

# Introduction

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## Questions

- What is public policy?
- What are the opportunities and challenges of democratic policymaking?
- Why is public policymaking often inefficient?
- What is an analytic approach to public policy?
- What is a scientific approach to public policy?
- What is the scientific method?

## Overview

- Public policy is government decisions (including not deciding) on societal rules.
- Core opportunities in policymaking include preference identification, agenda setting, alternative specification of an issue, implementation, and evaluation.
- Core challenges in policymaking include preference aggregation, delegation dilemmas, credible commitment problems, bargaining problems, cooperation, and coordination.
- This text uses an analytic approach to understanding public policy. An analytic approach uses models, game-theoretic, and political economy to understand how

- individuals’ choices are shaped by the policy context and rules that characterize their decision-making environment.
- This text uses the scientific method for evaluating public policy.
  - The scientific method requires theory construction, research designs that rule out alternative explanations, testing, and replicability.

## Introduction

Public policy encompasses a wide range of topics (for example, health care, tax policy, defense policy, environmental policy, and more), and public policy decisions have a wide range of effects. Many policy topics are complex, making them difficult to understand, as well as hard to improve or solve. Is deficit spending by governments desirable? Is it equitable for some citizens to pay a larger percentage of their income in taxes or for some not to pay income taxes at all? Why does the United States spend so much on health care, yet have such poor health outcomes? To enhance the prospects of peace between countries, is it better to focus on a strong defense or international organizations? Does getting tough on crime reduce crime? If Americans prize liberty so much, why do we have the USA Freedom and Protect America Acts? Why do US students lag behind students of other wealthy nations in educational attainment? Each of these questions reflects a salient and complex public policy question.

This book introduces readers to a set of simple tools that are useful for understanding public policy problems. We believe that by the end of this book readers will have a better understanding of how public policy is made, why we observe some of the policies that we do, and why improving or even changing public policy is often very difficult.

### 0.1 What Is Democratic Public Policy?

The focus of this book is on public policy developed within a democratic framework. Let’s consider each of these concepts in turn.

#### What Is Public Policy?

Public policy is a challenging concept to define. Perhaps it is best thought of as the framework of governmental formation and deliberation, the intentions of decision-makers, the formal statement of public activity, or the consequences of that activity for the public (Hofferbert 1974). Public policy represents government decisions on the rules that affect our lives. Public policy may involve *doing* something or may involve

*letting something (or nothing) happen* – it includes both government-in-action and government inaction. In brief, the study of public policy is concerned with explaining why government acts (or fails to act), when it does, and what the consequences of such actions are.

## What Is Democracy?

All states, whether democratic, autocratic, or anocratic, enact public policies. In this text, however, we will exclusively focus on public policymaking within the United States. Democracy is rule by the people or representatives elected in free and fair elections by the people. Democracy takes many forms. In some democracies, the leader of the government is a president (for example, the United States or France) and in some the leader is a prime minister (for example, Great Britain or Canada). Some democracies have two legislative chambers (for example, the United States and Canada), while others have just one (for example, New Zealand). In addition to these institutional differences, there is a difference between a republic and a direct democracy. The United States, for example, is a republic, meaning that the nation is governed by elected representatives. It is not a direct democracy, a system in which citizens vote on all major policy issues themselves, instead of those issues being voted upon by their elected representatives. Compared to unelected dictators, elected representatives have incentives to be responsive to citizen preferences. Yet, doing so in practice can be quite challenging. Why? Because not all citizens agree on how government ought to act. A central problem faced by governments, democratic or not, is contending preferences. Some citizens want universal, publicly provided health care; some do not. Some citizens want lower taxes; some prefer the services provided by the current tax levels. Some citizens want more defense spending; some want less. Some citizens want common education standards; some do not. Worse still – for several issues, preferences are cross-cutting, meaning that groups of citizens do not share similar preferences across a variety of policy issues. Because of these cross-cutting pressures, any elected politician is likely to have preferences that differ from some people at least some of the time.

The problem of contending preferences is one we all face daily. You and a group of friends, for example, may be choosing which movie to see on Friday night. Some of you want the latest comedy, others prefer an action movie, while still others prefer an intense drama. How do you resolve these different preferences? The problem of contending preferences is exacerbated by resource constraints. If you had lots of money and time, you and your friends may decide to just watch each movie over the entire weekend (although there is still the problem of which to watch first). Most of us, however, do not have enough money and time to satisfy the contending preferences we face. Individuals and families, subject to budget constraints, often have to choose between steak or beans and rice. Worse still, families sometimes have to determine that

some children get expensive things that they *need*, like allergy treatments, and this choice keeps another child from getting something that they *want*, like the ability to play on a travel sports team. Governments also do not have enough resources to satisfy all preferences. Governments, like families, then must make difficult choices among wants and needs. In addition, some contending preferences, such as views on same-sex marriage or Common Core education standards, are not simply about resources for implementation, but competing views of justice.

**What Is Democratic Public Policy?**

Democratic public policy is government action that is responsive to majority preferences. Government action can manifest either as process or outcome. Democratic public policy processes are decisions by elected officials or their agents. Democratic outcomes are public policy results that reflect majority preferences. There seems to be general agreement that public policies should be the products of democratic processes, whose outcomes adhere to the majority will. Elections have consequences. Winners get to rule and losers must live with those consequences until the next election.<sup>1</sup> Even where there are severe differences of opinion, the agreement that the choice was made via democratic methods ameliorates losers of political contests. However, enacting the majority’s preferences on an issue is not so easily accomplished. A central purpose of this book is to help readers understand why public policy may not always reflect the majority’s preferences.

**0.2 The Opportunities and Challenges of Democratic Policymaking**

In this text, we think of public policy in terms of opportunities and challenges for elected officials to respond to majority preferences. Public policy opportunities are arenas where citizens and government have the potential to preserve what is valuable, enhance life, and address new issues. These arenas include opportunities to identify citizen preferences over public policy, to set the agenda, to identify alternatives/policies, to implement public policy, and to evaluate policy performance.

As we will see in the following chapters, public policy decisions in any of these opportunity areas can affect citizens’ lives. However, while these arenas generate opportunities to affect public policy, each also faces fundamental challenges that may shape, hinder, or alter the ways in which policies develop or change.

<sup>1</sup> John Dunn (1979: 2) describes democracy as “the moral Esperanto of the nation-state system.” Democracy, like Esperanto, is the language everyone believes they speak and thinks of as a universal term.

Table 0.1 Areas of Opportunity for Making Public Policy

• Preference Identification (What do citizens want?)
• Agenda Setting (What is government paying attention to?)
• Alternative Specification (Which policy will government pursue?)
• Implementation (Once passed, how will government carry out the policy?)
• Evaluation (How can we know whether policies are successes or failures?)

The real-world pursuit of opportunities within democratic public policy is inefficient. The public policy process does not always live up to the ideal that many citizens have come to expect. To be fair, real-world policy differs considerably from what most citizens learned in grade school about the functioning of government. When policies fall short of idealized standards, popular consensus for such inefficiencies may cite varying usual suspects, including: corruption, career politicians, and/or ignorant politicians/citizens. While some combination of these potential causes are ever present, we believe that there is a set of deeper analytic challenges that are more often than not at the center of public policy inefficiencies.

In this text, we suggest that democratic policymaking inefficiencies may arise due to a set of core theoretical challenges that all democratic states face in developing and implementing public policy. Based on a large literature of scholarship over diverse disciplines such as economics, political science, and public policy and administration, several core problems have been identified as prime suspects for policy inefficiency.

Each of these core challenges can shape the manner, direction, and success of policy pursued in any of the opportunities identified above. We believe that this interplay between policy opportunities and challenges has been undervalued in previous introductory public policy texts. As a direct consequence, students of public policy have been denied an early introduction to the core theoretical challenges that exist in the policy world. Our approach here is to introduce students to these core challenges in a meaningful and accessible way. We do so, highlighting at least one challenge and often more than one, in each substantive chapter.

0.3 Our Approach: Analytics and the Scientific Method

Our approach is based on a simple and we hope non-controversial observation: public policy students should be treated no differently than students embarking on training in other fields. In our view, nearly all public policy textbooks operate from a view that students should not be exposed to the models, empirical analyses, and

Table 0.2 Core Social Interaction Challenges

• Preference Aggregation Dilemmas (How to extract a group’s preference from individuals?)
• Delegation Dilemmas (How to hire and incentivize the right agent?)
• Credible Commitment Dilemmas (How to credibly signal intentions when there is an incentive to renege?)
• Bargaining Dilemmas (How to achieve efficient outcomes when all parties must consent?)
• Cooperation and Coordination Dilemmas (How do self-interested members of groups overcome incentives to undersupply group goals?)

scholarship produced by academics and practitioners of public policy. Rather, these texts tend to cover public policy in a descriptive manner, placing heavy emphasis on describing a variety of substantive public policy areas and less emphasis on the theories and analyses used to understand those areas. This approach is unique to public policy and political science and we believe it is unfortunate.

Introductory courses in Biology, Chemistry, Economics, Accounting, and Physics, to name a few, begin with an assumption that their students can readily negotiate the core elements of what professionals pursue in those fields. We believe that public policy should not be any different. To deny students access to real-world theories and analysis denies them the very tools with which they may be able to contribute successfully in the field of public policy. Just as in these other fields, public policy analysis is a scientific endeavor – an endeavor that seeks to apply rigorous theoretical models in conjunction with scientific methods of investigation to understand how and why policies develop in the way that they do and what impact such policies have on society.

Accordingly, our approach with this text is to engage students with substantive areas of public policy *in conjunction with* the core theoretical challenges that every area of public policy faces. To understand the opportunities and challenges of public policy we will: (1) apply a broad theoretical/analytic framework that will allow us to investigate each of these challenges and how they influence the formation and implementation of public policy; (2) employ the scientific method to evaluate empirical evidence; (3) draw on the most appropriate contemporary examples from professional public policy scholarship.

An Analytic Approach

This book presents public policy via the insights of analytic models of public policy. Many of these models are game theoretic and have their origins in economics or political economy and are applied to the study of politics. Within the domain of public policy, perhaps the most famous political economy thinker is the 2009 Nobel-Prize-winning

political scientist, Elinor Ostrom. (To date, she is still the only woman to have won the Nobel Prize in Economics.) She was also a President of the Public Choice Society. Ostrom termed her approach to studying public policy Institutional Analysis and Development (IAD). As the name of her approach indicates, it is an analytic approach. Our approach is similar to hers, so we highlight the main aspects of it.

An analytic approach, such as Ostrom's IAD, attempts to understand how rational individuals' choices are shaped by the policy context and rules that characterize their decision-making environment. Several elements are key to this approach. First, individuals are the foundational decision-making agents (as opposed to groups or collectives) and they are rational actors. A rational actor is one who pursues her or his interests, whatever those interests happen to be. This approach does not assume that all individuals are trying to maximize economic welfare. Some individuals some of the time aim to do this, but we do not assume that this applies universally. In public policy, or politics, individuals are often trying to maximize their political standing. For a politician this may mean that one is trying to secure one's hold on office. For a bureaucrat, this may mean that one is trying to maximize one's bureaucratic power.

Second, institutions create incentives that influence individual choices. Institutions are the rules or norms that govern processes and choices in an issue area. There is a set of rules, for example, that governs how the United States selects its president. The winner of the presidential contest is the candidate who receives the most electoral votes. Among other things, this means that the winning candidate does not necessarily receive a majority of votes cast. If enough people wish to change this institution or rule, it is possible, but there are rules that must be followed to do so. To change the Electoral College rules requires passing a Constitutional Amendment. To pass a Constitutional Amendment, it is necessary for the proposal to pass the House of Representatives and the Senate with a majority two-thirds vote (or for two-thirds of State Legislatures to call a Constitutional Convention) and then three-quarters of the States must ratify the proposal. This is a high hurdle to cross and that is why there are few Constitutional Amendments. Of course, it is possible for the rules governing the amendment process to change as well. Our point is that institutions influence the public policy process and outcomes. For Ostrom, institutions have such a large effect on public policy that she titled her approach Institutional Analysis and Development. Not surprisingly, much of her work examined how institutions influence behavior and how institutions develop.

Third, individuals make choices with limited information. Information is knowledge. Some individuals have lots of knowledge and some have little. Some have accurate knowledge and some have very poor knowledge. Differences in information quality and quantity is one of the central reasons individuals hold different preferences about the world. An individual's interests are influenced by her or his information or knowledge about a topic. Public policy involves not only learning about the preferences of others, but also the melding or choice between contending preferences.

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In turn, this whole process is significantly influenced by individuals' information, its quantity and quality.

The scientific method is especially useful for evaluating and generating information on most public policy issues. In this way, the scientific method is central to understanding and improving public policy. For this reason, this book emphasizes the scientific method. Because of its centrality to this book, we elaborate on the scientific method in the next section.

Fourth, public policy outcomes are a product of social interactions. Interaction is a process that leads to an outcome from the choices of two or more individuals. Individuals do not make choices in isolation, like Robinson Crusoe before Friday came along; they interact. This means that an individual's choices, as well as the public policies we observe, are partly a function of one's expectations about how others will act in response to our choice. To understand a person's choice, we need to understand not only his or her interests on the topic, information about the issue, and the institutions in place, but also the interaction context. With whom is one interacting to produce the outcome? Who else may respond to the choice made?

Once we recognize that public policy is generated when individuals with interests and information interact with other individuals within institutional constraints, we can see that there are a small number of core problems that permeate the making of public policy. These are the problems mentioned above: preference aggregation, delegation (or principal–agent problems), cooperation, which includes collective action and coordination problems, making credible commitments, and bargaining. Almost all public policy issues involve at least one of these core social interaction problems. It is perhaps for this reason that the famous public choice scholar and winner of the Nobel Prize in Economics in 1986, James Buchanan, refers to the political economy approach as “politics without romance” (Buchanan 2003: 8).

### Emphasis on the Scientific Method

The scientific method is a system for producing work that is rigorous, unbiased, and replicable. In using the scientific method, researchers work collectively, often over long periods, to attempt to construct a reliable, consistent, and non-arbitrary representation of the world. There are many ways that scientific method is applied in the study of public policy. There are *also* times in which existing beliefs are overturned by the development of new knowledge, which, in turn, may ultimately be falsified. The important point is that we acknowledge that information about policy is crucial, that our understandings of facts and truths may change as other information is revealed, and that the goal is to be open to rethinking issues as new evidence arises. This is the basis of the scientific method: discoveries are made, new discoveries may threaten or amend them, and, most importantly, people learn from those discoveries and embrace the idea that new results may force reconsideration of earlier discoveries. Accordingly,



this text will focus on public policy scholarship that is representative of these aspects of the scientific method. Our treatment does not place great emphasis on historical case, process tracing, or qualitative research. There are many other texts that provide excellent reviews of these alternative research methodologies.

The steps in the scientific method are:

1. Ask a question. Think of an outcome, which varies, that you wish to explain.
2. Form a theory that is able to explain variation in the outcome.
3. Derive a hypothesis, or a testable statement, from the theory.
4. Test the hypothesis.
5. Analyze the data to assess the hypothesis’s validity.

First, the investigator must observe or describe a phenomenon or group of phenomena of interest. Implicit in this is that the observer should have a research question, that is, something that motivates curiosity. Second, the researcher formulates a theory that generates a hypothesis to explain the phenomenon of interest. A hypothesis states a relationship between an independent variable and a dependent variable. For example, as one’s wealth increases, consumption increases. A theory explains why the hypothesis should hold. Next, one creates a research design or experiment for testing the hypothesis. This step also involves measuring the variables and gathering the data. Finally, one analyzes the data. This step often involves the use of statistical methods. We expand significantly on these ideas in Chapter 4.

Contemporary Scholarship

We believe that part of our charge as professors is to impart the most recent accurate knowledge of our subject material to our students. To do this, we believe that there is value in introducing students to the primary sources of knowledge production – academic and practitioner research. Accordingly, this text draws heavily on scholarship, presenting students with real-world analysis and professional work product. We believe it is important to know how it is that knowledge about public policy is produced so that citizens can be more intelligent and critical consumers of such information when they consume it.

0.4 Textbook Overview

The textbook will proceed with the following structure of chapters. The text is divided into two sections. Section I introduces students to the tools academics use to study public policy. Section II covers a variety of specific policy areas noting the core challenges that each may face.

Section I includes Chapters 1, 2, 3, and 4. Chapter 1 is an overview of the processes of public policy. Chapters 2 and 3 highlight several core theoretical challenges that every

public policy process must confront and considers the role that institutions like markets and governments play in these challenges. Chapter 4 is an overview of the scientific method, highlighting scientific inquiry and uncertainty. Each of these chapters provides students with essential tools that they will employ in the remaining substantive chapters of the text.

Section II includes Chapters 5 through 13. Each of these chapters highlights a particular substantive area of public policy, as well as one or more fundamental theoretical challenges integrating contemporary scholarship as it applies. Chapter 5 covers the economy and income security, Chapter 6 covers environmental policy, Chapter 7 covers health policy, Chapter 8 covers education policy, Chapter 9 covers crime, Chapter 10 covers civil rights, Chapter 11 covers homeland security, Chapter 12 covers immigration policy, and the last chapter, Chapter 13, covers foreign policy.

We emphasize several analytic insights in each chapter that map onto our core theoretical challenges outlined above:

- **Chapter 2: Individuals and Social Dilemmas**
  - Collective action/Coordination problems
- **Chapter 3: Public Policy as a Solution to Social Dilemmas**
  - Market/Government failures
- **Chapter 4: Scientific Inquiry and Uncertainty**
  - Causation/Policy uncertainty
- **Chapter 5: The Economy and Income Security**
  - Redistribution/Bargaining (e.g. Ultimatum and Dictator games)
- **Chapter 6: Environmental Policy**
  - Externalities/Delegation
- **Chapter 7: Health Policy**
  - Externalities/Delegation
- **Chapter 8: Education**
  - Delegation
- **Chapter 9: Crime and Punishment**
  - Decision theory
- **Chapter 10: Civil Rights**
  - Credible commitment problems
- **Chapter 11: Homeland Security**
  - Delegation/Strategic allocation/Coordination problems
- **Chapter 12: Immigration Policy**
  - Comparative advantage/Collective action/Commitment problems
- **Chapter 13: Foreign and Defense Policy**
  - Delegation/Bargaining/Comparative advantage