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Policy improves by putting rhetoric on trial

Ideas should be driven by experiments and hard facts, not opinion polls, argue Andrew Leigh and Justin Wolfers.

ONE of the new mantras among policy wonks has been “evidence-based policymaking” – the notion that policy ideas should stand or fall on the basis of research and trials, rather than opinion polling and supposition.

Overseas, this has led to some startling discoveries. Education programs for young drivers, once thought to reduce road deaths, turned out to increase them – by encouraging high school students to drive at a younger age. A US program that provided housing vouchers for poor people to move out of ghettos dramatically improved the health of children. And studies on class sizes have cast doubt on earlier assertions that across-the-board reductions boost students’ test scores.

The lesson is that policies, like medical interventions, can be put to the test, saving millions of taxpayer dollars and improving the quality of government. To be effective, evidence-based policymaking relies on policy trials, which simulate the randomised conditions of a laboratory experiment and give access to high quality data. Unfortunately, both are largely absent in Australia.

As the NSW election campaign has shown, politicians are about as ready to engage with policy trials as with red-headed fishmongers migrating in from the north. The parties, it seems, are big on rhetoric, but not on putting their ideas to the test.

If the Coalition believes that Parenting Partnerships will reduce conflict in schools, they should propose a one-year experiment – randomly im-

plementing them in 100 schools and reporting on whether schools with partnerships have better test scores and retention rates. If the Greens believe that dispensing heroin is the way to go, they should suggest comparing the outcomes of a group of addicts eligible for it with a group who are not. And instead of watching incarceration rates skyrocket, Labor could trial and test training and rehabilitation policies in different jails, to see which does best at helping ex-cons find jobs.

The only example of evidence-based policymaking that we are aware of in NSW was last year’s drug court evaluation. Carefully administered, the research has produced powerful evidence that the court provides a more cost-effective solution than the traditional judicial system.

Why don’t we see more randomised trials in Australia? One impediment is a cultural attitude that government services are an entitlement, and therefore must not be rationed. Yet it is time this conventional wisdom was balanced against the benefits that can flow from careful pre-testing of government programs.

Even as Australians have started to embrace testing, our institutions have failed to follow, denying access to data or imposing hefty fees. By contrast, US statistics bureaus apply a simple rule: if the public answered the questions, the public has the right to analyse the data. And these inputs sustain a proliferation of think tanks that debate policies based on outcomes, rather than conjecture.

But in Australia, the picture is transformed. The Australian Bureau of Stat-

istics makes virtually no data of any complexity freely available. Vast stores of intriguing data are aggregated into bland facts for publication in the yearbook, rather than released for primary analysis. When researchers cannot track individual education, health, crime and labour market experiences, we lose the ability to make subtle judgements about policy effectiveness.

Charging for statistical data is a policy that is hard to rationalise. Simple economics tells us the price that should be charged for “public goods” – such as clean air, street lighting, or national defence – is zero, otherwise these public resources will be underused. In the case of data, there is an extra public benefit: good research leads to better public policy.

Hence we offer this twin challenge: first, Australia’s federal politicians should commit to providing the ABS with the \$7 million required to abolish data access fees, and commit to opening up the databanks. Second, policy proposals should be subject to random trials before being funded. The cost of policy mistakes is surely greater than that of small-scale random trials. And NSW should take the lead.

To those who don’t sign on, we say: “chicken”. One can barely disagree on cost grounds. Rather, the fear must be that with real evidence, voters might discover that reality does not match political rhetoric.

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