Helping Decisionmakers to Build and Shape their Intellectual Capital

Ruth Greenspan Bell

Larry Summers spoke to the symposium comfortably wearing at least four hats—president of Harvard University, former secretary of the Treasury, former vice president at the World Bank, and practicing economist. His wide-ranging remarks reflected the breadth of this unusual range of experience. In view of the scope of his thoughts, no doubt different listeners focused on different issues. I want to focus on those that resonate for me.

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Summers pointed out how RFF helped build and shape his intellectual capital when he was a student in the early 1970s. His remarks reminded me of a talk I had heard many years ago by then-Solicitor General Robert Bork, who explained why members of the Supreme Court were unlikely to know much about then-recently developed economic theories of antitrust. Bork pointed out that the intensity of their responsibilities forced justices, and presumably most high government officials, to live on their "intellectual capital," during the time when they were key policymakers. They simply didn't have the time or energy to stay current with the literature. In another context, there is a saying that in a current conflict, the Pentagon tends to fight the previous war—the war where the current decisionmakers learned their on-the-ground lessons.

Implicit in Summers' remarks is a concern that we must always keep in our minds at think tanks like RFF. It is a good and honorable calling to be influencing students who are forming their opinions and graduate students who follow the literature. But policy decisions are being made in the high counsels of government in real time, here and now. Few policymakers in the pressure cooker of government will be able to keep abreast of the academic literature, and indeed some—unlike Summers—may not have studied it in their earlier lives. Political appointments are made for a variety of reasons, only some of which have to do with

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being the most technically proficient in a particular specialty. Similarly, elections are won for a variety of reasons that may leave the victors unprepared for the mixture of issues that they will have to vote on.

It was in this context that Summers made a puzzling and interesting analogy. He called policymakers "snakes in a tunnel." By this, he means that decisionmakers typically are under great pressure, running around making decisions and choosing options. But he points out that the options they consider are fashioned and framed by a set of understandings shaped by intellectual developments of the previous several decades. In his words, the tunnel is "very much shaped by what we had been taught, by what the people around us had been taught."

Lawrence H. Summers, president of Harvard University, talked about governance and global markets.

Curiosity about the "snakes in a tunnel" reference caused me to do a little research. Summers seems to have adapted this expression from his Treasury Department experience. It comes from the world of monetary theory and foreign exchange markets and is used to describe one among a range of exchange rate introduction systems. In the context of integration of exchange rates in the European Union, "snakes in the tunnel" is a mechanism to allow currencies to fluctuate within a defined band.

But in the context of the Washington policy process, I believe Summers was turning this analogy inside out and making a pointed comment on the limited ability of decisionmakers to see beyond their own experience while in the heat of battle, and the challenges they face in being sure that their decisions reflect not only the intellectual baggage they carry with them but more current thought.

I read Summers' statements as a challenge to RFF to make sure that our research and results reach current and not just future decisionmakers. To do this, we must communicate in ways that will have the maximum impact and we must explicitly consider the current demands of the people whose horizons we would like to expand.

To some extent, this mission of think tanks like RFF is made a bit easier by another phenomenon that Summers pointed out. In the United States, unlike many other countries, new ideas are brought into government by the "number of officials who go in and out of work from the academic sector, from work in the private sector, and work in other places." I think he was suggesting that RFF should not forget the entire audience that must be addressed. For RFF, the audience includes not only future Larry Summerses, who are currently curious undergraduates looking for good ideas to guide their lives and professions, but also current government decisionmakers and those waiting in the wings to serve. Each audience requires a different form of communication, shaped and suited to their particular circumstances and the attention span dictated by their current position, responsibilities, and tolerance for new information.

Presumably his experience at the Treasury and at the World Bank informed the second of Summers' points that most interested me. He was very clear about the importance and power of markets. His comment that no one in the history of the world has washed a rental car was a funny but pointed way of emphasizing the importance of property rights (although no one thought to ask him whether anyone in the world had ever washed a leased car). Having a stake in something is a powerful motivation for protecting the value of that thing. As he said, properly functioning markets have, by and large, proven to be the best way to organize human activity.

But Summers also reminded his audience that markets don't function in a vacuum and the world is not a perfect place, ready-made for perfect answers. He was very clear "that it is not enough to simply say we're going to have a market system and let it rip...The question of policy design will increasingly be one of not asserting absolute principles but of finding practical and prudent compromises." In other words, as Joseph Stiglitz, another distinguished economist associated with RFF, is increasingly pointing out, the power of market-based tools is intimately linked to the sufficiency of regulatory and legal tools, limited and shaped by the experiences of those who would wield those tools.

I was pleased that Summers thought it important to remind us both of the role of institutions, and that the world that we seek to influence is a messy place, whether that is the world of U.S. policymakers or other countries seeking to control their pollution and manage their natural resources. Economic advisors who provide advice that doesn't recognize the very important issue of institutions, or who assume this critical subject away for analysis another day, do so at their peril. Answers to difficult policy questions are only good if they offer something real to decisionmakers, namely solutions that have a reasonable possibility of working.

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And Summers added particular nuance to this point when he said that "one has to look very, very carefully, before presuming to dictate to another country what their rules should be." Although that particular comment was not directed at environmental rules, the lesson was the same: what works in one place may not work in another. The burden is on us to work with the world as it is when we offer policy suggestions, not with the world as we would wish it to be.

Finally, in a world where professions tend to be insular, and interdisciplinary work is often discouraged by the demands of making tenure in one's own specialty, Summers' mere presence demonstrated the strength and opportunities of cross fertilization. The four or more hats he wears all add great strength and credibility to the message he carried. ■