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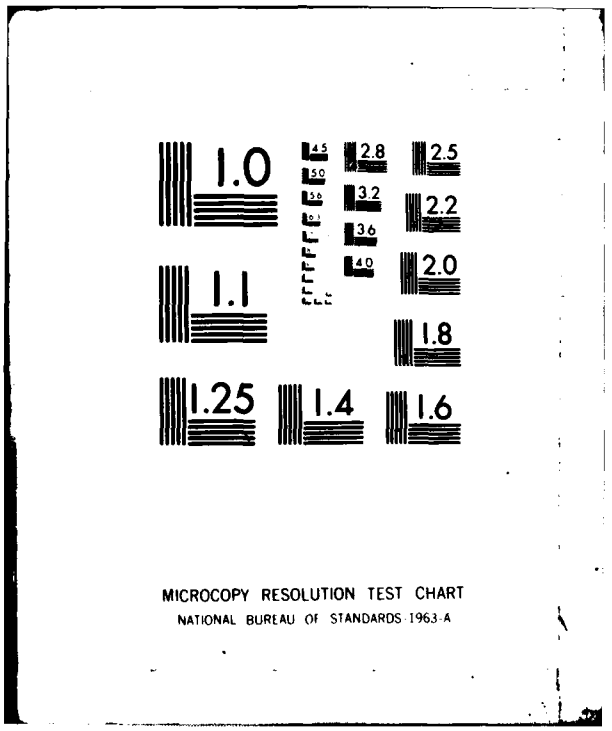
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POLICY ANALYSIS AND PUBLIC MANAGEMENT: STRENGTHS AND LIMITS

Charles Wolf, Jr.

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POLICY ANALYSIS AND PUBLIC MANAGEMENT: STRENGTHS AND LIMITS[1]

I will divide my remarks into two separate but related segments. The first focuses on the strengths of policy analysis and public management: What is distinctive about the field? Where are we in its development? And where are we heading?

I hope these initial comments will both reflect and generate some degree of confidence and optimism about the field and its prospects. They are intended to be a moderate sales pitch for what we are about--both as practitioners and as scholars.

In the second part, I will present a paradox and a puzzle about the field and its interaction with the realities of government. The puzzle will suggest something about the limitations of the field. The answer I will propose for resolving the puzzle should add a touch of humility to the confidence and optimism generated in the first part of my remarks.

I.

New fields--like new nations, new cabinet secretaries, new deans, new professors, and new Ph.D.s--are sometimes overzealous about their novelty. They are seldom untouched by the h[illegible]hat accompanies a sense of uniqueness and merit. Policy analysis [illegible]ublic management is a new field, albeit one with antecedents that can be traced to classical Greece and the Chinese Middle Kingdom.[2] Consequently, it is susceptible to these pitfalls of novelty. I will try to avoid

[1]Presidential Address delivered at the Third Annual Meeting of the Association for Public Policy Analysis and Management, Washington, D.C., October 23-24, 1981.

[2]See Herbert Goldhamer, *The Adviser*, Elsevier, 1978.

them in briefly reviewing the field's content, distinctive character, and direction.

Such a review is especially appropriate at this Third Annual Meeting of the Association for Public Policy Analysis and Management, and at the beginning of the twelfth academic year of the first formal graduate programs in the field.

I have elsewhere described policy analysis as the application of scientific methods to problems of public policy, choice, and implementation in domestic, international and national security affairs. Its successful pursuit depends on familiarity with the social sciences, economics, and the physical sciences, competence in a number of analytical techniques, and the ability and confidence to move across disciplinary lines.

This is certainly a formidable set of attributes! Mastering them is, of course, a matter of degree, and none of us aspires to be equally expert in all of these dimensions. In any event, excellence in the field requires a demanding and delicate balance of aptitudes, formal training, and experience.

There are, I believe, six characteristics that differentiate our field from the other disciplines and professions which adjoin it, and which have contributed to its development.

First, policy analysis is more concerned with <u>broader policy issues</u>, and hence with <u>interdisciplinary</u> aspects of analysis, than is economics or operations research. (For example, such issues as the tradeoffs between equity and efficiency in public policies, or the military and political implications of alternative burdensharing

arrangements in NATO, reflect the mixture of political, organizational, technological and economic considerations that typically characterize the agenda of policy analysis, rather than that of the established disciplines.)

Second, policy analysis is more quantitative, statistical, and mathematicized than is political science or public administration. From the standpoint of both analysts and practitioners, we are increasingly immersed in the collection, analysis, and testing of large data sets--census data, health claims data, welfare data, trade and financial data, military manpower recruitment and attrition data, and so on.

Third, policy analysis and public management is more concerned with the implementation and management of policy, as both a companion and component of good analysis, than is systems analysis or operations research.

Fourth, policy analysis is more concerned with normative issues, with alternative specifications of objective functions, with equity (in its widely varying interpretations and criteria)[1], and with ethics and ethical dilemmas, than is economics.

Fifth, policy analysis and public management are often typically and increasingly associated with issues and systems choices involving technology, engineering, and physical science. (For example, one can't do a reasonably competent job of analyzing alternative basing modes for the MX, or the pros and cons of possible arms reduction agreements,

[1]See my essay on "Ethics and Policy Analysis" in Fleishman, Liebman, Moore, *Public Duties: The Moral Obligations of Government Officials*, Harvard (forthcoming).

or the costs and benefits of computer-assisted tomography, without understanding the complex technologies involved.)

Finally, policy analysis has become closely associated with programmatic experimentation (for example, in the fields of welfare, health, housing, and military manpower).

As the foregoing list suggests, what is special about policy analysis and public management, and what differentiates it from the other disciplines with which it is associated and from which it has benefited, is a combination of attributes, rather than any single one. It is precisely this combination which provides policy analysis as a field, and its professional practitioners, with encouraging prospects for growth, development, and influence. For the cardinal issues and problems which confront us--both nationally and internationally--display in abundance the multiple facets and complexities that I've been talking about, rather than fitting neatly within the boundaries of the established disciplines.

The six attributes I have listed define the special qualities and capabilities of our field. They add up to a powerful armamentarium for addressing--perhaps "clarifying," or "illuminating," would be better terms--the major policy issues of the 1980s: for example, the appropriate roles and missions of different levels of government--federal, state, and local; the efficient and the desirable division of responsibility between government and the market place (what I've referred to elsewhere as the problem of comparing the "non-market failures" of government with the "market failures" of the private sector); the design and evaluation of alternative programs in the

domains of health, welfare, security, and care for the aged; the development and evaluation of alternative defense programs and force postures; and so on.

These six attributes also indicate not only where the field of policy analysis and public management currently is, but the direction in which we are heading. For all of these attributes plainly need further refinement and development, both as to technique and application.

This is of course a demanding agenda: for policy practitioners, for the public policy schools, for their faculties, and for students. This developmental agenda will place heavy demands on our curricula and faculties, especially in a period of current and likely budget stringencies. Even so, I think this agenda must be expanded still further in two additional directions if the field is to flourish rather than wane in the decade ahead.

Policy analysis and management, you will recall, developed in the context of the fervent concern for domestic and urban problems in the 1960s. As part of the legacy of Vietnam, the field involved an avoidance of, even hostility toward, international and military issues, notwithstanding the fact that methodologically and intellectually policy analysis owed a bountiful debt to the previous development of systems analysis and planning-programming-and-budgeting in connection with defense programs.

As part of the current developmental agenda for policy analysis and public management, there is clearly a compelling need to broaden and enlarge the horizon of the academic field by adding international

and defense policy issues to our central curricular and research concerns.

One reason for this necessary addition is that the links between domestic and international policies and programs are remarkably strong in many areas, such as energy, technology, productivity, the international transmission of inflation, interactions between the defense and civil sectors of our own economy and society, as well as those of our allies. Hence, understanding and advancing understanding of the domestic issues requires attention to their international and defense ramifications, as well.

Another reason for broadening the horizon is that the programmatic experience and data of other countries can be of substantial benefit to our own efforts and analysis in many of these fields. We are all too prone to the intellectual disability of assuming that, if programs, experience, and data don't have a "made-in-America" label on them, they can be safely ignored.

II.

Let me next turn to the paradox and puzzle I mentioned at the outset.

I doubt that I will find much disagreement in this audience with the proposition that there has been substantial improvement and significant development in the study and practice of policy analysis over the past decade.

The technical training we are providing in our various curricula has continually grown richer, more powerful, and more proficient.

There has been a similar improvement in the practice of policy analysis as a craft and as a profession. We are performing "better"

research and analysis, "better" in the sense that our methods are more sophisticated, our data sets larger and more accurate, our computer hardware and software more powerful, and the options, objectives, and outcomes that we scrutinize are much broader than they used to be.

The paradox is simply this: While our capabilities, our analysis, our training, and our craft have all improved impressively, the reality of public policy as it has shaped up over the past ten or twelve years, has come to display a disarray that might be likened to Brownian movement. The result is a profoundly sad and sorry condition of the public policy domain, one that represents a combination of good intentions with perverse outcomes.

I think one comes to this unhappy evaluation regardless of which domain of public policy one considers: economic policy, energy policy, national security policy, alliance policy, welfare policy, health policy, urban policy, and so on. I daresay the same conclusion was arrived at by a large majority of the electorate in its decision to place Ronald Reagan in the Presidency last November.

In other words, if we're so smart and proficient in the training and practice of policy analysis and management, why hasn't public policy improved over the past decade? What is the explanation for our shortfall? What is the source of our public policy confusion?

I am reminded of a story about a professor who labored through a long and involved proof in one of his courses, when one of his students raised his hand and said, "I'm sorry, I don't think I understand. I am confused. Would you mind going through that again?"

So the professor laboriously repeated the explanation and proof, and then turned to the student and said, "Now do you understand?"

"No," responded the student, "but my confusion is at a higher level!"

Is the explanation for the paradox simply that our improved analysis and technical training have only served to raise the level of our confusion, and to make our perplexity more sophisticated?

Perhaps there is something to this, but I think the explanation is more fundamental.

The proposition I would like to suggest to you to explain the puzzle is this: the reason for the disarray of public policy that has arisen in the past decade, contemporaneously with the improvement in the practice and training of public policy analysis, lies in the profound diseconomies of scale to which government is prone.

Government is a special kind of "industry." Like other kinds, it is subject to economies and diseconomies of scale. As an industry engaged in certain special kinds of production processes, government is associated with certain characteristics that apply to the demand for its activities, as well as to the supply of these activities.[1] The supply-side characteristics principally concern us here; they suggest why there are significant diseconomies of scale in connection with government activities and programs.

Among the relevant characteristics pertaining to the supply of government activities are the following:

First, the outputs that are sought through government activities are often hard to define in principal, ill-defined in practice, and

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[1]For a more extensive treatment, on which this discussion is based, see my *'Non-Market Failure' Revisited: The Anatomy and Physiology of Government Deficiencies*, The Rand Corporation, March 1981 (Draft).

extremely difficult to measure as to quantity and quality. (Consider, for example, the difficulty of determining the "quantity" of national security, or the "quality" of education, or welfare programs or environmental regulations.)

Second, government outputs are usually produced by a single agency whose exclusive cognizance ("monopoly") in a particular field is legislatively mandated, administratively accepted, or both (for example, the regulatory agencies, NASA's role in space, and the public school system, with only very limited competition provided in the latter case by private and parochial schools).

There are other characteristics associated with the supply of government output, but these two will suffice for my present purpose.[1] They limit the scope for decentralization in the conduct of the government's business.

Because the measures of performance for government output are elusive and, at best, are usually only proxies for the "final" results that are sought, and because there is rarely effective competition between governmental suppliers for a particular category of output, there are distinct limits on the degree of decentralization that is both feasible in the conduct of government business, yet consistent with effective conduct of that business.

Government policy and its programmatic implementation confronts the following dilemma:

On the one hand, the scope for decentralization is limited by the difficulty of designing suitable performance criteria that

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[1] Ibid. pages 22-26.

accurately and precisely reflect the intended purposes of policy or legislation, and that are resistant to being misinterpreted (inadvertently or advertently), or circumvented, or "gamed" and distorted, by those to whom responsibility is delegated.

The scope for effective decentralization in government is also limited by the absence of effective competition for the services that government provides.

Yet, on the other hand, centralization of large scale yet efficient operations in government is also limited, and by a number of equally powerful factors: the crucial role of judgment by "the man at the top" (the President, or a Cabinet Secretary), and the classical span of control limitations which this encounters notwithstanding the ability of computers to extend these limits; the heavy demands on the time and attention of government leaders in a democracy to nurture and sustain the time-consuming process of participation and consensus-building among those who are implementing policies and programs, and those on whom the policies and programs impinge.

Thus, I suggest to you that there are severe limits on the scale of efficient government activities. These limits derive from the inability of government to reconcile efficiency with size, through either centralized or decentralized management. Attempts to go beyond these limits, therefore, are likely to create the "disarray" in the public policy domain that I referred to earlier, or what I have referred to elsewhere as "non-market failure."

Our field of public policy analysis and public management tries to suboptimize within these distinct constraints on government scale. In somewhat technical terms, one might think of a logistic function

relating the scale of government to its performance: performance may improve over a certain range as government activities expand, thereafter the improvement will continue at a diminished rate, peak, and then begin to fall.

Although the impressive tools of our craft as they have developed and are continuing to develop may help to shift this curve, I doubt very much that they can change its shape. We should be realistic about how much these tools can accomplish if we are on the negative slope of the curve!

I conclude that we, as scholars and practitioners of policy analysis and public management, should carry along with our professional prowess a becoming degree of humility, lest we overtax the demands placed on government and the public policy profession.

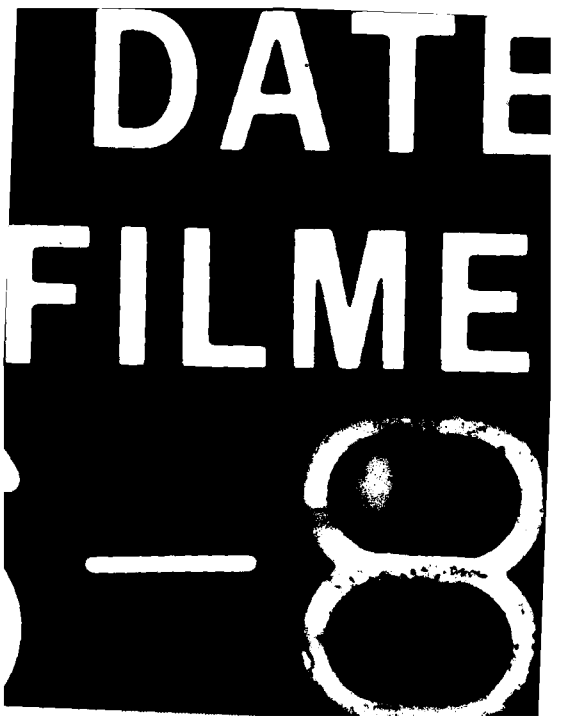
In conclusion, let me offer you a concrete, and surely controversial, example of what I am driving at.

In an address delivered at the 330th commencement exercises of one of our most outstanding universities last June, the distinguished president of that university referred in the following terms to two responsibilities of government which he characterized as critically important:

> "...the Federal government should make certain that our ablest and most promising young men and women have the opportunity to obtain the best possible preparation for callings that are important to a healthy, progressive society. In addition, the Federal government must take steps to insure that the highest quality of research can proceed in broad fields of inquiry that are important to the welfare of the nation."

I think we should be extremely skeptical of the sort of overweening and excessive demands that such assertions create for both the conduct of government activities, and for the practice of policy analysis in contributing and assisting those activities. In light of the serious limitations on the scale of what government can do effectively (even with the assistance of our best policy analysis), it is quite debatable whether these are suitable objectives for government actions and programs, or whether they exceed the scale of what government can reasonably aspire to accomplish.

Surely, our reach should exceed our grasp. Yet, equally surely, we should not pretend to what we cannot produce.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