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Policies and Politics: Challenges and Opportunities for Economists

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This paper addresses the challenges and opportunities facing economists who wish to be influential in the formation of policy. There are plenty of both. While members of other disciplines tend to view economics as being far too influential on government policy, economists are often frustrated at the blatant and pervasive policy inefficiencies that persist despite their best efforts. The aim is to help economists consider their role in the policy process, in terms of its appropriateness and effectiveness. The focus is on micro- rather than macro-economic policy. The approach is to bring together a range of theory, empirical research and practical experience to provide practical insights and advice.

The next section outlines the scope of politics as considered here, and describes the key groups of political players. A range of rationales for or against economist involvement in the policy process, including arguments around market failure, government failure and economist failure is then examined. There follows a brief overview of a range of very different theories about how policy is developed and influenced, with most attention paid to the favourite of economists: public choice theory. This flows into discussions of the specific challenges and opportunities facing policy-relevant economists, including lessons that have been learnt by economists from practical experience in the policy process. Advice about influencing policy is presented based on a survey of economists and others directly involved in policy development. Most of the material is relevant to economists (especially micro) working in any problem area, but examples are drawn mainly from the areas of agriculture and natural resource management.

Politics

Politics is taken to be the full range of social forces influencing government policy. Policy means the government's laws, regulations, financial programs and their interpretation, administration and supporting structures.

The players in politics may be categorised into at least five groups: the voting public, politicians and their parties, bureaucracies, interest groups and the media. Ingredients of politics in a democracy include the values and attitudes of the voting community, the quest for power and survival by politicians and their parties, the ideologies and values of those political parties, the media as communicator and watchdog, the pursuit of resources, influence and effectiveness by the public service, and the attempts of interest groups to have their interests

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met. Among the players there is a mixture of people seeking advantage for themselves or some group, and people seeking to do ‘the right thing’ for the whole community. The outcome and the instrument of politics is government policy.

Ministers play a special role in the policy process. They have more individual power than any other player, although even for them, the power to make major changes to program design comes along only occasionally, and is constrained by political and budgetary considerations. A reality of politics is that most ministers are highly concerned about maintaining a positive public profile for themselves in the media and amongst the community. There are exceptions, but most ministers have only a superficial knowledge of the many issues about which they have to make decisions. Most rely heavily on their advisors for background, advice and speech preparation.

Bureaucracies vary widely in their powers, their regional scopes and their characters. Amongst government agencies, a core concern is keeping their ministers happy. This includes keeping the agency out of trouble in the media, delivering successfully on any pet projects of the minister or of the ruling party, and responding rapidly to any *ad hoc* requests. Beyond this, agencies are variously concerned with implementing policies, programs and legislation, pursuing the best interests of the public and capturing resources, powers and responsibilities. Sometimes inter-agency rivalry is an influence on agency behaviour. For example, such rivalries sometimes arise between agencies with a focus on agriculture and agencies with a focus on the environment.

Godden (1997) described the interaction of these players in what he calls ‘political markets’ where the currency is not dollars, but deals, votes and political advantage, or, to use Becker’s (1983) term, political favours. The players may have widely differing perspectives and be in pursuit of widely differing policy outcomes. As outlined later, there is no single dominant theory of how the players interact in political markets to produce policies (Sabatier, 1999; Birkland, 2001).

Rationales for Intervention

The literature provides several arguments for or against economist intervention to attempt to influence governments, most prominently the ideas of market failure and government failure. Also broached is the possibility of economist failure.

Market failure

If markets fail, in the sense that they fall short of the performance of perfect markets, government intervention in the markets may potentially improve their efficiency. Market failure occurs when free markets, operating without any government intervention, fail to deliver an efficient allocation of resources. Failure might involve a departure from productive efficiency or from allocative efficiency.

Commonly recognised potential causes of market failure include externalities, non-rival goods, non-price-excludable goods, monopoly, and information failures.

Micro-economists routinely invoke the concept of market failure and attempt to use it to influence government action so that it focuses on cases where it will more likely contribute to increased aggregate social welfare.

Many of us take the concept of market failure for granted, but it is worth noting that it is, in fact, rather problematic. The problems include the following.

There has been criticism of the very concept of market failure on the basis that real markets *always* fail to measure up to the idealised markets of perfect competition (Pasour, 1993). This means that 'market failure' alone provides us with no useful criterion for assessing options for government intervention.

Furthermore, the standard concept of market failure takes no account of the transaction costs that would be borne in any attempted intervention. Transaction costs of government involvement are often large. For example, implementing a well-designed regulation or economic instrument may involve costs relating to: collection and analysis of data to inform the specific design of the policy mechanism; public communication or education programs to alert people to the existence of the new policy; administration; monitoring compliance with the policy; prosecuting violations; and evaluating overall performance of the policy. If transaction costs are recognised, it cannot be proven that government action is warranted simply because a potential cause of market failure exists (Dahlman, 1979). 'When transaction costs are taken into account, economic analysis has yet to develop a reliable system for identifying … examples of market failure that have relevance for public policy' (Pasour, 1993:2).

Perhaps we need to identify market failures that are sufficiently severe to outweigh transaction costs of trying to overcome them. Some applied economists in policy agencies have an awareness of this problem, and adjust their evaluation criteria subjectively by requiring interventions to generate larger net benefits in order that they might outweigh transaction costs. This requires us to go beyond theoretical justifications and into the realm of quantitative estimation of benefits and costs. 'Sufficiently severe' would imply that the benefits of intervening exceed the total costs.

It is suggested that the overall implication for economists is to exercise caution in their use of the market failure concept to justify government intervention. The mere existence of externalities, public goods or information failures is not sufficient to be sure that there is a market failure, in the sense that government intervention would be welfare increasing.

Government failure

The theory of market failure is primarily normative; it attempts to identify situations where governments *should* behave in certain ways. The concept of government failure, on the other hand, is mainly positive; it reflects limitations in how governments *do* actually behave. There is plenty of evidence that, even with the best of intentions, governments can make things worse rather than better.

Public choice theory (Mueller, 1997; 2003) has highlighted the inevitability of government failure (as well as that the people involved do not necessarily have

the best of intentions). It has elucidated problems arising from the incentives that political players face, from information failures of various types, and from opportunities for rent seeking.

The implication for economists interested in influencing policy development is rather different to that from market failure: ‘Economics can play an important role in disabusing policy makers of the idea that there is a feasible substitute for decentralised market prices as a means of discovering, coordinating and communicating information throughout the economic system’ (Pasour, 1993:7). It does not imply that government intervention is never warranted, but that advocates for intervention need to be conscious of what can go wrong.

Hogwood and Peters (1985) provide an exhaustive catalogue of the many and varied ways in which governments may fail, including:

- Conflicting objectives; vague objectives; impossible objectives
- Organisations seek their own interest, pursuing power and resources; organisations attempt to minimise change; organisation captured by a group of stakeholders
- Passive approach to information; failure to evaluate; failure to communicate information to decision makers; use of out of date information; poor targeting of benefits
- Lack of openness with the public; belief in silver bullets; belief in disciplinary superiority
- Excessive expenditure; expenditure on projects with negative Net Present Values; having more resources than can be spent well
- Earmarking (hypothecation) of funds; under-resourced programs; corruption

It is a rather salutary list of problems that helps reveal much about the nature of many government bureaucracies. Nevertheless, we should not conclude that there is no hope of influencing government programs for the better. For one thing, where current programs fall far short, modest changes may generate substantial benefits to society, even if are not close to an ideal policy. For another, there are plenty of examples where economists have palpably made a positive difference in the past. On the other hand, we perhaps need to be aware of the risk that economists making a difference may not always be a good thing (see below).

Economist failure

It is not difficult to identify weaknesses in economic theories or their specific applications (for example, Fullbrook, 2004). Of course, economics is not the only discipline, at times, to make counterproductive charges into the policy realm. But the focus here is on a few points that relate directly to the economist’s role in influencing policy.

A common criticism is that some economists tend to neglect other disciplines that would better inform their analyses and complement their perspectives. Nobel Prize winner Friedrich Hayek (1991:42) has made this point most forcefully:

> While you may be a very useful member of society if you are a competent chemist or biologist, but know nothing else … if you know only economics and nothing else, you will be a bane to mankind, good, perhaps, for writing articles for other economists to read, but for nothing else.

Perhaps related to this is the criticism that the assumptions used in economic models are often unrealistic and simplistic. To some extent this reflects a strong tendency in academic economics to emphasise theoretical work ahead of empirical work, even where there is limited empirical underpinning for the theories. Mueller (1997) noted that almost all of the early classics in the public choice literature were theoretical contributions. Its leading lights mostly avoided testing their ideas in empirical research (Romer, 1988). Although empirical work is increasingly evident, the subject is still dominated by the overly-theoretical approach common to much of academic economics. ‘Public choice scholars have sometimes been too quick to adopt simple (naïve) behavioural assumptions and too slow to abandon them when confronted with contradictory evidence, tendencies that carry over from economics’ (Mueller, 1997:15).

It has been observed that economists sometimes confuse themselves and others about policy-relevant aspects of economic theory. The earlier discussion of inappropriate use of the concept of market failure is one example.

Another example is that economists sometimes get confused about the relationship between externalities and market failure. Just because externalities exist, it does not necessarily follow that there is any scope for government intervention to increase welfare, even if there are no transaction costs from the intervention. ‘If with government intervention, the losses exceed the gains, the spillovers should remain’ (Pasour, 1993:3). Thus a net-benefit test is a crucial part of assessing whether a potential market failure is an actual market failure (in the sense that intervention could increase welfare); theory is not sufficient. My work on dryland salinity in Australia has highlighted cases where externalities are not associated with market failure (Pannell, McFarlane and Ferdowsian, 2001). It is true that the actions of one farmer (for example, land clearing) can often cause external costs for another farmer (for example, a larger area of salt-affected land). However, it is frequently the case that the cost to the first farmer of mitigating that salinity exceeds the external benefits of doing so, and hence, in these cases, there is no market failure; government intervention could not increase aggregate welfare.

A third example is the common failure to distinguish clearly between public goods and public benefits. The argument for providing some public goods is relatively clear in theory, although difficult in practice, as we have noted. In the case of public benefits, the argument one hears is that governments should focus on funding works that generate public benefits, not private benefits. Some people seem to think that this arises from the theory of public goods. In fact, it comes from the pragmatic observation that if the private benefits of a good are

sufficiently positive, the good will be purchased without government funding, so public funding should be saved for other uses.

These three examples point to the need for economists to get their story straight, rather than for them to stay out of the policy debate. However, there is a group of economists that does argue against economist input to the political process, on the grounds that the process is already efficient. The Chicago school of political economy, established by George Stigler (1988), with Wittman (1995) as a prominent disciple, argues in classic economist style that the policy programs that survive are better than the alternatives in having lower deadweight losses. They propose that policy choices already take account of whatever established knowledge that economists possess, with the implication that any further influence by economists can only make matters worse (Pasour, 1993).

Should economists get involved?

In summary, the three subsections above have the following implications for economists. The concept of market failure *per se* provides relatively little guidance as to whether and when economists should argue for policy intervention. We need to get quantitative about whether the benefits of intervention will likely exceed the costs.

The prominence and great scope for government failure means that achieving substantial positive change to policy is likely to be difficult. On the other hand, given the poor design and implementation of many policies, there is likely to be great scope for positive change resulting from even a modest influence by economists.

The risk of economist failure (in the sense of error or confusion) highlights the need for care rather than silence in the policy realm. The stronger implications of the Chicago School are, at least, that we should work on our humility and recognise that factors other than the economic efficiency of markets are at play, or in the extreme, that economists should not seek to influence policy at all.

One’s position on these issues is a matter of personal judgement, and it may vary depending on the policy issue at hand. The author’s view in the case of salinity policy is that the scope for improvement is so great that it is worth confronting the inevitable difficulties in overcoming government failure. Based on his own close engagement with the policy process, the author finds the arguments of the Chicago School to be highly simplistic, unconvincing, and savouring of economic fundamentalism. In the author’s experience, the reality is that competition cannot drive out inefficiencies in political markets because the markets are monopolistic, and information failures are rampant (for example, see Boudreaux, 1996). Overall, the author’s position is that economists have the potential to contribute greatly to the improvement of public policy, provided they understand the policy process and how to engage with it. These are the subjects of the remainder of this article.

Understanding Politics and Policy Formation

Effective engagement with the policy process requires some understanding of that process. Generally the available theories of policy formation provide relatively generic understanding at an aggregate level. This needs to be supplemented by more specific and detailed knowledge of the behaviour and perspectives of policy players, specific options for policy mechanisms, and of the historical context for specific policies. A brief description and commentary on the high-level theories are provided in this section. A later section on 'opportunities', presents a selection of specific insights and advice from people involved in the policy process.

Table 1: Selected Theories and Approaches for Understanding Politics and Policy Formation

Theory/approach	*Characteristics*
'Demographic' approach	Hypothesis: Influences from the environment explain policy choices. Approach based on regression of a dependent variable representing policy choices against independent variables such as demographic variables, affluence, social structures, trade unions, and political parties.
	Problem: Lacks theoretical structure. Limited insight into future choices.
Incrementalism	Hypothesis: Current policies explained as incremental changes from past policies. Previous decisions are crucial determinants of current policies.
	Problem: Cannot explain why policies change. Less relevant where decision processes and political structures are unstable over time.
Rational decision making	Hypothesis: Policies chosen to best achieve stated goals, based on perfect knowledge.
	Problem: Unrealistic. In reality there are numerous sources of uncertainty in cause and effect, and goals are ambiguous.
'Garbage-can' model	Hypothesis: Policy choice is irrational. Sought values are ambiguous, cause and effect are uncertain, choices reflect political symbolism.
	Problem: Over-emphasises irrationality. No clear predictions.
Public choice theory	Hypothesis: Agents involved in politics and policy formation act rationally in pursuit of their self interest.
	Problem: Over-emphasises the supply-side of political markets. Neglects other motivations.
Descriptive approach	Hypothesis: No overarching hypothesis. Consists of presentation of specific insights and experiences from policy formation process.
	Problem: Non-theoretical.

Source: Based on Lane (1993)

As noted earlier, numerous theories are offered to explain government policy formation patterns. Table 1 presents a selection. Each of these theories or approaches is insufficient in itself. The reality is that policy formation reflects all

of these theories to some extent. Policy choices are, at times, influenced by: demographic changes (for example, the aging population has influenced policies about retirement savings in Australia); previous policies (for example, the Landcare policy in Australia, although now out of favour, can be seen to have influenced the shape of its successor, the Natural Heritage Trust); perceptions about the public interest (for example, education and health policies); and the private interests of various policy players (for example, assistance to the sugar industry). It is hard to imagine that a useful comprehensive model will ever be developed of such a messy, complex and heterogeneous system. It is suggested that none of the theories should be taken too seriously, but there should be an attempt to learn from the key insights of each.

Public choice theory is worthy of further comment here, as it is the approach most commonly used by economists. Its distinguishing characteristic is that it seeks to understand politics via application of the behavioural assumption that the individuals involved in all parts of the political system seek to advance their rational self interest.

Clearly this is a considerable simplification. The observation that people vote in non-compulsory elections shows that more than rational self interest is involved. (There is probably more chance of being killed in a traffic accident on the way to a polling booth than of one’s vote being decisive in determining the result.) Nevertheless, the assumption has been found to be a fruitful basis for studying politics.

Growing out of classic works, such as those by Arrow (1951), Downs (1957), Buchanan (1949), Buchanan and Tullock (1962) and Olson (1965), public choice theory has provided insight into a remarkable array of issues (Mueller, 2003). For example, there are studies of the economic basis for collective choice, the distinction between efficiency and redistribution as roles for government, voting behaviour, the economics of clubs, the behaviours of two-party and multi-party systems, social welfare functions, national constitutions, and taxation.

Much of public choice theory deals with questions that are not closely related to the main question addressed in this paper (how to be influential in the formation of policy). More relevant to our interests here are studies that address rent seeking, public bureaucracies, the size of government, interest groups, and the making of political deals. The key insights from public choice theory for an aspiring policy-relevant economist probably include:

- the insight that is built into the theory by assumption: that policy players are often self interested;
- that different policy players have different objectives (because their interests are different), and are not necessarily pulling together towards the goal of advancing the public interest;
- the need to be alert to wasteful transaction costs associated with rent seeking, and government processes generally;

- that rational bureaucratic behaviour can promote inefficiency, excessive growth, capture by interest groups, weak accountability, and related problems that undermine effective government; and
- that understanding the policy approach benefits from a multidisciplinary approach.

Fundamentally, however, public choice theory is limited in its utility for our purposes because it overlooks, and perhaps actively discounts, one of the most powerful levers available to economists who wish to influence policy: the moral high ground. It will be argued that economists can sometimes gain status and influence in the policy process by explicitly seeking to identify and advance the public interest, at least in the sense of increasing total net benefits.

Challenges for Economists

There are numerous challenges for economists in the policy sphere. Politics is messy, complex, and often rather depressing for those who seek advancement of the public interest. 'Most of the most important results of the early public choice literature conveyed a rather negative message about the potential of democracy and about its effects' (Mueller, 1997:7). Some of the more common challenges that one faces when attempting to influence the policy process to achieve efficient outcomes are outlined here.

There are often conflicts between short-term political objectives and long-term needs for efficient policies. 'Good advice on economic policy is often about convincing others that short-term responses are inappropriate' (survey respondent Alistair Watson, quoted by Pannell, 2004).

As an outside expert, it can be difficult to establish credibility with policy makers, especially if you are not based in their local region. Feldman, Nadash and Gursen (2001:313) found that state-level 'policy makers seek and prefer to use information obtained directly from trusted sources, preferably from sources with immediate knowledge of their state's circumstances, priorities and needs.' The tendency to rely on local, trusted information sources means that the selection of information to use in policy formation is partial and somewhat hit-and-miss. Indeed, the 'experts' who are listened to may not contribute to a more efficient policy. They may not even be experts in the relevant issues: 'Much of the problem with bad policy comes from smart, articulate people who are operating out of their skill zone' (survey respondent Gary Stoneham, quoted by Pannell, 2004).

Politicians like a crisis. It attracts the attention of the community, and offers opportunities for heroic and helpful deeds. The community also seems to like a crisis, and responds to catastrophic predictions (Lomborg, 2001), including, recently, the Y2K bug and global climate change. There is a strong temptation for political advocates to exaggerate the severity of the problems they wish to have addressed, contributing misinformation to the policy decision process. This may

prompt urgent and short-term responses, when the real need is for careful consideration and analysis before policy strategies are selected.

There is often a mismatch between the complexity of policy problems and the simplicity of policy responses. For some problems, in my experience particularly environmental problems, there can be a great diversity of technical, economic and social issues that need to be understood, some of which are subtle, counter-intuitive and complex. This makes it difficult even to communicate succinctly to senior policy players who are not already well informed about the details of the problem. Policy proposals need to be simple and bland enough to achieve agreement, and this can tend to drive decision making to a lowest common denominator (Eckersley, 2003). Hamilton (2003:129) argues that 'the political process … remains too immature to deal properly with detailed and reasoned analysis of issues'.

For some issues, an efficient policy would involve different policy mechanisms in different circumstances. For example, in the case of dryland salinity, Ridley and Pannell (2005) concluded that the most effective and efficient policy response depends on the type of asset that is under threat from salinity (for example, agricultural land, water resources, infrastructure, natural vegetation) and on local conditions (for example, the responsiveness of groundwater to changing land use; the profitability of the available land-use options). They identified that in different cases the best policy response could be: communication/education; regulation; economic instruments; research and development; direct funding of engineering works on public lands; or doing nothing. However, the policy process prefers a simpler policy structure, preferably with a uniformly applied policy mechanism. In some cases this might be justified on the basis of lower transaction costs, but in others the result is likely to be a substantial opportunity cost to society.

Complexity and diversity can mean that there is no consistent message going to policy makers. For example, few people are well informed about the full range of background information relevant to salinity in Australia (which include hydrogeology, economics, biology, engineering options, water resources, the context of commercial agriculture, social aspects, biodiversity, and politics), and many contributions to the public debate are narrowly conceived and poorly justified (Pannell, 2005). Even among relatively well-informed commentators, the nature of the required policy response is disputed. For example, Beresford *et al* (2001) characterise the problem as lack of sufficient public resources, whereas Pannell (2001) judges that total funding is appropriate, but poorly allocated. Some expert commentators focus on the need for hydrological data for targeting investments, some on the development of new management options, some on the use of engineering options, some on the importance of communication and education. One has sympathy for policy makers trying to decide whom to believe.

Politicians like everyone to feel that they are winners, or failing that, politicians like to closely control who are the winners and losers. This can result in a tendency for program funds to be shared widely among all members of the relevant section of the community, when an efficient approach would involve

targeting of funds to priority cases. One hears the concept of ‘fairness’ invoked in discussions about this. It appears that political fairness tends to focus on one dimension of fairness: the expectation of current beneficiaries. Whether it is fair to taxpayers to spend tax dollars in programs that will not be very effective in achieving their objectives is less often considered.

The very existence of a system of funding creates considerable political pressure for its continuation. Understandably, those involved in spending the funds actively participate in the political process to endeavour to preserve the system. Even if new information about the policy issue indicates that a change is needed, it may be politically difficult to achieve. For example, the National Landcare Program in Australia created many new positions for Landcare facilitators. The facilitators were imbued with a particular philosophy of working with farmer groups to address environmental issues on farms. Over time, it has become clear that this approach and philosophy are less effective in preventing land degradation than was originally expected. Partly in response to this, the Program is undergoing change. However, changing the system is made difficult by the existence of many hundreds of facilitators who are philosophically connected to and financially dependent on the existing system, connected within bureaucratic and political networks, and able to mobilise the more committed farmers from their groups to fight in defence of the status quo.

Opportunities for Economists

Notwithstanding the deep-seated problems with many public policies, and the challenges inherent in the policy process, it is believed that economists can, at least sometimes, play a valuable role in improving policies. Of course, it is not easy. Merely publishing the results of economic research, no matter how important its findings are, will not be sufficient. Rather, success requires a major commitment to engage with the policy process, efforts to understand the process and the players in some detail, and attention to strategies for effective communication. It is necessary to become an active advocate for your position.

The options for engagement for economists outside the public sector include:

- through politicians and political parties (internally or externally)
- through contributions to the public debate (for example, economists with high media profiles include John Quiggin in Australia and Paul Krugman in the USA)
- through bureaucracies (internally and externally)

Government-employed economists have a narrower range of options, but might possibly have easier access to some important policy players. The main reason for at least some degree of optimism is that, in my experience, the idea of the ‘public interest’ does have a genuine currency in policy circles, and advocates for the public interest do have a legitimate and respected role in policy debates. The public interest can clearly be thwarted in a large variety of ways, but it cannot

be made to seem irrelevant. Some people involved in the policy process unashamedly pursue sectoral interests, but others do attempt to pay attention to the public interest, and may cultivate input from those with relevant information about it. There are enough people involved who are genuinely sympathetic to the public interest for it to be relevant, and those who are not find it difficult to resist openly, although you can be sure that they do so behind the scenes.

In 2002, a small survey of experienced policy players in Australia was conducted to gain insight into how economists can influence the policy process (for details, see Pannell, 2004). Respondents provided a wealth of practical advice and insights into the policy process, some of which are summarised here. Writing on related issues Harries (2002) also provided personal views which support some of the points below.

- Understand the policy maker's perspective. What are their objectives and constraints (for example, political, resource)? Assumed generic objectives, such as 'pursuit of self interest', are not sufficient. What are their current perceptions of the issue? Probably one needs to work on incremental changes rather than expecting people to suddenly abandon their current perceptions.
- Forget about trying to convert any adversary you have in the policy debate. The probability of success is too low to be worth the effort.
- Address the case, not your opponent's motives. Independent observers of the debate want convincing about the substantive issues.
- Give the advice in a problem-solving manner. Don't just point out current problems.
- Get in early if possible. Once policy positions are established, they are more difficult to change (as in the Incrementalism Theory; see Table 1).
- Be persistent and patient. Making major changes to policies is likely to take years or even decades.
- Network and build support. Time-consuming efforts to communicate frequently and widely can help to build support for change among policy makers, interest groups and interested members of the wider community. 'Preaching to the converted, far from being a superfluous activity, is vital. Preachers do it every Sunday.' (Harries, 2002).
- Understand the policy process, including the relevant existing institutions. There is often a mismatch between what information policy makers say they need and what researchers provide.
- Develop a deep and broad knowledge of technical aspects of the issue. 'Make sure that you know several times more about a topic than you can conceivably use or show. This is important, for one thing, because you will not know in advance what precisely you will have to use on any given occasion. Even more important, the fact that you have much in reserve (which will usually become evident through an accumulation of small touches) will give a resonance and authority to what you do use.' Harries (2002). This is a particularly important point, with strong implications for the way that economists approach their analysis and communication.

- Be clear and brief. Avoid jargon and technical issues.
- Quantify the impacts of options, rather than relying on abstract argument. Basic quantitative data or analytical results can be highly influential on policy makers, even without the analyst adopting an explicit policy position.
- Also include qualitative information. Anecdotes or information about attitudes can reinforce quantitative information.
- Relate your recommendation to Government's stated policy objectives. Try to identify hooks within the current policy to argue that your proposed changes are consistent with the existing aims (Incrementalism again).
- Pay attention to transaction costs. Proposals that are complex or expensive to implement will be resisted.

Most of this advice deals with the phase beyond the conduct of technical research. Much of it relates to communicating and maintaining relationships with policy players. One of those players is the relevant bureaucracy. Bureaucracies play a key role in the policy process, particularly in the detailed design and implementation of policy programs. Often, the devil is in the detail of policy design, over which bureaucracies sometimes have a high degree of control. The degree of their influence depends on the issue, the interests of their minister, and their skill in influencing the policy process. Each has its own character, but some characteristics observed in some specific bureaucracies are as follows:

- A dislike of criticism. They may interpret it as a lack of understanding of the issues on the part of the critic.
- A desire to be acknowledged for effort and perceived success.
- A tendency to focus primarily on currently topical problems, and to neglect even serious issues surrounding programs not currently high on the political agenda, or not at a stage in the policy cycle where they need attention.
- A preference for advice that is very brief and highly integrated.
- A tendency to pay most attention to expenditure, process and activity, less attention to the production of outputs, and even less to achieving outcomes.
- Some scepticism about the motives of outsiders who offer advice, especially if a potential vested interest can be identified.
- Limited technical and socio-economic expertise in relevant subject matter, but no serious concern about this. There is an attitude that bureaucrats should be able to move between widely differing subject areas, without adequately recognising the importance of having high levels of subject expertise if outcomes are to be achieved (perhaps reflecting complacency about achieving outcomes).
- Awareness of ministerial expectations/preferences and of the need to protect the minister from criticism or embarrassment.

Some policy theories discussed earlier are based on specific assumptions about whether benefits and costs are borne by few or many. For example, Becker

(1983), in developing his theory of interest groups, assumes that costs are borne by many, and benefits captured by a few. In fact, among the diverse types of policies that one observes, it is possible to find examples with any of the four possible combinations of winners and losers, few and many. In the past, many agricultural policy measures fell in the benefits-for-a-few/costs-for-many category (for example, marketing boards, two-price schemes, import quotas or tariffs, production quotas, production subsidies). Recently, there has been increasing attention to agricultural policies which provide 'benefits-for-many', particularly policies intended to enhance environmental values associated with agriculture. In some cases costs are borne by a few (for example, regulations on farming practices to protect the environment, where demand curves are highly elastic), but more commonly we see costs for many (for example, public payments to farmers for so-called environmental services).

This shift in emphasis has implications for the types of issues and concerns to be addressed by aspiring policy-relevant economists. Policies in the benefits-for-a-few/costs-for-many category are perhaps more difficult to influence, since they involve bestowal of political favours directly on an identifiable group. In Australia and New Zealand, arguments about dead-weight losses from these policies fell largely on deaf ears for decades until the entire political landscape changed in the early 1980s towards a more market-oriented ideology. Even then, the ideological shift was not sufficient at the time to change the shape of agricultural policy substantially in Europe and the USA, despite the key roles of Margaret Thatcher and Ronald Reagan in changing the political ideology.

Subsequently, throughout the developed world, agricultural policies have tended to shift to the many/many category. The suspicion is that policies in this quadrant may be fundamentally more susceptible to influence by economists, since they are at least partly intended to generate public benefits. Economist input ought to be welcomed if opportunities for improving the efficiency of delivering those benefits to the broader community can be identified.

Currently, universities and professional societies offer little advice, support or training to economists on practical aspects of the policy formation process. There are opportunities to address this gap, and there may be substantial benefits from doing so.

Conclusion

A decision to adopt an ambition to influence an area of policy should not be taken lightly. The personal costs can be substantial, in terms of time, stress and frustration. As we have seen, the challenges are numerous and great but, on the other hand, the rewards of satisfaction can also be large. Economists have a particular capacity to analyse the public interest in a broad way, and this capacity is appreciated by many players in the policy process. It is this that gives economists the best chance to influence policy.

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