

POLICY ANALYSIS

CONCEPTS — AND — PRACTICE

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To Ulrike, Hal, Dolores, and Leo

PREFACE

When we began our study of policy analysis at the Graduate School of Public Policy (GSPP), University of California at Berkeley, the field was so new that we seemed always to be explaining to people just what it was that we were studying. It is no wonder, then, that there were no textbooks to provide us with the basics of policy analysis. More than a dozen years later we found ourselves teaching courses on policy analysis but still without what we considered to be a fully adequate text for an introductory course at the graduate level. Our experiences as students, practitioners, and teachers convinced us that an introductory text should have at least three major features. First, it should provide a strong conceptual foundation of the rationales for, and the limitations to, public policy. Second, it should give practical advice about how to *do* policy analysis. Third, it should demonstrate the application of advanced analytical techniques rather than discuss them abstractly. We wrote this text to have these features.

We organize the text into four parts. In Part I we emphasize that policy analysis, as a professional activity, is client oriented and we raise the ethical issues that flow from this orientation. In Part II we provide a comprehensive treatment of rationales for public policy (market failures, broadly defined); we set out the limitations to effective public policy (government failures); and we catalogue generic policy solutions that can provide starting points for crafting specific policy alternatives. In Part III we give practical advice about doing policy analysis: structuring problems and solutions, gathering information, measuring costs and benefits, anticipating and influencing political and organizational feasibility, and designing programs with good prospects for successful implementation. Finally, in Part IV we present several extended examples illustrating how analysts have approached policy problems and the differences that their efforts have made.

We aim our level of presentation at students who have had, or are concurrently taking, an introductory course in economics. Nevertheless, students without a background in economics should find all of our general arguments and most of our technical points accessible. With a bit of assistance from an instructor, they should be able to understand the remaining technical points.

We believe that this text has several potential uses. We envision its primary use as the basis of a one-semester introduction to policy analysis for students in graduate programs in public policy, public administration, and business. We believe that our emphasis on conceptual foundations also makes it attractive for courses in graduate programs in political science and economics. At the undergraduate level, we think our chapters on market failures, government failures, generic policies, and benefit-cost analysis are useful supplements, and perhaps even replacements, for the commonly used public finance texts that do not treat these topics as comprehensively.

ACKNOWLEDGMENTS

A reviewer of this text told us that we had expounded what he takes to be the “GSPP approach to public policy.” His comment surprised us. We had not consciously attributed our peculiar views of the world to any particular source. But in retrospect, his comment made us realize how much our graduate teachers contributed to what we have written. Although they may wish to disavow any responsibility for our product, we nevertheless acknowledge a debt to our teachers, especially Eugene Bardach, Robert Biller, Lee Friedman, C. B. McGuire, Arnold Meltsner, William Niskanen, and Aaron Wildavsky.

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CONTENTS

Preface ix

PART I: INTRODUCTION

1 What Is Policy Analysis? 1

Policy Analysis and Related Professions 2
Policy Analysis as an Emerging Profession 8
Basic Preparation for Policy Analysis 12

2 Toward Professional Ethics 14

Analytical Roles 15
Value Conflicts 18
Ethical Code or Ethos? 26

PART II: CONCEPTUAL FOUNDATIONS

3 Rationales for Public Policy: Market Failures 29

The Efficiency Benchmark: The Competitive Economy 30
Market Efficiency: The Meaning of Social Surplus 31
The Traditional Market Failures 39
Other Limitations of the Competitive Framework 75
Beyond Efficiency: Distributional Rationales 89
Overview and Conclusion 93

4 Limits to Public Intervention: Government Failures 94

Problems Inherent in Direct Democracy 95
Problems Inherent in Representative Government 101
Problems Inherent in Bureaucratic Supply 113
Problems Inherent in Decentralization 119
Conclusion 123

5 Correcting Market and Government Failures: Generic Policies 124

Freeing, Facilitating, and Simulating Markets	125
Using Subsidies and Taxes to Alter Incentives	132
Establishing Rules	147
Supplying Goods Through Nonmarket Mechanisms	157
Providing Insurance and Cushions	166
Conclusion	172
Appendix 5A: Empirical Evidence on the Relative Efficiency of Public Corporations and Private Firms	174

PART III: DOING POLICY ANALYSIS

6 Landing on Your Feet: How to Confront Policy Problems 179

Analyzing Yourself: Meta-Analysis	179
The Client Orientation	181
Steps in the Rationalist Mode	182
Problem Analysis	184
Solution Analysis	198
Communicating Analysis	213
Meta-Analysis Once Again: Combining Linear and Nonlinear Approaches	217
Conclusion	218
Appendix 6A: Gathering and Organizing the Data, Facts, and Evidence	219
Document Research	220
Field Research	234
Putting Document Review and Field Research Together	237
The Most Important Component: Think!	237

7 Benefit-Cost Analysis 239

A Preview: Increasing Alcohol Taxes	240
The Basic Concepts	240
An Illustration: Taxing Alcohol to Save Lives	267
A Closer Look at Several Selected Topics	281
Conclusion	290

8 Thinking Strategically about Adoption and Implementation 292

The Adoption Phase	293
The Implementation Phase	305
Thinking Strategically about Policy Design	315
Conclusion	322

PART IV: ANALYSIS IN ORGANIZATIONAL SETTINGS**9 A Stylized Analysis: Canadian Airline Deregulation 323**

The Report	325
Concluding Comments	335

10 Policy Analysis and Advocacy in Local Settings: Preferential Parking in San Francisco 336

The Policy Problem	337
The Initial Policy Proposal	338
The Policy Entrepreneur	338
Supporting Evidence: The Student Analysis	339
Intraorganizational Delay	342
Overcoming Legal Objections	343
A Legislative Sponsor	344
Beginning Implementation	345
Conclusion	345

11 Benefit-Cost Analysis in a Bureaucratic Setting: The Strategic Petroleum Reserve 346

Background: Energy Security and the SPR	346
Analytical Approaches to the Size Issue	352
The Role of Analysis in the SPR Size Controversy	363
Conclusion	370

12 When Statistics Count: Revising the Lead Standard for Gasoline 371

Background: The EPA Lead Standards	372
Origins of the 1985 Standards	374
Pulling the Pieces Together	375
A Closer Look at the Link Between Gasoline Lead and Blood Lead	379
Finalizing the Rule	391
Conclusion	393

PART V: CONCLUSION**13 Doing Well and Doing Good 396**

Index	398
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1

WHAT IS POLICY ANALYSIS?

The product of policy analysis is advice. It may be as simple as a statement linking a proposed action to a likely result: passage of bill A will result in consequence X. It may also be more comprehensive and quite complex: passage of bill A, which can be achieved with the greatest certainty through legislative strategy S, will result in aggregate social costs of C and aggregate social benefits of B, but with disproportionate costs for group one and disproportionate benefits for group two. At whatever extremes of depth and breadth, policy analysis is intended to inform some decision, either implicitly (A will result in X) or explicitly (support A because it will result in X, which is good for you, your constituency, or your country).

Obviously, not all advice is policy analysis. So to define it, we need to be more specific, though not overly rigid. We begin by requiring that the advice relate to public decisions, thereby excluding advice about purely private matters such as personal relationships and routine business activity. That is not to say that policy analysts do not work in private organizations. Businesses and trade associations often seek advice about proposed legislation and regulations that might affect their private interests—their employees provide policy analysis when they so advise. Of course, the majority of policy analysts are to be found in government and nonprofit organizations, where day-to-day operations inherently involve public decisions. Because our interest centers on policy analysis as a professional activity, our definition will require that policy analysts, in either public or private settings, have clients for their advice who can participate in public decision making. With these considerations in mind, we hazard the following simple definition: *policy analysis* is client-oriented advice relevant to public decisions.

A plethora of definitions of policy analysis already exists.¹ Why introduce this one? It will help us develop the practical approaches and conceptual foundations that will enable the reader to become an effective producer and consumer of policy analysis. We emphasize the development of a professional mind-set rather than the mastering of technical skills. If we keep central the idea of providing useful advice to clients, then an awareness of the importance of learning the various techniques of policy analysis and of gaining an understanding of political processes will naturally follow.

An appropriate starting place for our study is an overview of the emerging profession of policy analysis. How does policy analysis differ from the older professions to which it is related? Where are policy analysts to be found and what do they do? What skills are most essential for success?

POLICY ANALYSIS AND RELATED PROFESSIONS

If you are a student in a public policy analysis program, then you probably already have a good sense of what policy analysis is all about—you have by your educational choice purposely selected the profession. It is more likely, however, that you aspire to other professions such as public administration, business management, city and regional planning, law, and public health, where you may nevertheless be required to play the role of policy analyst from time to time. Perhaps you are reading this book as a student in an academic program in political science, economics, or political economy. We hope to put policy analysis in perspective by comparing it with some of the related professions and activities with which you may be more familiar.

A comparison of policy analysis with five other paradigms—academic social science research, policy research, classical planning, journalism, and the “old” public administration—appears in Figure 1.1. We focus our attention on similarities and differences in characteristics such as major objectives, client orientation, common style, time constraints, and general weaknesses. The comparison of paradigms emphasizes differences. As our discussion will indicate, however, the professions of planning and public administration have moved much closer to the policy analysis paradigm in recent years.

The common experience of higher education gives us all at least some famil-

¹Some examples: “Policy analysis is a means of synthesizing information including research results to produce a format for policy decisions (the laying out of alternative choices) and of determining future needs for policy relevant information.” Walter Williams, *Social Policy Research and Analysis* (New York: American Elsevier Publishing Company, 1971), p. xi; and “Policy analysis is an applied social science discipline which uses multiple methods of inquiry and argument to produce and transform policy-relevant information that may be utilized in political settings to resolve policy problems.” William N. Dunn, *Public Policy Analysis* (Englewood Cliffs, N.J. Prentice Hall, 1981), p. ix. These definitions, as do most, lack the client orientation that distinguishes policy analysis as a professional activity. Descriptions of policy analysis closest to our definition are given by Arnold J. Meltsner, *Policy Analysts in the Bureaucracy* (Berkeley: University of California Press, 1976) and Norman Beckman, “Policy Analysis in Government: Alternatives to ‘Muddling Through’,” *Public Administration Review*, Vol. 37, No. 3, May/June 1977, pp. 221–22. For an extended discussion of the policy sciences, a broader conception of policy analysis, see Garry D. Brewer and Peter deLeon, *The Foundations of Policy Analysis* (Homewood, Ill.: Dorsey Press, 1983), pp. 6–17.

Paradigms	Major Objective	"Client"	Common Style	Time Constraints	General Weaknesses
Academic social science research	Construction of theories for understanding society	"Truth" as defined by the disciplines; other scholars	Rigorous methodology to construct and test theories; often retrospective	Rarely external time constraints	Often irrelevant to information needs of decision makers
Policy research	Prediction of impacts of changes in "variables" that can be altered by government	Actors in the policy arena; the related disciplines	Applications of formal methodology to policy-relevant questions; prediction of consequences	Sometimes deadline pressure, perhaps mitigated by issue recurrence	Difficulty in translating findings into government action
Classical planning	Defining and achieving desirable future state of society	The "public interest" as professionally defined	Established rules and professional norms; specification of goals and objectives	Little immediate time pressure because deals with long-term future	"Wishful thinking" in plans when political process is ignored
The "old" public administration	Efficient execution of programs established by political processes	The mandated program	Managerial and legal	Routine decision making; budget cycles	Exclusion of alternatives external to program
Journalism	Focusing public attention on societal problems	General public	Descriptive	Must move while issue is topical	Lack of analytical depth
Policy analysis	Analyzing and presenting alternatives available to political actors for solving public problems	A specific decision maker or collective decision maker	Synthesis of existing research and theory to estimate consequences of alternative decisions	Completion of analysis usually tied to specific decision point	Myopia produced by client orientation and time pressure

Figure 1.1 Policy Analysis in Perspective

ilarity with *academic research* in the social sciences. Its major objective is the development of theories that contribute to a better understanding of society. Because the client for the research is "truth," at least as recognized by other scholars, the social science disciplines have attempted to develop rigorous methods for logically specifying and empirically testing theories. Progress in the social sciences proceeds as much from the idiosyncrasy of researchers as from the demands of the larger society. The new theory or clever empirical test earns respect from social scientists whether or not it is immediately relevant to public policy. Nevertheless, the accumulation of empirical evidence, and the associated rise and fall of competing theories will eventually influence the "world views" of nonacademic policy makers.² Although academic research only fortuitously contributes to the debate over any particular policy issue, the development of social science knowledge forms a base for more narrowly specified research of greater potential relevance.

This research, which often directly employs the methods of the social science disciplines, can be described as *policy research*.³ Whereas academic research looks for relationships among the broad range of variables describing behavior, policy research focuses on relationships between variables that reflect social problems and other variables that can be manipulated by public policy. The desired product of policy research is a more-or-less verified hypothesis of the form: if the government does X, then Y will result. For example, academic research into the causes of crime might identify moral education within the family as an important factor. Because our political system places much of family life outside the sphere of legitimate public intervention, however, there may be little that the government can do to foster moral education within the home. The policy researcher, therefore, may take moral education as a given and focus instead on factors partially under government control, such as the certainty, swiftness, and severity of punishment for those who commit crimes. The policy researcher may then be willing to make a prediction (a hypothesis to be tested by future events) that if the probability of arrest for a certain crime is increased by 10 percent, then the frequency of that crime will go down by, say, z percent.

A fine line often separates policy research and policy analysis. The strength of client orientation distinguishes them in our scheme. Policy researchers are less closely tied to public decision makers. While one or more decision makers may be interested in their work, policy researchers usually view themselves primarily as members of an academic discipline. Sometimes their main motivation for doing policy research is personal financial gain or the excitement of seeing their work influence policy; perhaps more often they do it to gain resources or attention for their academic research programs. Because they place primary importance on having the respect of others in their academic disciplines, policy researchers may be as concerned with the publication of their work as with its use by decision makers.

Disciplinary orientation contributes to a general weakness in policy research

²Within disciplines, new theories that better explain empirical anomalies are often accepted only after repeated failures of the older theories over an extended period. See Thomas S. Kuhn, *The Structure of Scientific Revolutions* (Chicago: University of Chicago Press, 1970).

³For a discussion of policy research, see James S. Coleman, *Policy Research in the Social Sciences* (New York: General Learning Press, 1972). Policy research, expanded to include the study of the policy process, is sometimes referred to as policy science. Harold D. Lasswell, "The Emerging Conception of the Policy Sciences," *Policy Sciences*, Vol. 1, No. 1, Spring 1970, pp. 3-30.

because the translation of research findings into policies that can be directly implemented often requires attention to practical considerations of little academic interest. Returning to our example, the policy researcher's prediction that an increase in the probability of arrest will decrease the crime rate is only the first step in developing and evaluating a policy option. How can the arrest rate be increased? How much will it cost? What other impacts will result? How can it be determined if the predicted reduction in the crime rate has actually occurred? The answers to questions such as these require information of a specific nature, often of little disciplinary interest. Consequently, policy researchers often leave these sorts of questions to the policy analysts, who will actually craft policy options for decision makers.

A very different paradigm is *classical planning*, a reaction to the apparent disorder and myopia resulting from private market behavior and pluralistic government. The general approach of planning is, first, to specify goals and objectives that will lead to a better society and, second, to determine the most efficient way of achieving them. Necessary for effective planning is a centralization of authority for the creation and execution of the plan.

As extreme cases, the centrally planned economies of Eastern Europe point to the inherent weaknesses of the planning paradigm. One weakness is the difficulty of specifying appropriate goals and objectives. The five-year plan may clearly specify what is to be produced, but it is unlikely that the production will closely match the wants of consumers. The other is the massive problem of cognition caused by the need to collect and process information for the comprehensive direction and monitoring of numerous economic actors.⁴ Although central economic planning has had little currency in the American context, the planning paradigm has been important in narrower applications.

Urban planning in Great Britain and the United States developed from the belief that control of the use of land could be an effective tool for improving the aesthetics and efficiency of cities. The comprehensive master plan, which embodied professional norms about appropriate patterns of land use, became the statement of goals and objectives. Zoning and land-use ordinances were to serve as the mechanisms for implementing the master plans.

The impact of urban planning has been limited, however, by the autonomy of local governments that do not fully accept the professionally specified goals and objectives, and by the dynamic of local economic growth that often takes unanticipated forms. Recognizing the incongruence of the classical planning paradigm with the reality of democratic politics, many planners have urged their profession to adopt a more active interventionist role in public decision making.⁵ Consequently, many urban and regional planning schools now require coursework in policy analysis.⁶

A more recent manifestation of the planning paradigm is *systems analysis*.

⁴For a discussion of the paradoxes inherent in planning, see Aaron Wildavsky, "If Planning Is Everything, Maybe It's Nothing," *Policy Sciences*, Vol. 4, No. 2, June 1973, pp. 127-53.

⁵For example, see Jerome L. Kaufman, "The Planner as Interventionist in Public Policy Issues," in Robert W. Burchell and George Sternlieb, eds., *Planning Theory in the 1980s: A Search for Future Directions* (New Brunswick, N.J.: The Center for Urban Policy Research, 1978), pp. 179-200.

⁶Some planning programs have become very much like policy analysis programs in basic structure if not in substantive focus. At Harvard University, for instance, the difference became so small that the graduate programs in public policy analysis and city and regional planning were recently merged.

The basic approach of systems analysis involves the construction of quantitative models that specify the links among the multitude of variables of interest in social or economic systems. The analytical objective is to maximize, or at least achieve lower bounds on, certain variables that represent goals by altering other variables that can be manipulated by government. By identifying the many possible interactions, the systems analyst hopes to avoid the myopia of incremental political decision making.

But systems analysis has tended to be overambitious.⁷ Rarely is there adequate theory or data for the construction of reliable comprehensive models. Further, not all important factors are readily subject to quantification. In particular, the appropriate weights to place on the multiple goals that characterize public issues are usually not obvious; the analyst's choice may cloak value judgments in apparent objectivity. Additionally, the mystique of quantification may give simplistic models more attention than they deserve. Witness, for example, the public attention given to the report of the Club of Rome on the limits to world growth⁸—a report based on a model with virtually no empirical links to the real world.⁹ An apparently rigorous model purported to show that continued economic growth would soon be unsupportable, leading to a dramatic decline in world living standards. Despite numerous arbitrary and questionable assumptions, the Club of Rome report was embraced by many whose worldview associated continued economic growth with unavoidable environmental degradation. The formality of the model tended to divert attention from its implicit assumptions.

A more focused application of systems analysis is the *planning, programming, budgeting system (PPBS)*, which shares some characteristics with policy analysis. The basic approach of PPBS is to identify all programs that have common objectives so that budget allocations to those programs can be compared in terms of their effectiveness in achieving the objectives. PPBS is like policy analysis in that it is directed at influencing specific decisions in the budget cycle. It differs in its attempt to force comprehensive and quantitative comparisons over a wide range of programs. After some apparent success in the Defense Department, President Lyndon Johnson ordered its use throughout the federal government in 1965. In 1971, however, its use was formally abandoned by President Richard Nixon's Of-

⁷For critiques of systems analysis, see Ida R. Hoos, *Systems Analysis in Public Policy: A Critique* (Berkeley: University of California Press, 1972); and Aaron Wildavsky, "The Political Economy of Efficiency: Cost-Benefit Analysis, Systems Analysis, and Program Budgeting," *Public Administration Review*, Vol. 26, No. 4, December 1966, pp. 292-310. For a comparison of systems analysis and policy analysis, see Yehezkel Dror, "Policy Analysts: A New Professional Role in Government Service," *Public Administration Review*, Vol. 27, No. 3, September 1967, pp. 197-203.

⁸Donella H. Meadows, Dennis L. Meadows, Jorgen Randers, and William W. Behrens III, *The Limits to Growth: A Report for the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1974).

⁹For critiques of the Club of Rome approach, see William D. Nordhaus, "World Dynamics: Measurement Without Data," *Economic Journal*, Vol. 83, No. 332, December 1973, pp. 1156-1183; Chi-Yuen Wu, "Growth Models and Limits-to-Growth Models as a Base for Public Policymaking in Economic Development," *Policy Sciences*, Vol. 5, No. 2, June 1974, pp. 191-211; and Julian L. Simon and Herman Kahn, eds., *The Resourceful Earth: A Response to Global 2000* (New York: Basil Blackwell, 1984).

fice of Management and Budget. Even this limited form of planning placed too great a strain on available knowledge and analytical resources.¹⁰

The goal of the "old" *public administration* was more modest than that of planning: the efficient management of programs mandated by the political process. Its advocates sought to separate the management function from what they saw as the corruption of politics. The words of Woodrow Wilson provide an unequivocal statement of the basic premise of the old public administration: "... administration lies outside the proper sphere of politics. Administrative questions are not political questions. Although politics sets the tasks for administration, it should not be suffered to manipulate its offices."¹¹ The ideal is a skillful and loyal civil service free from political interference and dedicated to the implementation and efficient administration of politically mandated programs according to sound principles of management—the science of management insulated from the art of politics.

Both the old public administration and policy analysis are intended to bring greater expertise into public endeavors. Once organizational structures for programs have been created, public administrators turn their attention to the routine decisions concerning personnel, budgets, and operating procedures that help determine how well the programs will meet their mandated goals. Although policy analysts must concern themselves with questions of organizational design and administrative feasibility, they seek to influence the choice of programs by the political process. One focuses exclusively on doing well what has been chosen; the other also considers the choice of what is to be done.

Public administration has gradually come to include policy analysis among its professional activities. One reason is that the large bureaus and vague legislative mandates associated with an expanded public role in society require administrators to choose among alternative policies—they thus become consumers and producers of policy analysis relevant to their own agencies. Another reason lies in the usual absence of a clean separation between politics and administration, Woodrow Wilson's vision notwithstanding. The administrator must be able to secure resources and defend implementation decisions within the political process. Policy analysis may help accomplish these tasks.

The "new" *public administration* explicitly abandons the notion that administration should be separate from politics.¹² Its practitioners seek to influence the adoption as well as the implementation of policies. Professional training, therefore, must include methods both for predicting the consequences of alternative policies

¹⁰Consider the following assessment: "Although it may fail for many other reasons, such as lack of political support or trained personnel, it always fails for lack of knowledge, when and if it is allowed to get that far" in Aaron Wildavsky, *Budgeting: A Comparative Theory of Budgetary Processes* (Boston: Little, Brown, 1975), p. 354. See also Allen Schick, "A Death in the Bureaucracy: The Demise of Federal PPB," *Public Administration Review*, Vol. 33, No. 2, March/April 1973, pp. 146-156.

¹¹Woodrow Wilson, "The Study of Administration," *Political Science Quarterly*, Vol. 2, No. 1, June 1887, pp. 197-222.

¹²Consider the following: "New Public Administration seeks not only to carry out legislative mandates as efficiently and economically as possible, but to both influence and execute policies which more generally improve the quality of life for all." H. George Frederickson, "Toward a New Public Administration," in Frank Marini, ed., *Toward a New Public Administration* (Scranton, Pa.: Chandler, 1971), p. 314.

so that informed choices can be made and for effectively participating in the political process so that the choices can be realized. Training in public administration thus often includes coursework in policy analysis even though its primary focus remains management and operational decision making.

The comparison of policy analysis with *journalism* may at first seem strange. Journalists typically concern themselves with recent events; they are rarely called upon to make predictions about the future. When they write about public policy, the need to attract a wide readership often leads them to focus on the unusual and the sensational rather than the routine and the mundane. Their contribution to the political process, therefore, is more often introducing policy problems to the public agenda than providing systematic comparisons of alternative solutions. Nevertheless, policy analysts and journalists share several goals and constraints.

Tight deadlines drive much of journalists' work. Because news quickly becomes stale, they often face the prospect of not being able to publish unless they make the next issue. Similarly, the advice of policy analysts, no matter how sophisticated and convincing, will be useless if it is delivered to clients after they have had to vote, issue regulations, or otherwise make decisions. Rarely will it be the case of better late than never.

Tight deadlines lead journalists and policy analysts to develop similar strategies for gathering information. Files of background information and networks of knowledgeable people often serve as extremely valuable resources. They may enable journalists to put events quickly in context. They play a similar role for policy analysts, but may also provide information useful for assessing technical, political, and administrative feasibility of policy alternatives when time does not permit systematic investigation. Policy analysts, like journalists, wisely cultivate their information sources.

Finally, communication is a primary concern. Journalists must be able to put their stories into words that will catch and keep the interest of their readers. Policy analysts must do the same for their clients. Effective communication requires clear writing—analysts must be able to explain their technical work in language that can be understood by their clients. Also, because the attention and time of clients are scarce resources, writing must be concise and convincing to be effective.

In summary: we gain a perspective on policy analysis by comparing it to related professions. Like policy research, policy analysis employs social science theory and empirical methods to predict the consequences of alternative policies. Like journalism, policy analysis requires skills in information gathering and communication. Policy analysis is neither so narrow in scope as the old public administration nor so broad in scope as classical planning. Yet planners and public administrators who explicitly recognize participation in the political process as professionally legitimate may at times become advice givers to various political actors, thus playing the role of policy analysts.

POLICY ANALYSIS AS AN EMERGING PROFESSION

As recently as fifteen years ago, few of those actually doing policy analysis would have identified themselves as members of the policy analysis profession; even fewer were filling positions labeled "policy analyst." Many who do policy analysis held,

and continue to hold, positions as economists, planners, budget analysts, operations researchers, and statisticians. In recent years, however, the policy analysis profession has begun to emerge. Positions labeled policy analyst are now more common in government agencies, and often these positions are filled by people who have been trained in graduate programs in policy analysis. Many practicing analysts trained in a variety of disciplines have joined with academics to form a professional organization, the Association for Public Policy Analysis and Management.¹³ Nevertheless, the profession is still young and those who consider themselves members represent only a fraction of those actually practicing the art of policy analysis.

Practicing policy analysts work in a variety of organizational settings, including federal, state, and local agencies and legislatures; consulting firms; research institutes; trade associations and other organizations representing interest groups; and business and nonprofit corporations. We focus here on the U.S. context, but policy analysts can be found in similar settings in all the major industrialized countries. The way analysts practice their craft is greatly influenced by the nature of their relationships with their clients and by the roles played by the clients in the political process. Because these relationships and roles vary greatly across organizations, we should expect to see a wide range of analytical styles. We consider the various analytical styles and their ethical implications in detail in the next chapter. For now, let us look at a few examples of organizational settings where policy analysts work.

First, consider the U.S. federal government. Where would we find policy analysts? Beginning with the executive branch, we could start our search right in the White House, where we would find small but influential groups of analysts in the National Security Council and Domestic Policy staffs. As presidential appointees in politically sensitive positions, they generally share closely the philosophy and goals of the administration. Their advice concerns the political, as well as economic and social, consequences of policy options. They often coordinate the work of policy analysts in other parts of the executive branch.

The Office of Management and Budget and, to a lesser extent, the Council of Economic Advisors also play coordinating roles in the federal government. Analysts in OMB are responsible for predicting the costs to the federal government of changes in policy. They also participate in the evaluation of particular programs. The major role that OMB plays in the preparation of the administration budget gives its analysts great leverage in disputes with the federal agencies; it also often leads the analysts to emphasize budgetary costs over social costs and benefits.¹⁴ Analysts on the CEA do not play as direct a role in the budgetary process and therefore retain greater freedom to adopt the broad perspective of social costs and benefits. Without direct leverage over the agencies, however, their influence derives largely from the perception that their advice is based on the technical expertise of the discipline of economics.

¹³The Association for Public Policy Analysis and Management sponsors the *Journal of Policy Analysis and Management*. Membership information is available from Professor Philip J. Cook, APPAM Treasurer, Institute of Policy Sciences, Duke University, Durham, N.C. 27706.

¹⁴For a discussion of the institutional role of OMB, see Hugh Heclo, "OMB and the Presidency—The Problem of Neutral Competence," *Public Interest*, No. 38, Winter 1975, pp. 80–98. For a history of OMB, see Larry Berman, *The Office of Management and Budget and the Presidency 1921–1979* (Princeton, N.J.: Princeton University Press, 1979).