as he or she went home at night and hope that sensible results would be available by the next morning. Now a job of that type would take only a few minutes.

The advances in computing have enabled us to process vast quantities of data. We can look at individual responses in government surveys, such as the Survey of Consumer Finances or the Consumer Expenditure Survey, and gain insight into the behavior of respondents and how they might react to policy changes. It has also become possible to access and analyze administrative data from agencies that operate programs.

Another development that may have some potential is the growing availability of big data (the analysis of millions of transactions) of the sort that enables companies like Amazon to forecast whether we as individuals prefer brown or black shoes. I believe that policy analysts are still thinking about how such data might be used and I have not seen evidence that that its use is becoming widespread. But it may become valuable in the future.

There have also been methodological advances that have the potential to increase the accuracy of policy evaluations. The advent of behavioral economics, although still in a primitive state, allows us to escape from the traditional assumption of economists that individuals and households always react in a rational manner to opportunities to improve their wellbeing. We have always known that individuals make mistakes, but the contribution of behavioral economics is to show that the mistakes may not be random and often follow consistent patterns that lead traditional economics to be biased one way or the other.

Another development is the use of randomized trials that run experiments subjecting a “treatment group” to particular policies and comparing the results to those of a “control group” not subjected to the policies. Such experiments have been around for many decades, but they are very expensive to run and have only proliferated recently.

With advances in computing and methodology that should have improved the quality of policy analysis, it is natural to ask why policy analysts have not become more influential in policy development. The answer is that policy analysis still faces some big problems.

One involves the collection of data. I don’t know the situation in other countries, but in the United States individuals have become very tired of responding to surveys. Response rates have plummeted whether one is talking about official government surveys, private polling about political candidates, or questions about the desirability of certain products. I believe that potential respondents simply feel overwhelmed. One’s phone often rings at bothersome times in the evening with a call from one polling company or another especially if one still has a land line. Unfortunately, pollsters are learning how to make random calls on cell phones as well.

The large nonresponse rate has created a business for clever statisticians who estimate how non-respondents would have responded based on a study of their characteristics compared to those of people who actually answered the questions. One wonders how long such an approach can be accurate if response rates continue to fall.

Another very large problem is the difficulty expert policy analysts face in persuading actual policy makers, whether they be in legislatures or in the executive branch of government, that it is worth paying attention to expert policy analysis. This problem may have gotten worse because of the aforementioned fall in the respect for expertise, but it has always been a difficult barrier to overcome.

Depending on the system of government, elected legislators or appointed officials in the executive branch will be predominant in budget decision making. Their body of knowledge will very likely be different from that of the experts that they have hired to advise them and conflicts are likely. For example, imagine an influential elected member representing a particular geographic district. He or she may badly want to initiate a favorite public works project. If confronted by a policy expert who says that the project does not pass a benefit-cost test, the elected official is not pleased to say the least. The elected official will claim to know more about a district’s needs and its economic and social circumstances than some outside economist who may have never been there. What is an expert to do under these circumstances?

1. He or she must show respect for the elected official’s views. The elected official may know something important that is unknown to the expert, so the policy analyst must listen carefully to the elected official. Let’s be honest. Some analysts can be more than a bit arrogant.
2. If the policy analyst does not think that the elected official is making a good case, the policy analyst must be as transparent as possible about how he or she reached a different conclusion. This is not easy. Some policy analysis depends entirely on the result of running models that can be easily replicated and described. But that is the exception. Most policy analysis involves a lot of judgement. There may be several legitimate approaches to a problem involving different data and methodologies. The analyst may use them all,

weighting some results more than others based on a judgement as to which approach is of higher quality. The analyst then arrives at a conclusion that may be a weighted average of a large number of academic and private analyses. It is in the application of judgement that biases can creep in and cause the elected official to doubt the analysis. Ideally the analysts and their supervisors will have worked earlier to develop a trusting relationship with elected officials, so that they are not as likely to criticize the analyst unfairly. But that is a difficult challenge. When I was at CBO I was forever amazed how elected officials could love your expert analysis when it favored their views, but blast your incompetence when it did not. Often when criticizing your incompetence the official seems to have forgotten that he or she was praising your brilliance only a few months ago when you gave good marks to one of his or her favorite programs.

3. It is crucially important for government analysts to have good relations with the press and the academic community. If those communities respect your analysis, they can be powerful allies when you are attacked politically.
4. It is useful for analysts to have practical knowledge of how programs are operating. I believe that they should have the opportunity to visit programs often. I have learned many useful things talking to people running programs on the ground and even more from talking to people receiving a program's benefits. Unfortunately, budget restrictions in recent years often curb travel and analysts have difficulty in getting within hundreds of miles of programs they are analyzing. I don't know what to do about this. It is hard to convince those who determine travel budgets that the analysts are doing something useful and not just touring.

So far, I have provided a somewhat idealized description of the role of policy analysts. When I reminisce with old colleagues from OMB or CBO, we rarely talk about the high quality program analyses that we completed and that played a big role in shaping a policy and in determining whether it did or did not get adopted. Rather we talk about the truly stupid ideas that we thwarted. To the degree that we were successful, it was not because we ran sophisticated complex models using brilliant manipulation of data. More often it was because we used a simple analysis depending on supply and demand curves that we learned long ago in some introductory economics class. And of course, we were not always successful. Plenty of dumb ideas got through. As an economist, I always rationalized our role as improving policy a little bit. If we had improved it significantly, our marginal product would have been worth many billions of dollars per year. Our salaries did not quite match that.

Much of what I have said assumes that experts are unified in their views and that there are not profound differences in the way that problems are approached. That is not true. Some differences are legitimate. There are many conceptual issues that have not been satisfactorily resolved – valuing the human lives saved by a project for example.

However, some differences are of a different type. There are instances in which 90 percent of all experts favor one conclusion, but 10 percent do not. Unfortunately, the 10 percent may have a devoted following who have managed to gain much support among politicians. Our press does not do us experts much of a favor in such instances. They feel the need to report on both points of view in order to achieve balance and often do not note that the minority view is held by a very, very small minority. A reporter once joked to me that if he was doing a story on Jack the Ripper he would have to find someone somewhere who testified that Jack really was not such a bad guy.

In the last paragraph of the General Theory John Maynard Keynes deals with aberrant views most eloquently. He says,

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than generally understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be exempt from any intellectual influence, are usually the slaves of some defunct economist.

It is fascinating to me that Keynes was interested in today's topic – the role of experts – some 80 years ago. It is even more fascinating that he gave considerable emphasis to the influence of wrong experts.

I earlier bravely testified that we policy analysts have gotten better at what we do. We have better data and we have better techniques. I hope that I am right. But it is still important that we pay attention to Keynes modesty when assessing the role of economists in policy formulation. He said, *"If economists could manage to get themselves thought of as humble, competent people on a level with dentists, that would be splendid."* I think that we are better than we once were, but that does not mean that we have achieved the competence of dentists. We have to keep trying.

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