

Public Policy, Policy Analysis, and Cost-Benefit Analysis

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Weimer and Vining, Policy Analysis, 5th Edition, Longman, 2011.
Ch. 2 What Is Policy Analysis?

Outline

- ▶ What is policy evaluation?
- ▶ What is policy analysis?
- ▶ Framework of policy analysis
- ▶ Communication of policy analysis results



Questions

- ▶ What is the relationship between policy analysis in this course and policy evaluation in governments?
- ▶ What are the differences between policy analysis and academic research in social sciences?
- ▶ What are the roles of policy analysis?
- ▶ Basic steps in policy analysis?
- ▶ Methodologies used in policy analysis?



Types of policy evaluation/policy analysis

<u>Japanese Term</u>	<u>American Term</u>	<u>When Started?</u>	<u>Unit of Focus</u>	<u>Key Question</u>
“ex ante evaluation”	Policy development Regulatory analysis	1930’s (Public works) 1970’s (reg review)	Decision	What decision should we make?
“comprehensive evaluation”	Program evaluation	1960’s	Program	Does program work?
“performance evaluation”	Performance management	1990’s	Operating organization	How can program work better?

Steven Kellman (Kennedy School of Government, Harvard), “Policy Evaluation: Tools to Improve Government and/or to Shrink It ?” International Symposium on Policy Evaluation, 2006.

http://www.soumu.go.jp/hyouka/symposium_result.html

http://www.soumu.go.jp/hyouka/pdf/symposium_result_4.pdf

What is policy analysis?

▶ Policy Analysis

- ▶ Terminology used in the USA
- ▶ Includes policy evaluation/assessment
- ▶ Analysis and evaluation of policy alternatives before the choice of a policy

▶ Weimer & Vining:

- ▶ *Policy analysis* is client-oriented advice relevant to public decisions and informed by social values. (WV, Chapter 2)

▶ Professional ethics for policy analysts

- ▶ Responsibility to the client and analytical integrity (WV, Chapter 3)



Steps of policy analysis

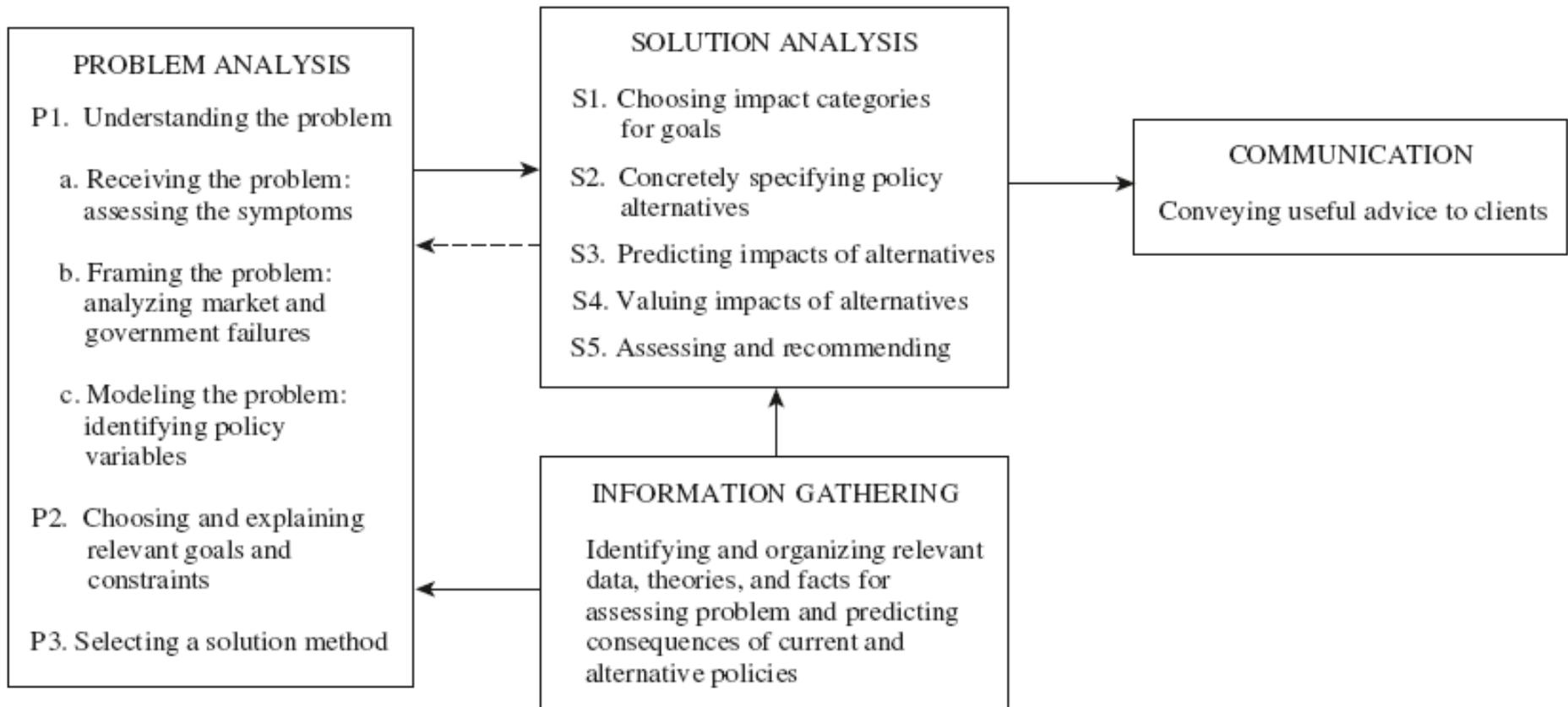


Figure 15.1 A Summary of Steps in the Rationalist Mode

Weimer and Vining 2010

Basic components of policy analysis

- ▶ Understand the problems and construct a framework for analysis
 - ▶ Example: Urban transportation problems: Rapid urbanization, Traffic congestion, Environmental problems
 - ▶ Market failure and government failure
 - ▶ Formulate policy alternatives to evaluate
 - ▶ Example: Rail transit vs. Highway network
 - ▶ Forecast impacts of each alternatives
 - ▶ This step usually requires most resources
 - ▶ Use natural sciences, medical sciences, engineering, etc. depending on the policy area
 - ▶ Evaluate the benefits and costs of policy impacts
 - ▶ Cost-Benefit Analysis: Evaluation in monetary units
 - ▶ Cost-Effectiveness Analysis, Qualitative CBA
 - ▶ Evaluate the reliability of the evaluation results (Sensitivity analysis)
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Basic steps of CBA (BGVW Ch.1)

- ▶ Step 1 – Specify the set of alternative projects.
 - ▶ Step 2 -- Decide whose benefits and costs count (standing).
 - ▶ Step 3 – Identify the Impact Categories, Catalogue them and select the measurement indicators.
 - ▶ Step 4 -- Predict the impacts quantitatively over the life of the project.
 - ▶ Step 5 -- Monetize (attach dollar values to) all impacts.
 - ▶ Step 6 -- Discount benefits and costs to obtain present values
 - ▶ Step 7 -- Compute the net present value of each alternative.
 - ▶ Step 8 -- Perform sensitivity analysis.
 - ▶ Step 9 -- Make a recommendation.
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Policy Analysis Examples: GRIPS and GraSPP

Students

- ▶ **Applicable policy areas are diverse**
 - ▶ Infrastructure investment
 - ▶ Regulatory impact analysis (assessment)
 - ▶ Social regulation: Health, safety, environment
 - ▶ Economic regulation: Price, entry, quality, disclosure
 - ▶ Taxes, government expenditures, social security, welfare policy
 - ▶ **2015 Student CBA Studies**
 - ▶ GraSPP: Restarting Japan's Nuclear Power Plants: A Cost – Benefit Analysis; San Francisco – Mocoa (Colombia) Alternate Road; Mitigating Japanese Cedar Pollinosis: A Pigouvian Tax Proposal; Cost-Benefit Analysis of a Sea Ambulance Project in the Municipality of Alabat in Quezon Province, Philippines
 - ▶ **2014 Student CBA Studies**
 - ▶ GRIPS: Korean carbon tax policy
 - ▶ GraSPP: Establishment of URS Campus in Jalajala, Rizal, Philippines; Implementing a Zero-Fare Policy for the Sao Paulo Metro; Southern Expressway in Sri Lanka; UPass Program in British Columbia
 - ▶ **2013 Student CBA Studies (GraSPP)**
 - ▶ Three Gorges Dam in Hubei, China: A Cost and Benefit Analysis; Cost and Benefit Analysis of Car Plate Controlling Policy: Shanghai Auction vs. Beijing Lottery; Banning Handguns in the United States
 - ▶ **2012 Student CBA Studies (GraSPP)**
 - ▶ Introducing U-Health in Korea for Aging Population; California High-Speed Rail; Tokyo Skytree
 - ▶ Converting Village Health Stations to Birthing Homes; CHENNAI METRO
 - ▶ **2011 Student CBA Studies (GraSPP)**
 - ▶ Deep-sea mining of methane hydrate located around Japan's EEZ; Micro-Hydropower Plant in Nepal; Melamchi Water Supply Project; Building a Village-run Vegetable Processing Factory in Shanghai
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Conditions for good policy analysis

- ▶ your answer, the recommendation you make to a client, rarely by itself determines the quality of your analysis. Good analysis asks the right questions and creatively, but logically, answers them. (Weimer and Vining 1999, p. 254)
 - ▶ In policy analysis, however, it is more effective to highlight ambiguities than to suppress them. (Weimer and Vining 1999, p. 255)
 - ▶ Your task as an analyst is to reformulate expressions of symptoms and statements of policy alternatives into coherent analytical frameworks. (Weimer and Vining 1999, p. 255)
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Policy analysis and social science research

	Academic Social Science Research	Policy Analysis
Major objective	Construct theories for understanding society	Systematic comparison and evaluation of alternatives available to public actors for solving social problems
"Client"	"Truth" as defined by the disciplines, other scholars	Specific person or institution as decision maker
Common style	Rigorous methods for constructing and testing theories, usually retrospective	Synthesis of existing research and theory to predict the consequences of alternative policies
Time constraints	Rarely external time constraints	Strong deadline pressure -- completion of analysis usually tied to specific decision
General Weakness	Often irrelevant to information needs of decision makers	Myopia resulting from client orientation and time pressure

Role of economics in policy analysis

- ▶ Economics (economic activities) is an important aspect of policy impacts
 - ▶ Economics (Cost-benefit analysis) provides a framework of integrating non-economic (social, environmental, etc.) factors with economic factors
 - ▶ Especially effective in risk evaluation to avoid informational cascades:
Sunstein, C.R., Risk and Reason - Safety, Law, and the Environment, Cambridge University Press, 2002.
 - ▶ “economics is both a component of sustainable development and that economic analysis provides a framework for bringing the other dimensions (social, environmental) together for the purposes of decision making.”
[Assessing the impacts of spatial interventions: The ‘3Rs’ guidance](#)
(Department for Communities and Local Government, UK)
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Cost-benefit analysis in practice

- ▶ cost-benefit analysis seems thoroughly entrenched in the federal bureaucracy. (p.5, Adler and Posner, 2000.)
 - ▶ “if government agencies should employ cost-benefit analysis, then they should do so because it is a beneficial tool, not because the sum-of-compensating-variations test or any related test has basic moral weight.” (Adler and Posner 2000, p.2)
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Communication of policy analysis

- ▶ Structure of communication
 - ▶ Periodical reports
 - ▶ Gaps to be filled must be made clear
 - ▶ Clear analysis
 - ▶ Clear and unambiguous explanation
- ▶ Maintain the attention of the client
 - ▶ The client is busy
 - ▶ Need to be timely
 - ▶ Executive Summary and Table of Contents are necessary
 - ▶ Present the recommendation first
 - ▶ Present the most important elements in analysis
 - ▶ Headlines
 - ▶ Market failure → A smoker bears only a part of the social costs of smoking
 - ▶ Do not rely too much on bullets and highlights
 - ▶ Do not rely too much on figures, graphs, and tables
 - ▶ Explanations must concentrate on the logic of analysis
 - ▶ Crisp sentences

Table 15.5 *Communicating Policy Analyses*

<p>Do</p>	<p><i>Remember the client!</i> Keep in mind that your task is to provide useful advice.</p> <p><i>Set priorities.</i> Organize your information carefully (essential material in the text, supporting material in appendices).</p> <p><i>Decompose</i> your analysis into component parts.</p> <p><i>Use headings that tell a story.</i> Avoid abstract headings such as “Market Failure.”</p> <p><i>Be balanced.</i> Give appropriate coverage to problem analysis and solution analysis.</p> <p><i>Acknowledge uncertainty</i> but then provide your resolution of it. (Support your resolution with sensitivity analysis where appropriate.)</p> <p><i>Be credible</i> by documenting as extensively as possible.</p> <p><i>Be succinct.</i></p> <p><i>Avoid jargon</i> and clearly explain any technical terms.</p> <p><i>Be value overt.</i> Make explicit arguments for the importance of goals.</p> <p><i>Write crisp text.</i> Favor short and direct sentences; use the active voice.</p> <p><i>Provide clear tables and figures that stand alone.</i> Use them to emphasize important information or support critical arguments.</p> <p><i>Round numbers appropriately.</i> False precision undercuts your credibility.</p>
<p>Don't</p>	<p><i>Write an essay!</i> The difference between an essay and a well-structured policy analysis should be clear to you by now.</p> <p><i>Tell the client everything that you know as it comes into your head.</i> It's fine to think nonlinearly, but write linearly.</p> <p><i>Write a mystery.</i> Instead, state your important conclusions right up front in the first paragraph of an executive summary.</p> <p><i>Create a new alternative when recommending.</i> Your recommendation should follow from the analysis.</p> <p><i>Use the format of PowerPoint slides.</i> Avoid bullets in favor well-structured paragraphs.</p>