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WHY POLICY RESEARCH INSTITUTES?

William Gorham

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Foreward

This Memorandum is a lightly edited version of a talk given by Dr. Gorham in the IIASA Colloquium series last June. Because of the wide international interest in institutional means for harnessing systems analysis and social science to real problems of public planning and management, we take pleasure in presenting this commentary on U.S. experience to a wider audience.

William Gorham is uniquely qualified to speak on the management of policy research. An economist by training, he left the Rand Corporation for senior posts in the U.S. Departments of Defense and Health, Education and Welfare during the Democratic administrations of the mid-1960s. In 1968 he became the founding President of the Urban Institute, now one of the most important and influential sources of research on social and economic policy in the U.S.

Harry Swain
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Why Policy Research Institutes?

William Gorham*

I will speak of non-profit policy research institutes: why they are needed; their goals; and what sort of environment is necessary to let them do the things they were designed to do. I will then turn to an example of this genre, The Urban Institute, and fill out the picture by describing it.

The non-profit sector in the United States is not well understood. It is neither fish nor fowl, neither part of the official public sector which is elected or appointed, nor part of the private profit-making sector. It is composed of churches, voluntary organizations, clubs, "private" schools, universities, and hospitals, and many other non-profit, non-public institutions. It accounted for 3.6% of the Gross National Product in 1973. It is a growing part of the society.

The non-profit research institute belongs to that small sector. While that sector probably started 200 years ago, the first large publicly-oriented policy research institute began in 1946. The Rand Corporation was devoted at the outset exclusively to problems of military preparedness. It diversified its interests in the middle 60s. There are many policy research institutions now, but very few with more than two dozen permanent staff. The large ones include Rand, the Stanford Research Institute (SRI), Resources for the Future (RFF), and the Brookings Institution. The largest of these working exclusively on domestic issues is The Urban Institute. It was started in 1968 on the heels of riots in American cities. While big trouble in the cities gave the Institute its immediate impetus, that would not have been sufficient if it were not for the growing concern that many of the new public programs designed to ameliorate specific social problems--the decay in our central cities, racial discrimination, inadequate educational performance among poor children--were not working very well. That broader perception gave rise to a call for a domestic think tank, and as it was the year when urban problems were in the news, it became The Urban Institute.

Now why a non-profit policy research institution in a society which is so richly endowed with other institutions with formidable intellectual resources and other sorts of mechanisms by which knowledge, facts, intelligence can be brought to bear on social problems?

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The first reason in my judgment is that during the 60s in our country, the agenda of action for the public sector began to grow and the add-ons were very complicated problems: what to do about declining central cities; about increasing crime; about multi-problem families with low income, low skill, inadequate health care, etc. These were not problems amenable to technical fixes. As new social problem targets came onto the agenda, aspirations and expectations for their amelioration grew apace. But "back at the ranch," where program decisions were made, the intellectual basis for coming to grips with what the problems actually were and what to do about them was patently inadequate. Decisions about what to do are made in the political arenas of our country. The political process is good for many things. When it is reasonably representative it is pretty good for distributing benefits to various groups in the population. It also can sometimes resolve or at least legitimately "waffle" conflicting desires among different groups. However, for "engineering" the easing of complex social problems, political processes of decision making without formidable focused intellectual input (and perhaps even with it) are inadequate.

So there was a desire to do better, and a recognition of ignorance of what to do and doubt that the political process itself would be sufficient to uncover relevant knowledge. But what about the existing knowledge-acquiring resources of the society? What about government staff? The bureaucracy is very large. Many government analysts are smart, and they care. Why couldn't this kind of knowledge be developed in government? Much of it was and is. An enormous amount of useful knowledge is developed in government, but there are limitations. First of all, government agencies tend to be dominantly concerned with the very short-run problems--usually in administrative programs. But much of the required knowledge is fundamental and broad--not programmatic and specific. An example: understanding the effect of welfare payments on work force participation. Such questions take sustained attention. A second, and related, point: government is frequently too close to particular programmatic solutions to carry on "within their midst" unfettered inquiry which might lead to quite different solutions. Finally, the work environment of government undermines intellectual efforts. Even good researchers stray from research. I have seen, again and again, good analysts enter government, start in research, learn that the rewards go not to those who devote themselves to understanding complex problems, but rather to people who are adept at the "timely memorandum:" those who make use of the best available knowledge in determining what should be done tomorrow about this or that problem. There have been exceptions--some good policy research has been done in government. But the environment works against it.

What about the university? Universities, of course, do most of the knowledge acquiring in our society. However, the format is largely along disciplinary lines. Economists work on problems of the economy and the economic behavior of firms and individuals. Sociologists do their thing and so forth. Research in universities generally aims toward publication in respectable journals, toward the rewards given by other academicians. But most of the social problems of a society and public policy formulation cross disciplinary boundaries. Reducing crime is an interdisciplinary problem. Understanding the migration of people and job from central cities is a complex social and economic problem. Universities are not terribly good environments for focusing on such problems. Their structure and incentives are not conducive to policy research.

Finally, there is the private sector. The private sector does most everything, including some social policy research; however, its prime motivation is profit making. Therefore, it gravitates toward doing what pays best. If "government" wished, it could shape a private-sector policy research capability sufficient to the need. But that capability would be fully and unabashedly "kept" and therefore suffer many of the debilitating problems of inhouse government policy research. Up to now the private sector has worked on limited, narrow social problems. The staff of such organizations are and expect to be moved from subject to subject as funds become available for this or that problem, which limits their ability to become drenched in and committed to particular problem areas.

There is much more to be said about each of these other institutions as they are and as they could be. But this superficial treatment must be all here. The non-profit policy research institute grew out of the aforementioned and other perceived limitations of government, universities, and private firms.

(An aside: These organizations--the Rand Corporation, The Urban Institute, Resources for the Future, Stanford Research Institute--sometimes say things which their sponsors find against their interests. That sets a limit on the sorts of questions government will ask such institutions to answer. But to the credit of many government agencies a surprising openness does exist to setting in motion research which is or can be antagonistic to current or proposed policy.)

I can enrich the picture by describing some aspects of The Urban Institute.

First, its overall goals:

- To understand major societal problems;
- To effect specific improvements in government and government programs;
- To develop tools of analysis--usually, but not always, formal models;
- To point out weaknesses in policies, as well as to uncover problems which are not on the public agenda.

These four goals are all mutually supporting and some are unavoidably interdependent. For example, improving government programs usually requires an understanding of the problem toward which the program is directed; and most often a general understanding of the problem necessitates the creation of a working abstraction of that part of reality from which it emerges.

What are the prerequisites for achieving these goals? The first is access to funds. The conditions surrounding the funds must allow freedom of inquiry; must allow broadness of focus; should allow free publication of results; should mostly allow expectations of multi-year continuation. None of these is absolute but unless each generally prevails most of the time the aforesaid objectives cannot be achieved. More than any other factor the funding environment shapes the potentiality of these institutions. Also an overall prerequisite is a high-quality analytical staff. To achieve this the internal institutional environment must compete effectively with universities and government in terms of compensation and conditions of work, etc. If it doesn't, adequate staff will not be attracted and the aims will be frustrated.

To achieve the second objective, specific improvements, usually requires association with responsible government agencies. Research organizations develop knowledge. They do not pass laws, administer programs and so forth. To effect specific improvement requires the action of lawmakers or administrators. In the United States they can be members of Congress or influential advisers. Indirectly, journalists can spur action. Who the actor is varies by the problem and by the time. In The Urban Institute we have developed relationships of confidence with executives in government agencies, in Congress, and in newspapers. When we have something concrete to say, there is somebody who will listen. Whether or not action results is another matter. Our work has had real programmatic impact. A recent example is the leased housing problem. In it the government supplements the income of poor families for the specific purpose of

improving their housing. Several years ago we compared it with programs in which the government provides public housing or subsidizes builders of houses for low- and moderate-income families. We found that the leased housing program was very effective relative to other programs. A year ago the program was substantially expanded.

The third aim, the development of models of sectors of life in which government does or expects to intervene, takes very patient sponsors. Developing useful models takes a long time. The National Science Foundation, created to channel funds to basic science and now funding more applied efforts, has the kind of patience necessary. Another precondition for long-term model development is research staff with staying power. We have one model we have been developing for six years. It is a microsimulation of the U.S. population. It starts with a sample of 40,000 people, which represents the whole population. It models some of the characteristics and some of the interactions of these people. It simulates their behavior, marrying, child bearing, wage earning, income earning, and so forth. The model matures a sample of the population on the basis of probabilities that they will change their status from year to year. It is a behavioral model. It uses the estimates of probabilities available about changes in income, work, education, marital status. The promising thing about the model is its expected value to test policy. It is a "policy response model"--policy response because it allows one to test certain policies to see what might happen to the population if this or that policy were implemented. One could take a policy such as providing "free" child care for all working mothers. The impact on government cost, work-force participation, family income by type of family, fertility, marital behavior, and so forth could be tracked into the future. Of course, the quality of the projections is a function of accuracy of the parameters. These are derived from vast literature searches. The model is a framework which brings together the best information about the way things are connected to each other. (It is therefore and incidentally a good vehicle for asking questions of other disciplines. You would like to know how income and fertility are connected. As your income increases, what happens to fertility--more children or fewer? Is that a larger factor in cities or in the countryside?) We have invested about $1.5 or $2 million, and the government has invested about $1.5 million, in this one instrument. It will have been well spent if it ultimately yields better ways of looking at alternative government policies to improve human conditions.

The major precondition for the fourth of the major goals, pointing out weaknesses in society and in programs, is a tolerant government. It takes tolerance because the final

goal is to say publicly, when warranted, that which government officials rarely want to hear. For example, if the executive branch is trying to increase the budget or get a law passed by the Congress and it is saying how great that program or law is, it does not wish an Urban Institute to say that it's worthless. It takes a very tolerant government to accept sponsored research antagonistic to its immediate ends. There are few governments that tolerant. But they are variously tolerant, and organizations such as The Urban Institute take various risks. One thing that helps is the bigness, the complexity, the diversity of government. It has many parts, so that if one branch of it is made very unhappy and no longer supports your work, there are other agencies. One can even occasionally make a president unhappy. Presidents come and go. And presidents can't really control all the levers of support. So, periodically, my organization has said things in public which parts of the government don't like. That is part of our function. But the line must be walked with care. If we had cause to disrobe the Emperor every week and did so, soon he or his minions would not aid us in that task. But what of foundations? They can and do moderate the dependence on government; but, for the most part, they want their grantees to be effective. And they can have even less tolerance than agencies. In sum, this last obligation of private policy research institutions, though crucial, must be conducted with circumspection and courage.

I will now say something about the specific agenda of The Urban Institute. The question is: how do you decide what work to do? But, first, why set an agenda? If the organization were endowed, agenda-setting decisions on how to spend in-hand resources would be essential. But for policy research institutions such assured funding is rare. They must raise the bulk of their funds year by year. They may have some funds over which they have considerable freedom, but largely they must persuade other funders to support work they think worth doing. Still, setting an agenda is valuable and important even though it is a wish list, or better, a "hunting license." An agenda should read: these are the areas of work we will focus on if we get the money and the staff. Another function of the agenda is that it excludes things. It therefore communicates to the staff or prospective staff the range of things that will be encouraged to work on. And that is important because it discourages the natural tendency toward fragmentation; it encourages massing of intellectual resources which is after all one of the inherent advantages of non-profit research organizations over the university.

Finally, focusing on agendas periodically encourages a reappraisal of work in progress. The agenda finally turns

out to be a subset of a catalog of knowledge gaps which seem particularly worth overcoming in the light of their relevance to important forthcoming policy decisions.

Our agenda is organized in four categories: the first, Economic Well-Being, the problems, policies and programs that affect the price level, inflation, the employment level, unemployment, underemployment, proverty and, generally, the distribution of income and wealth.

Our second category we call Major Public Services. These are functional; e.g., housing, transportation, criminal justice, social services. In each the public sector plays an important role.

The third: Urban Studies. Whereas the former--Major Public Services--are not specifically geographic, they take place in geography, but they are not place-specific concerns. Urban Studies are inherently geographic. They deal with the city as an entity: with the conditions of the city, governmental arrangements, financing, delivery of municipal services, and public management in general.

Our fourth area of work we call General Management and Evaluation. The objectives are to improve the way in which the public sector gets information, measures its outputs, and goes about its business.

I will cite just two specific goals to convey the gist of the detailed agenda. Under Economic Well-Being we have six goals. Of these one relates to the social security system. We think that both the benefit structure and the financing of the old-age and survivor-insurance system--budgeted at about $70 billion in 1976--should and will receive policy attention and reconsideration over the next five years. Along with other deferred compensation schemes, other pension plans, public concern with this program has been mounting since we developed our own interest in this field. We have evolved a set of analytical tools and familiarity with the programs, and, in general, are in an excellent position to help in this reconsideration.

An example of Major Public Services topic is transportation. Urban governments are making major transit, highway-pricing, regulatory, and other transportation decisions and will continue to do so in the foreseeable future. The bases of most of these decisions are still very weak. During the next years, we aim to improve our ability to assess major transportation options for urban areas, thereby contributing to the development of a harmonious system of passenger transportation that is both equitable and efficient. Our intention will continue to be to understand how systems are used by

travelers in a variety of technical, market, regulatory, pricing and service environments and how government intervention can improve urban mobility. This is a tall order; within it there are many specific urban transportation projects. While some of these objectives seem overly ambitious if not outrageous, they do use phrases such as "improve our ability." This is neither presumptuous nor unlikely.

The non-profit policy research institutes fill a need in our society. They are young and still fragile institutions. They are subject to many temptations and threats which could rob them of those special characteristics which led to their creation in the first place. It is very likely that they will persist. The more open question is whether or not they will perform their social role as they could and should.