

Session 21

Are our economic policies effective?

A Devil's Advocate Perspective

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Who would (dare) disagree with a broad, normative concern that public policies –not only economic policies– should be effective? As always, when there is such general agreement, it is worth taking a “devil’s advocate” perspective and questioning the foundations of such convergence. This is why our panel will deal more with the question itself than with any yes-or-no answer you might expect. I will start by qualifying the effectiveness... of the concern itself: does the question asked to the panel actually make any sense and is the concern about effectiveness a meaningful and useful one?

First, the concern about policy effectiveness has played a big role in popularizing the motto of “evidence-based policies”. That notion has gained impressive ground over the last two decades, and led to a much greater focus on what policy delivers, as opposed to how it is elaborated. It has thus permeated academia and policy circles alike. The danger, here, is to implicitly view policy as a sort of technical engine which transforms inputs (available “evidence”, decisions, choice of policy instruments, even possibly methods of implementation) into controllable and measurable outputs (the “policy objectives”, such as the rate of growth, inflation, unemployment...). Such an engineer view of policy would be in direct filiation with Auguste Comte’s positivism. According to such view, any social problem can be analysed scientifically, leading to the identification of solutions and recommendations for action. France has generated a large number of brilliant engineer-economists who have successfully harnessed the power of scientific methods to bringing very valuable insights on various policy mechanisms. More recently, however, the notion of evidence has often been equated with proven results, and various and rigorous statistical methods have been developed and implemented to collect such evidence. The recent academic literature has gradually built an already impressive body of evidence and an invaluable knowledge-base. But what are “results”? Results for whom? Achieved within what time frame? Are short term sacrifices warranted to get longer term gains? Are observed results in relation with expected ones? How should that inspire policies? And of course, what is the overall validity of observed results? No amount of evidence is likely to lead to simple, unidirectional and deterministic responses and actions.

Second, actual policy-making is not compatible with the black box, engine view. Far from a deterministic engine, it is shaped, from conceptualization to implementation, by a constant interaction and negotiation between actors who have different interests, who are submitted to diverse pressures, and who have to constantly react to unforeseen shocks during implementation. One might accordingly wonder whether “effectiveness” is ultimately due to the choice of policy and instruments, or to the hardly measurable individual and collective savviness of the policy actors during the implementation phase. While the ex-ante concern about policy effectiveness is necessary for the quality of policy conceptualization and design, it constantly needs to be mitigated by

managerial concerns about policy implementation. Policy cannot be deterministic; it is about taking risks and calling both on evidence and on managerial capabilities to mitigate them. Furthermore, available evidence may tell us whether a given policy – with specified targets and expected objectives - has worked or failed in a given context and timeframe, or conclude that, over a panel of experiments, a given policy has worked or failed x% of the time. How is such information relevant for the decision taken elsewhere by an informed decision-maker? For example, available evidence might suggest that industrial policy is a very poor idea, given the percentage of failed experiments. Yet, there are also a few successes, and any policy maker in charge might consider that he or she is good enough to beat the average.

Third, to go back to the initial query, these qualifying comments do not imply that policy effectiveness is not a useful concern. Being concerned about effectiveness is crucial in any accountability relations: policy makers are called to justify what they plan to do and why, and the justification should be more than sheer ideology. We should not be too naïve: many evidence-based debates are instrumental to ideological contests between opposing groups. But conceptualizing the expected effectiveness of a policy on the basis of what is known and understood is a crucial ingredient of quality, and hopefully of ex-post effectiveness. These comments rather suggest that effectiveness cannot be construed as a strict guide of policies, because even high quality evidence does not lead to deterministic solutions. In a major paper on the use of knowledge, Joseph Stiglitz¹ insisted that to be useful for policy, knowledge needs to be localized, that transforming knowledge into policy solutions required managerial savoir-faire and practical know-how, and that local ownership is a crucial political economy consideration. According to such view, knowledge cannot be directly “imported” into designing local solutions; it can at best inform and needs to be re-considered and owned in a given social, policy and ideological context. This requires much more localized research capacity and research work on policies and on their effectiveness. This is what the Global Development Network is about: Supporting high-quality, policy oriented research in the social sciences in developing countries in order to promote their development and better lives for their citizens. Yet, to get a better link between *ex-ante* expected results and *ex-post* measured effectiveness, one might dream and call for policy-makers who might be better trained in... management!

¹ Stiglitz, Joseph (2000), « Scan Globally, Reinvent Locally: Knowledge Infrastructure and the Localization of Knowledge », in Stone, Diane (ed.), *Banking on Knowledge: The Genesis of the Global Development Network*, London: Routledge.