

THE POWER OF IDEAS AND THE PUBLIC POLICY PROCESS

Raymond J. Kopp

To say that Robert Solow is an entertaining speaker and one of the smartest folks on this planet is surely an understatement. Solow, Institute Professor of Economics Emeritus at the Massachusetts Institute of Technology, Nobel Laureate, and member of the RFF Board of Directors, delighted attendees of RFF's 50th anniversary symposium with his wit and insight. However, some in the audience no doubt felt they were in the wrong room when he began his talk with a discussion of monetary policy rather than environmental and natural resource issues.



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Solow noted that the formulation of U.S. monetary policy is supported by a considerable infrastructure whose purpose is to produce research germane to the formulation of monetary policy.

That infrastructure is composed of the 200+ economists working directly for the Federal Reserve Board, the economists working at each of the Federal Reserve Banks, and the

numerous monetary economists housed in universities around the country.

Solow provided this tour of monetary policy to make two points. First, the obvious: "...monetary policy is very important. So it's no wonder that all this high-class intellectual effort gets poured into it," he said. Second, but perhaps more important, he said, is to note that the serious economic research being performed does find its way into the formulation of Fed monetary policy and has indeed improved that policy over the decades.

However, "in the long run, the economics of natural resources and the environment is as

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important to our well-being as the economics of money and banking,” Solow argued. Moreover, the environmental policy problems we face as a country are easily as complex as those dealt with by Alan Greenspan. “Our national economic future depends in ways that we don’t yet fully understand on the way we use our energy sources, renewable and non-renewable; on the way we use our subsurface minerals, our forests, our soil resources, the ocean fisheries; on the quality and quantity of water we can make available for household and industrial use; and on the quality of the air and what we do with toxic wastes,” Solow said.

Yet, there is no Federal Reserve Board–like army of economists working on these issues. To be sure, there are research economists in some branches of government and a few in universities, Solow said. “But on such an important topic, valiant little old Resources for the Future is practically all that stands between you and abysmal ignorance.”

In contrast to the Federal Reserve system, where there is a strong tradition of using the best available research to help improve the formulation of monetary policy, there is, at best, only a weak reliance on rigorous social science research in the formulation of environmental and natural resource policy. At worst, there is a genuine dislike for research on the part of many policymakers. RFF’s task is not only to enhance the supply side of the ledger by providing needed

infrastructure to generate germane research, but also to work on the demand side by helping build a tradition among environmental and natural resource policymakers to use cutting-edge social science research in the formulation of policy.

Working at once on both the demand side and supply side is a tall order. The supply side requires RFF to be attuned to the problems and issues facing policymakers, while at the same time to be capable of using and creating social science knowledge to address these challenges. As Solow

remarked, “RFF is the premier source of policy ideas in the natural resources field and the main connection between resource policy on one hand and serious economic thought on the other.” As it turns out, this is a very difficult balancing act. There are many individuals and organizations that can accomplish one of these tasks—knowledgeable about policy problems or about the tools to solve those problems—but there are few who can handle both. This is exactly where RFF positions itself.

This challenge is further complicated by the requirement that the research generated by RFF be balanced, objective, and independent, and be viewed by policymakers as such. Again quoting Solow, “To play the role that I’ve been describing, and that RFF has actually played, independence is a natural and vitally important prerequisite. It’s just barely possible for analysis to be policy-relevant and yet politically indifferent.”

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RFF is painfully aware of the difficulty in carrying out research “that is neither neutered out of policy relevance nor predetermined by political commitment,” to use Solow’s words. We place considerable emphasis on making our work useful and we obsess about the bright line drawn between relevance and advocacy. But, perhaps the more challenging task is to be perceived as politically indifferent given the often contentious issues RFF addresses each year. We tackle the perception problem first and foremost by maintaining strict adherence to scientific objectivity in our work. We then make our analysis available on an equal footing to all and strive to fund ourselves in such a manner that our independence is enhanced. The record suggests this approach is working, for we are equally criticized by both the left and the right.

Ideas, when applied, do have power in the policy process. That is, ideas and the careful, objective research that gives them life can improve the environmental and natural resource policy decisions we make.



Robert M. Solow, Nobel laureate, MIT professor, and RFF board member, gave the luncheon address.

This is the fundamental tenet of RFF. The trick is to build a growing awareness of this fact, and to combat notions that environmental and resource policy is only about politics and interest groups. ■