

The Policy Research Markets

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Part of the glue holding together the membership of the Association of Public Policy Analysis and Management is a concern about the character and path of public policies. Embedded in this is the professional opinion that analysis will improve the outcomes of policy deliberations.

This issue—the relationship between policy analysis and policy development—has been the subject of a long-standing debate that has recently been revived. On the positive side is a simple factual question: Has past policy research influenced the character of policies (and, maybe, has this influence been benign)? On the normative side are several more questions: How can policy research be made more useful? Are funding and incentives for policy research appropriate? And are particular types of research being undervalued and underemployed?

These are questions I find interesting from both an academic viewpoint and a policy viewpoint. They are also issues to which I have returned to in thinking and in policy practice over a number of years. Here I would like to sketch my reflections on these questions. These should be interpreted as today's views, however, because I find that they continue to evolve.¹

In my opinion many discussions of this issue, even though carried out by very good analysts and researchers, have really failed to give proper attention to inherent differences in the character of underlying research and to the structure of the "policy research market." There are two key elements to the view of the research-policy interaction that I will present here. First, there is not a single homogeneous research market, but instead a series of interdependent markets corresponding to different types of research. While it is common to find some distinction between theoretical disciplinary work and policy research, not enough attention has been given to the different strands of policy research. Second, both the demand side and the supply side of

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¹ I have sketched out many of these ideas in a symposium to appear in the *Journal of Human Resources* (Spring 1990). While my views have not changed much since preparing that paper, the collection of papers as a whole will provide a useful perspective on the varying reactions of different researchers to the same questions.

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policy research and analysis provide various incentives and interact to produce the observed outcomes, and attention to the diverse structure of the research markets challenges some of the common generalizations and conclusions. In particular, I see no reason to presume that the pattern and character of policy research and policy analysis is grossly distorted from what it should be. Such a case requires more analysis and evidence than is currently available.

THE SEPARATE RESEARCH MARKETS

One of the biggest problems in discussions about research and policy is simply deciding what research activities are being considered. A substantial proportion of all papers in the social sciences have a section entitled "Policy Implications," but clearly this is not the same as all papers being directly applicable to policy. In fact, it is useful to distinguish different kinds of research that effectively represent different markets.

The most commonly recognized research is *disciplinary research*. Social science journals are filled with such work—research that is motivated by the challenges perceived within the separate disciplines of economics, political science, sociology, and so forth. Research in this category, whether theoretical or empirical, may address some issue that relates to potential public policies, but, generally speaking, the pursuit of policy issues per se is not its *raison d'être*. This class of work is the basic research of the social sciences, conceptually akin to investigations of subatomic particles in high-energy physics.

In contrast, *policy research* focuses directly on policy issues. It is similar to disciplinary research in that it gives heavy weight to hypothesis formulation, to rigorous analysis, and to agreed-upon statistical standards of evidence. It differs, however, in that its objective is to produce policy implications that have some hope or expectation of being taken seriously. This research responds directly to changing policy issues as evidenced, for example, by the rapid increase in research into income distribution and transfer programs engendered by the War on Poverty, or by the attention to privatization that has been related to deregulation efforts. This is the applied branch of the social sciences, corresponding to the engineering applications of theoretical physics.

Finally, *policy analysis* is research that is directly linked to the political process.² It responds to specific and detailed questions such as those that arise over a bill before Congress or a policy proposal in the Office of Management and Budget (OMB). Many discussions do not distinguish between policy analysis and policy research, but I believe these two are quite different and that the differences are central to judgments about research-policy interactions.

Policy analysis differs from policy research in several important respects. Its focus is highly governed by the detailed specifications of contemporane-

² Weimer and Vining [1989] develop a more elaborate taxonomy that includes separate categories of planning, journalism, and other related work. For the discussion here, however, the three categories are sufficient. Cook and Vaupel [1985] provide another cut at these distinctions, along with some more examples.

ous programs or proposals. It generally has a very short time frame. And, perhaps most important, it is very client-oriented. It is done for an actor in the policy process, and its usefulness is evaluated—at least at first—by that client. Producing relevant answers takes precedence over theoretical elegance, statistical rigor, and, perhaps, completely balanced and fully qualified results. Its objective is to bring the best currently available information to bear on very specific questions. It is not a showcase for new and different analytical methods. But that does not imply the work is in any sense easier—just that it is different.

For many purposes, it is useful to think of these research types as fitting into an informational hierarchy. Disciplinary research, the most basic type, tends to set the framework for policy research. Research methods, models of behavior, and so forth generally flow out of disciplinary research for application in policy research. Policy research almost invariably contains some empirical analysis directed at behavioral, organizational, or market phenomena that impinge on actual or potential government actions. The approaches and particularly the findings of policy research then become data for policy analysis. Policy analysis translates research findings into the specifics of policies; it typically has a broader perspective than the separate research pieces; and it resolves conflicts across different research studies on the same general theme. In general, the predominant flow of ideas and information is from disciplinary research to policy research to policy analysis. While there are exceptions, reverse flows tend to be more limited.³ This discussion here is set in terms of the information hierarchy, although parts of the discussion may be related also to status hierarchies.

DOES RESEARCH ENTER INTO POLICY DEVELOPMENT?

We can now return to questions of the relationship between research and policy. To me, the evidence is clear: Only one kind of research—policy analysis—enters directly into the policy development process. If we want to look at the relationship between research and public decisions, we must concentrate on the policy analysis arena. And, here there is evidence that policy decisions are affected by underlying research and analysis.

Research consumers who are central to the policy process place a fairly well specified set of demands on the information to be provided. They want information in a timely fashion. They want it to relate directly to parameters of immediate choice. They want the underlying research (or at least the description of it) to be understandable and rhetorically useful. They want highly certain answers. And, they want a single answer—not a range of choices. These demands virtually eliminate disciplinary or policy research as a direct source of information for them, because these types of research will almost certainly fail on several dimensions—timeliness, specificity, and admissions of uncertainty, among others. And, while disciplinary and policy research are frequently judged on technical virtuosity and innovativeness of analysis, these are given zero (or perhaps negative) weight by policymakers.

³ There are reverse flows of information, frequently in the form of ideas for research topics. At times, however, it is difficult to distinguish between ideas and funding or support, the subject of later discussion.

There is a cynical view, which I believe to be incorrect, that research is really never used to inform political views—only to bolster one’s preconceived position or to strike at opposing positions. The latter uses clearly occur sometimes, but I do not believe that they characterize the norm. Moreover, there are forces operating against this position on research. The formalized *and accepted* requirement for cost analyses of all legislation contained in the Budget Act of 1974 is an obvious indication that policy analysis has a real foothold in policy deliberations. Particularly in the face of substantial budget deficits, these cost estimates can mean the difference between a proposal’s being considered or not, and there is substantial interplay between Congressional Budget Office (CBO) analysts and policymakers’ staffs during the development of proposals. There are many other examples of the routine use of analyses in the OMB and the executive agencies that make the case for the role of policy analysis in the decisionmaking process. Much of this goes generally unnoticed, however, because (as discussed below) there are neither incentives nor mechanisms to publish and disseminate this work.

One clear and powerful force insuring that policy analysis enters into decisionmaking is conflict over policies. Within the government there is not a single actor with a single purpose. There are many. The resulting confrontation leads to a direct demand for policy analysis, if only to bolster preconceived ideas.

Saying that policy analysis enters into the decisionmaking process in important ways is not to say that it is decisive. Many factors not central to most policy analyses enter into every decision—including distributional issues, electoral politics, and moral values. But at the same time, major decisions can seldom be made without consideration of costs, efficiency effects, and implementation issues.

The differences in the timing and cycle of activity between policy deliberations and academic research (either disciplinary or policy) dictate that academic research will not directly affect today’s policies. This, I believe, holds even if the researcher recognizes the importance of political considerations (see, for example, Aaron, 1989). If we want to improve the direct link between research and policymaking, we must focus attention almost exclusively on the conduct of policy analysis as opposed to more basic research.

Policy research and disciplinary research, however, are not without impact. Frequently, discussions of the research-policy nexus try to link specific research results to specific policy actions, or try to uncover the research that entered into a particular decision. Typically, this fails, leading many investigators to conclude there is no link. Such an approach, I believe, distorts the picture of the impact of research on policy. While any direct links might be difficult to discern in individual legislation, there is no doubt that more fundamental policy research has a strong and definite impact.

First, a consistent body of academic research tends to set the boundaries of potential policies. For example, academic analyses of the costs and benefits of alternative environmental policies, while not accepted in the specifics, do place substantial constraints on the programs that are considered. Academic research also establishes the “null policy,” the idea that will go forward unless that is a strong political force working in the opposite direction. Examples of this might include support of free trade against more active trade policies and the use of quotas, the broad skepticism about the net effects of minimum-wage policies, and the current free market views related to any

discussions of new regulation of industry. In each case, reasonably consistent bodies of research have accumulated, and this research base has set the general thrust of policy. There are policies operating against the general research conclusions, but both the debate and the central tendency of policy follow the line espoused by most disciplinary and policy research.

Second, disciplinary and policy research frequently form the basis for the policy analysis that feeds more directly into the policy development process. For example, much of the analysis of the CBO involves translating and extrapolating from academic research while developing the analysis of specific proposals. Such analytic work in many cases simply could not be undertaken without the support of previous policy research.

Third, the findings and the perspective of the more basic research forms become part of the beliefs of the next generation of policymakers. Policy research has a clear role in the training of policy analysts and managers at all schools of public policy. Policy analysis in the field, which is of necessity done too hurriedly with incomplete data and knowledge, is often affected by prior discussions in the classrooms and hallways of graduate school.

THE NORMATIVE SIDE

Concluding that basic research does enter into policy development is not to say that we have the appropriate amount of research or that it needs no improvement. It is useful, then, to think more about the forces at work in the various research markets.

On the whole, I do not see any reason to presume that there are large distortions in the funding and conduct of policy research and policy analysis. This statement, however, runs contrary to many commonly held opinions (at least among policy researchers) and is based on little hard evidence. I will not attempt to review in any detail what has been said on the topic, but I will lay out my arguments and identify what further data are needed.

Two questions are usually considered. First, shouldn't more resources be put into policy research so that policies can be improved? Second, within policy research, shouldn't we make an effort to shift what is currently done, either in focus or in methodology?

The first question typically gets a perfunctory answer. Of course more funds should be put into policy research. This answer is not really surprising, because only policy researchers tend to ask such questions. The question deserves more consideration, however, because discussions of this issue usually assume no difference between policy research and policy analysis, and typically concentrate entirely on the supply side of research. We can actually take up this first question hand in hand with the second question about whether we are pursuing the correct approaches, because that problem is simply another variant of the resource allocation issue.

As a starting point, a natural question to ask is why the current market might not be working well. Specifically, research is an industry with many researchers, many funders, and many users of the end product. This sets up a situation that looks much like a competitive market. The stereotypical economist's response is, "Where is the market failure?" If a particular type of research would be more useful in a policy context, why is it not being produced? We know (and have evidence, such as that presented by Haveman

[1988]) that researchers respond to changes in funding. We know that academics respond to research and publication incentives. We know that research firms follow the dollar.

We can think of this as the social science version of the classic (and ongoing) debate about basic versus applied research in the physical sciences. The central argument in those discussions is that basic research has a considerable public goods component and that, therefore, there is a tendency to underinvest in it. The common answer to this problem is to provide public subsidies to basic research (although the subsidies are seldom enough to satisfy the academics who are doing the basic research!).

The argument in the case of the research-policy debate is somewhat different, however. The government is the ultimate consumer of the product of this research, and we might question why the government would underinvest in the required basic research. The government as a major funder affects the amount of research done at each level, and conceptually we would expect the allocation to be sufficient to achieve the desired outcomes.⁴ It might not be sufficient, however, if the government acted myopically or without understanding the links among the different kinds of research. It also might be insufficient if special interests have an undue influence on the policy development process.

Myopic political and bureaucratic behavior could result from the governmental actors operating within very short time frames, as determined by election cycles. The other side of the story is the well-known iron grip of incumbency and the inertia of standing bureaucracies. My feeling is that the pressures toward expediency, while real and apparent in the case of specific policies, are overstated in the case of information gathering. There is even a countervailing force: Calling for more data and analysis is not infrequently a ploy of opponents of an action who are looking for a delay.

If decisions in specific policy areas are biased toward special interest groups (for any of the usually posited reasons), the character of research might be affected. On the other hand, it seems to me that the main impact of "shoot-outs" among interested parties would be to elevate the amount of research and analysis that is done—indeed to take it beyond what would be efficient. That is, if this biases the funding and support of policy analysis, it probably works against any underfunding tendencies.

Given that policy analysts are both responsive to the demands of policy-makers and are the consumer of policy research, much of the discussion about market failure comes down to arguments that policy analysts are systematically making mistakes—something I tend not to believe without more evidence.⁵ Because of their position in the process, they will generally

⁴ I note only in passing that the opposite argument is seldom made, but perhaps should be considered. That is, isn't there a tendency to overfund research, since nobody really represents the nongovernment position in the allocation process? Presumably, electoral incentives plus pressures from governmental budget deficits adequately counteract any such tendency to go too far.

⁵ The preceding arguments about biases resulting from special interest groups could be relevant when considering the precise character of research and analysis, as opposed to the overall level. Consideration of this probably depends crucially on where special interests enter into the decision process—at the level of the decision maker, or the analytic support offices and companies, or the researcher.

Another related view might be that the private interests of the analysts themselves conflict

be able to influence what policy research gets done through their influence on funding. Perhaps they do not have sufficient control of funding. Or perhaps they are not clever enough to use available information or to modify incentives. But these statements need further support.

One more persuasive argument for a market failure relates to the structure of incentives within disciplines. Such people as Richard Nathan [1988] argue strongly for encouraging interdisciplinary activities, but the separate professions and their reward structures do not reinforce that idea. The *Journal of Policy Analysis and Management* has worked hard to develop an interdisciplinary perspective in its articles, but that is not sufficient to change the structure of incentives. Academic departments and schools tend to promote people according to the standards of an individual's discipline, even inside policy schools.

But, we should not look at only the academic component of research. There is a vast research industry outside of universities. Presumably this market is not as tightly bound by the restrictions of discipline-based journals. Researchers outside of academe and maybe even tenured academics respond to funding and to outside policy interest.

The standard basic-versus-applied-research debate suggests that basic research is underfunded. Here we are generalizing to three levels: disciplinary research, policy research, and policy analysis. It might be natural to think that the most basic research gets the worst treatment and the most applied research the best. Since government is consuming the product, there is an incentive to provide adequate funding at least for policy research. But the overall conclusion might be premature. Most people concerned with policy research and policy analysis—the people who generally consider the linkage questions—tend to argue differently. The tendency to underfund disciplinary research may be offset by publication and promotion incentives within universities.

At the very least, thinking in this way about research to support policy-making changes some of the focus. At one level, it is a simple question of why we think policymakers might be wrong in their current allocations of funds to support research. At another, it is a question of how offsetting incentives might net out.

But the concerns about specific lines of research or methodological approaches remain. There are many suggestions about how to improve the policy relevance and policy impact of research. One common thread of such discussions is to recommend that researchers become more politically aware. This can be interpreted to mean that policy research should move closer to policy analysis by becoming responsive to the specific current policy interests and by presenting material more in the form desired by policymakers. I am in general not very sympathetic to this argument because I believe that there are gains from specialization, that is, gains from recognizing and maintaining the distinctions between policy research and policy analysis. Policy analysis is generally conducted by people who are very "close to the action," people who can more readily adjust to the fast-chang-

with the public interest. Indeed, this might interact with the special interest bias, as in "How do 'beltway bandits' really behave when doing their work?" I do not believe, however, that we know enough about these issues to understand how they might affect the level or character of policy analysis and research.

ing view of today's relevant policy options. Indeed, in other work [Hanushek and Weimer, forthcoming] I attempt to demonstrate how client orientation and an interest in achieving superior policy outcomes dictate direct consideration of the politics of policy formulation in the design of policy analysis. I do not believe, however, that policy research should follow suit too closely.⁶

One way to think about the difference between policy research and policy analysis would be that policy research aims to generalize about behavior and activities, while policy analysis attempts to make its application more specific. An implication of this is that there is essentially no "after market" for policy analysis. Once a policy decision has been made, the policy analysis that entered into it most often dies.⁷ Journal editors, publishers, and tenure committees are seldom interested in the very specific policy analyses. Therefore, if only for survival and growth of policy research, I think the differences between policy research and policy analysis should be maintained.

A different argument about the current situation is that certain methodologies are underutilized. Some argue that direct experimentation should be used more often. Others argue that microsimulation methods should be more strongly encouraged. Still others suggest that the highest payoffs come from field observations of relevant activities. On this score, I frankly see very few compelling arguments for why the research markets get the wrong solution. Clearly, proponents of each of the varying methods are actively competing to have their ideas win out. Yes, there are fads in research methods within disciplines, and these might act to suppress particularly promising approaches. But I do not think that such anecdotal evidence makes the case for significant misallocations, especially in the case of policy research where the ultimate consumer has substantial market power in research funding.⁸

CONCLUSIONS

If we want to increase the direct relationship between research and policy-making, the point of attack is policy analysis. This activity takes its cues directly from the policy issues of the day and acts as the intermediary between more basic research and policy deliberations. Most discussions of research in the policy process, however, are really aimed at altering the character of the more basic policy research. There are interesting questions about the character of this research, but I am not convinced that we have even hit on the right way to ask the questions.

⁶ On a related subject, while policy schools might want to encourage faculty to spend some time in either staff or analyst positions in policy operations because it would help their future research and teaching, they should not, in my opinion, give too much weight to the activity *per se* when it comes to promotions and pay scales. Universities are in the business of promoting lasting additions to knowledge, which policy analysis itself seldom represents.

⁷ The exceptions occur when (a) an enterprising policy researcher traces through the policy development process and attempts to generalize about it, or (b) academics in policy schools are looking for cases that can be used in instruction.

⁸ A bit of care is also needed in assessing the "efficiency" of research markets. Frequently, arguments about inefficiency in the allocation of research funds are made by looking back at a number of dead-end lines of inquiry. It is clear, however, that the proper standard is *ex ante*, not *ex post*, chances of success. Faced with considerable uncertainty, there will obviously be a number of potential approaches that do not pan out.

One set of discussions cannot be entertained: Pleas for general increases in quality (do better research, eliminate the uncertainty, and so forth) are obviously valid but probably do not have many implications for the way things are done. Already there is a natural competition among research methods, and at that level there are not obvious reasons to think that the allocation of effort is especially distorted. Said differently, we all have our favorite methods and approaches; why don't they win out on their own?

The publication incentives may distort research patterns. Here we might think that policy research would be at a disadvantage relative to disciplinary research. Yet policy research is done by a wide variety of people, many of whom are not driven by incentives to publish in disciplinary journals. There is ample evidence that research is quite responsive to funding and little reason to believe that the funding is too low.

In the end, true to the profession, I note that more analysis is needed to ascertain whether either disciplinary or policy research is undersupported from the standpoint of policymaking. Based on existing evidence, however, it is difficult for me to see why too little would be spent on policy analysis. In fact, when policy conflicts are high, the demand for policy analysis will also be heightened—leading to more policy analysis in situations where it is more likely to be informative. And, there is no *prima facie* reason to believe the character of the research that is done is particularly distorted.

Finally, having spent all of this time discussing how the policy research and policy analysis markets differ, it is appropriate to end with a recognition of the complementarities and symbiotic nature of the two. Clearly the value of policy research is greatly enhanced by high quality policy analysis, and vice versa. This relationship is apparent in schools of public policy. But nowhere is it as apparent as in the Association for Public Policy Analysis and Management, where the interactions are the reason for the organization.

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