Policymaking for the long term

PUZZLES AND AGENDAS

Alan M. Jacobs
University of British Columbia
alan.jacobs@ubc.ca

FPSA Annual Conference 2018
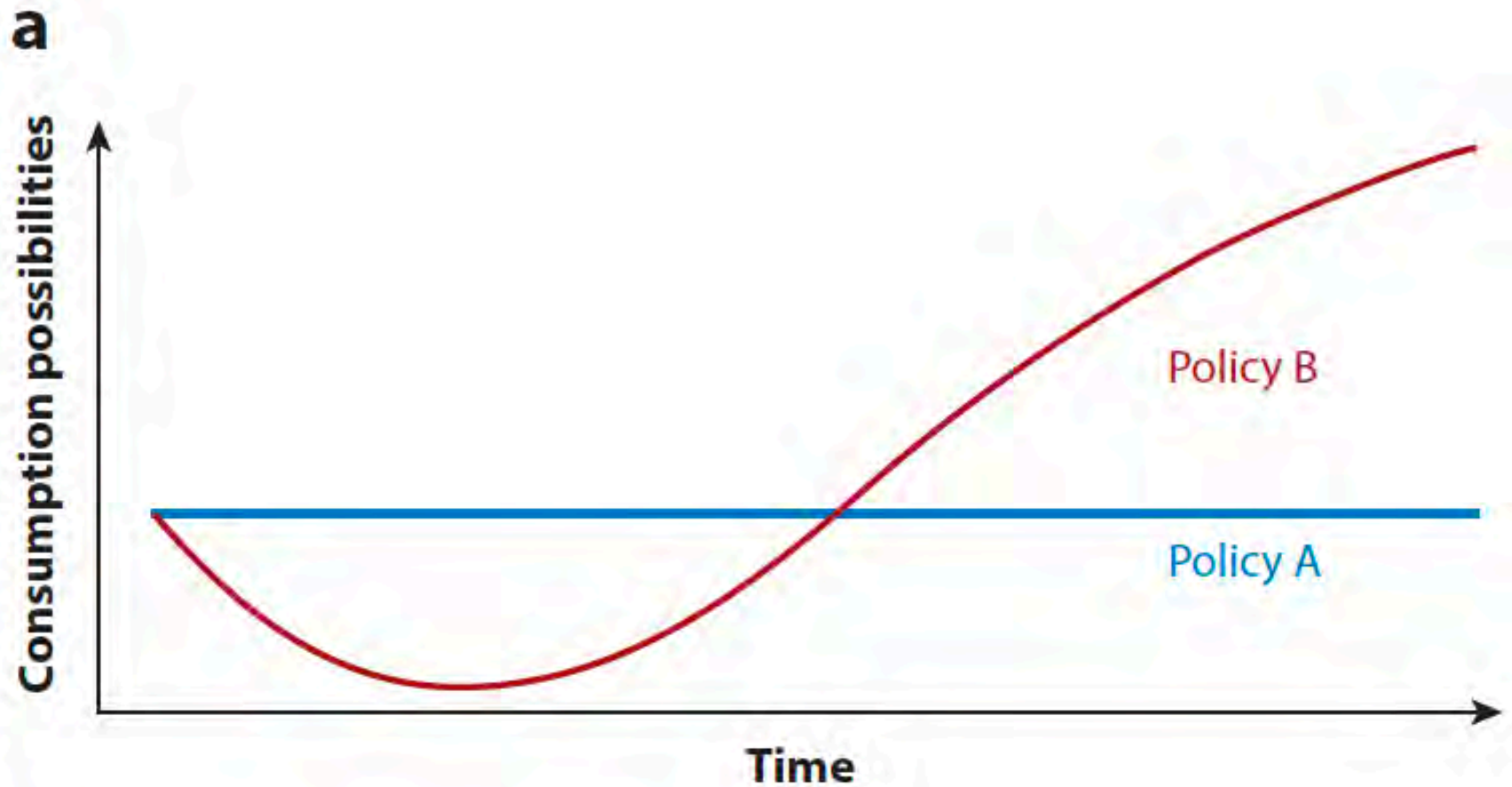Keynote Address

Päätöksentekoa pitkällä aikavälillä

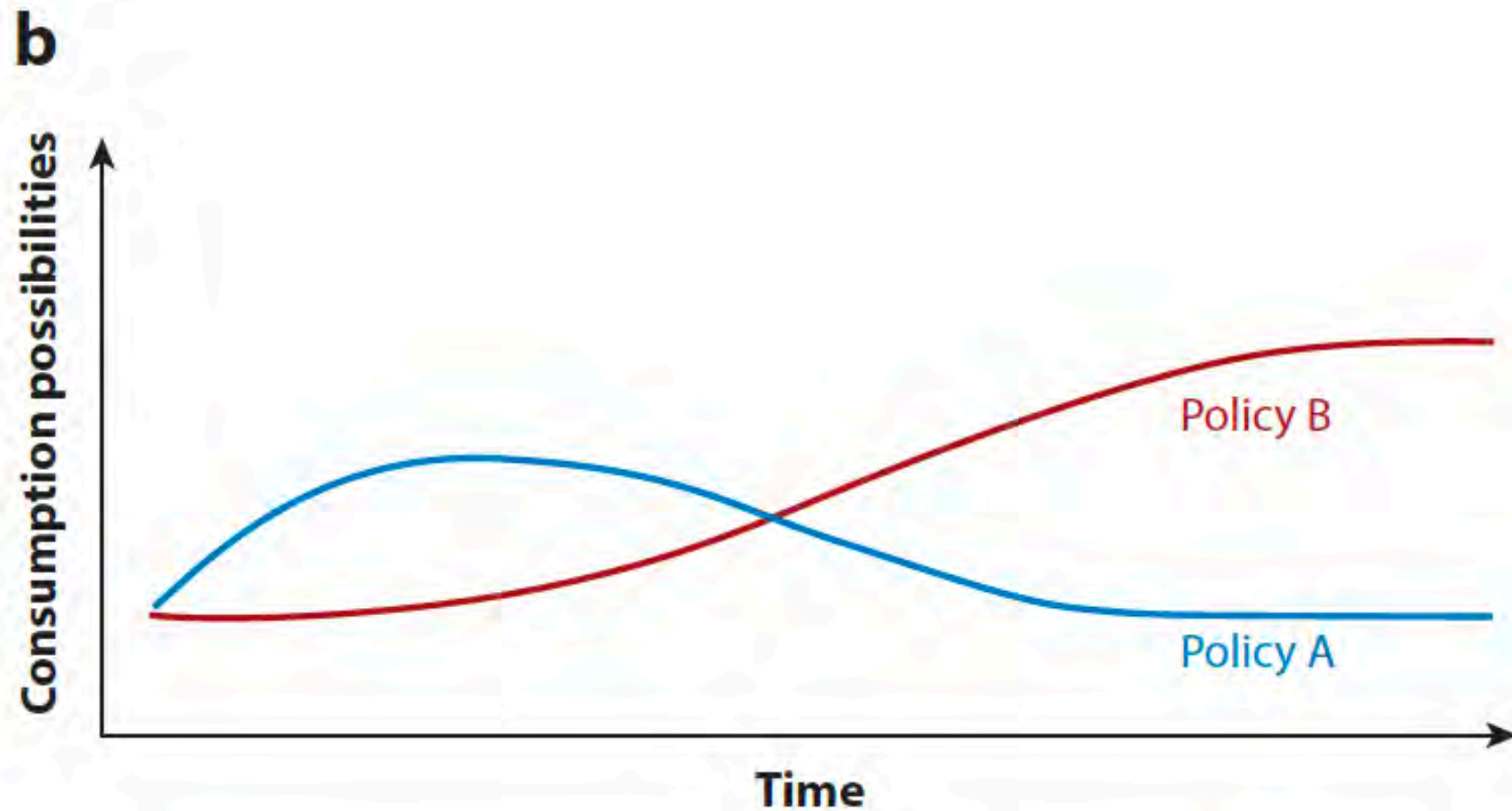## PALAPELIT JA ESITYSLISTAT

Alan M. Jacobs
University of British Columbia
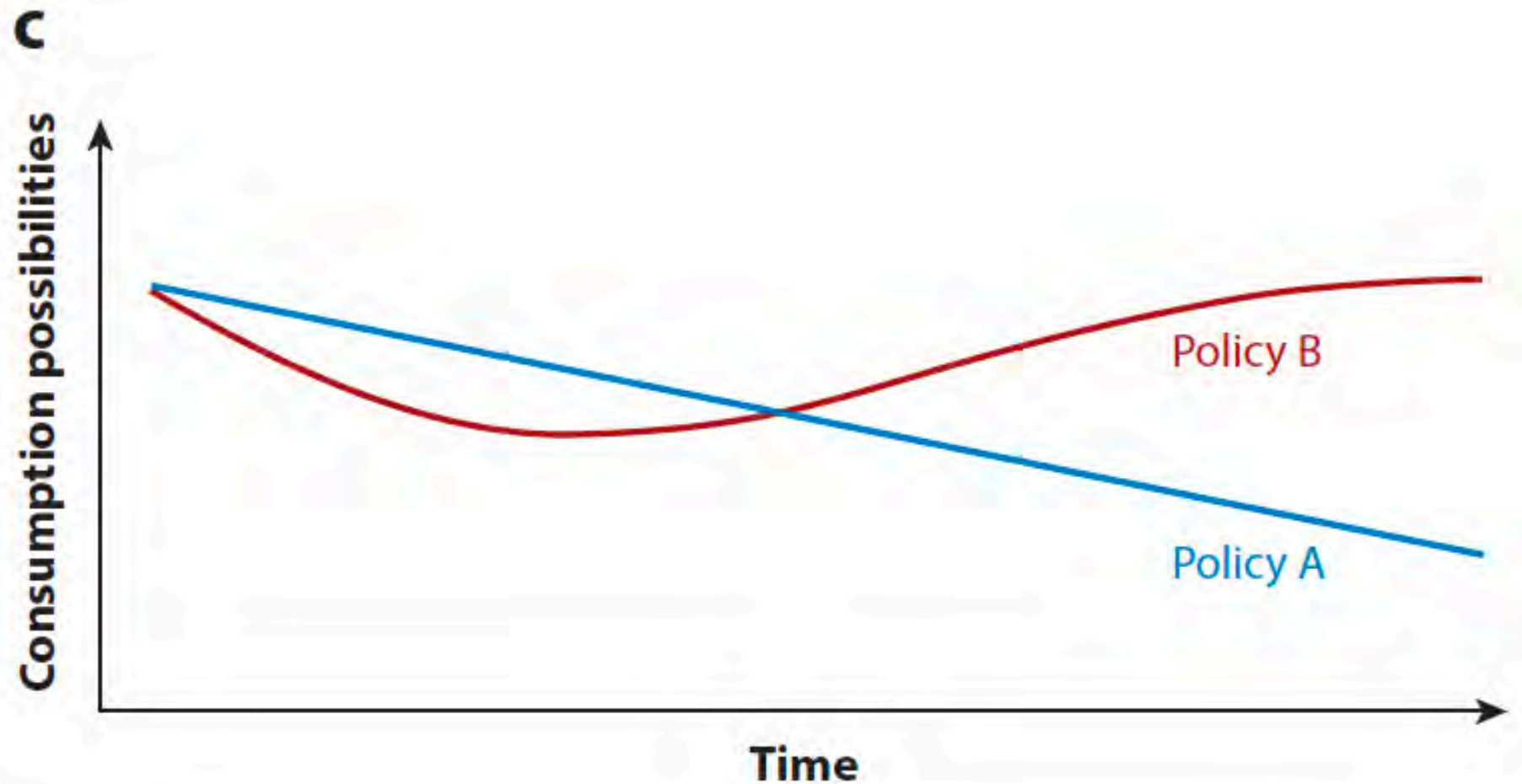alan.jacobs@ubc.ca

FPSA Annual Conference 2018
Keynote Address

Intertemporal policy tradeoffs

Intertemporal policy tradeoffs

Intertemporal policy tradeoffs

The conventional expectation
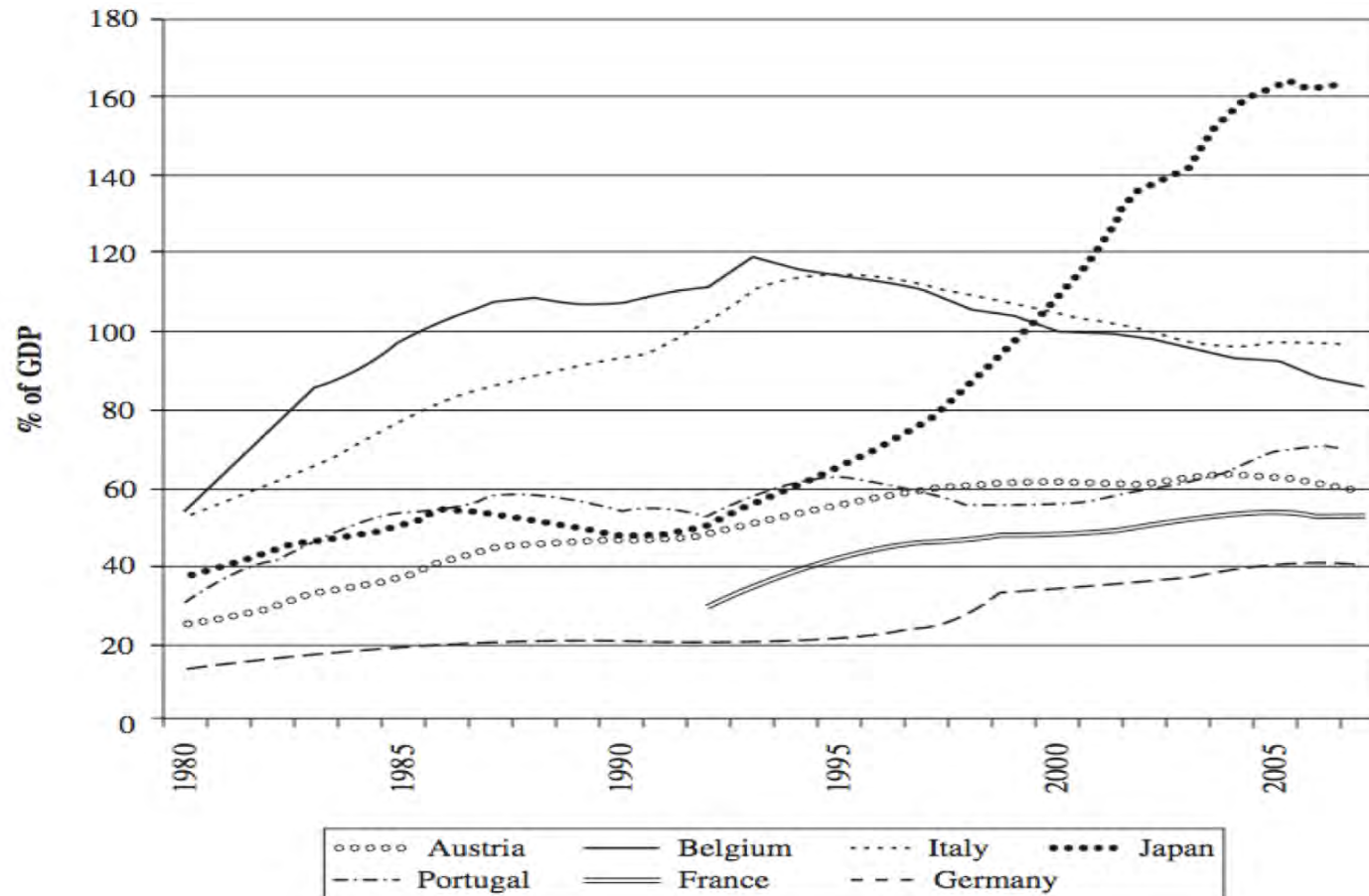
Short-sighted voters +

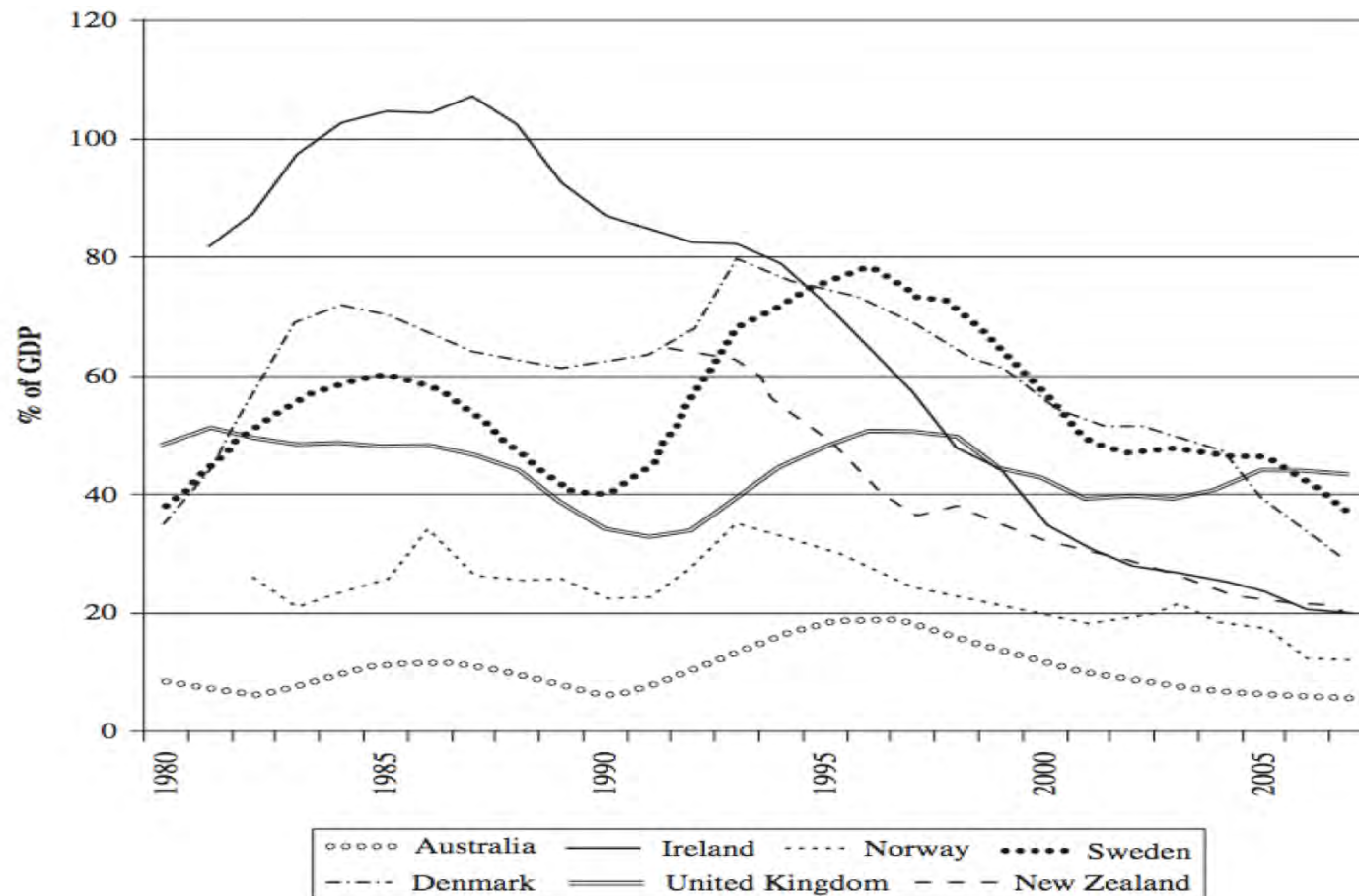Reelection-seeking politicians +

Competition for office =

Pervasive policy myopia

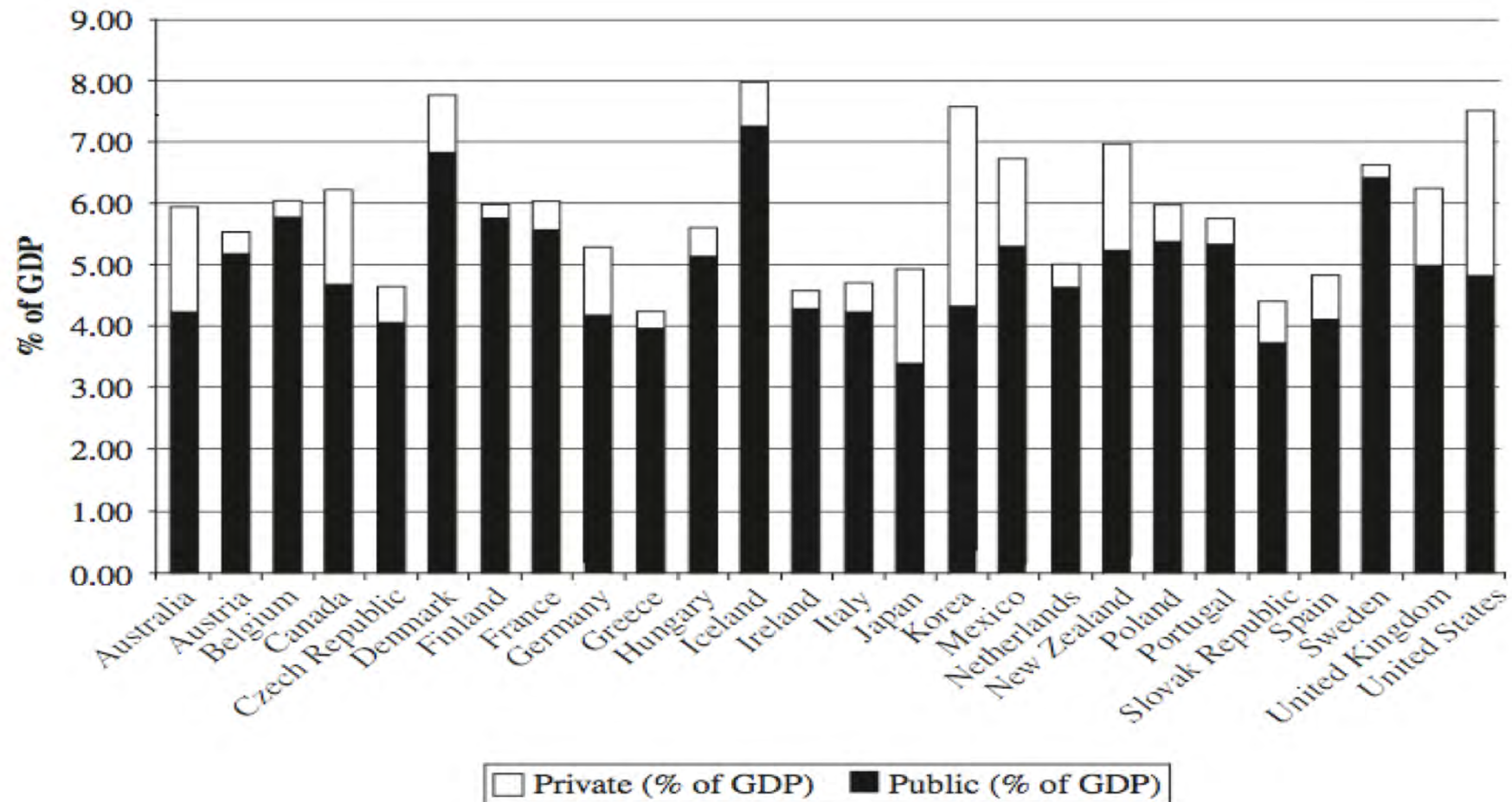→ A basic failure of democratic governance

Mortgaging the future:
The worst fiscal-performers

Investing in the long term:
The best fiscal-performers

Varying investments in the workforce: Education spending

Varying management of natural resources: Timber
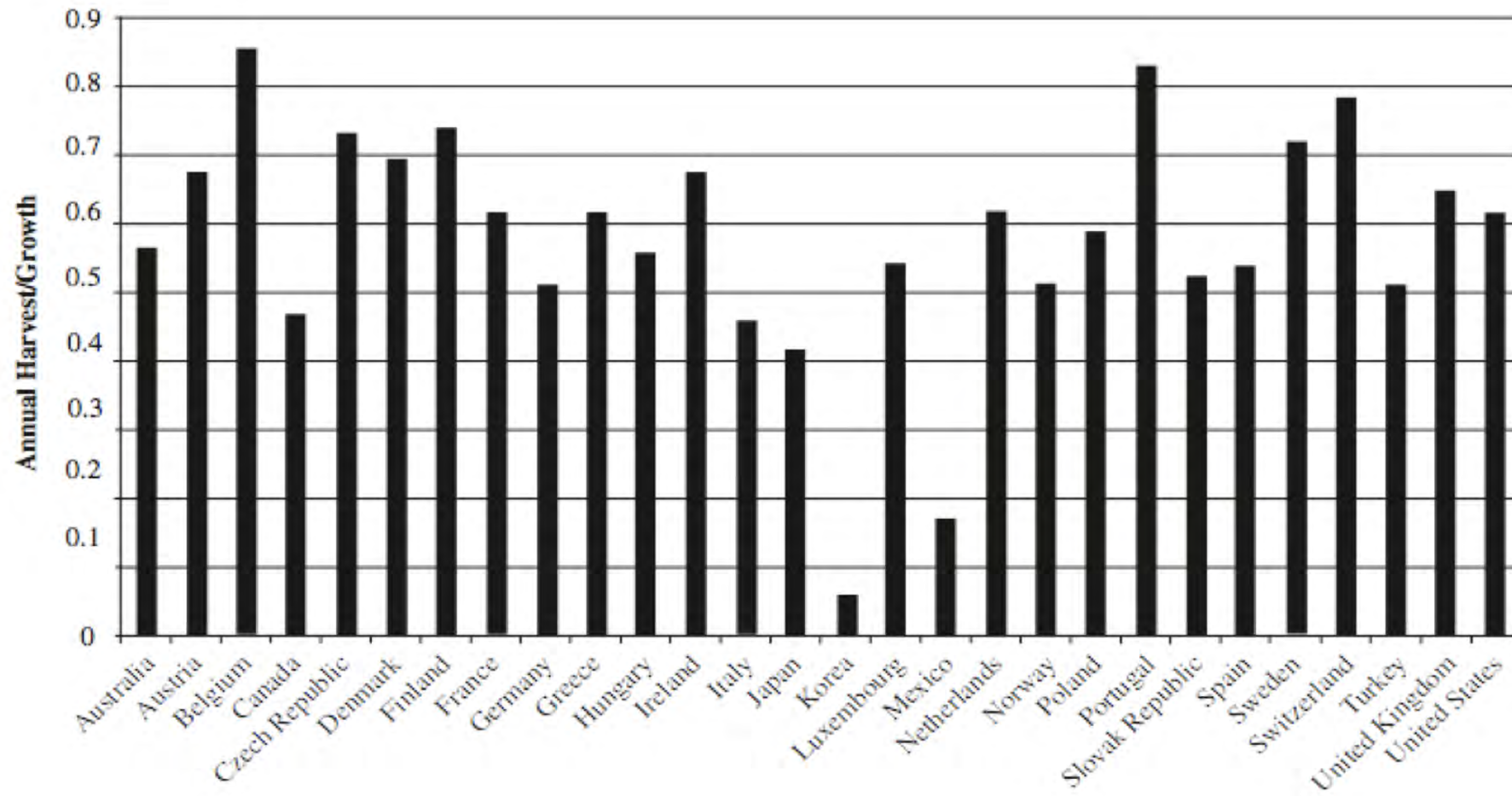
Varying investment in infrastructure (2013)
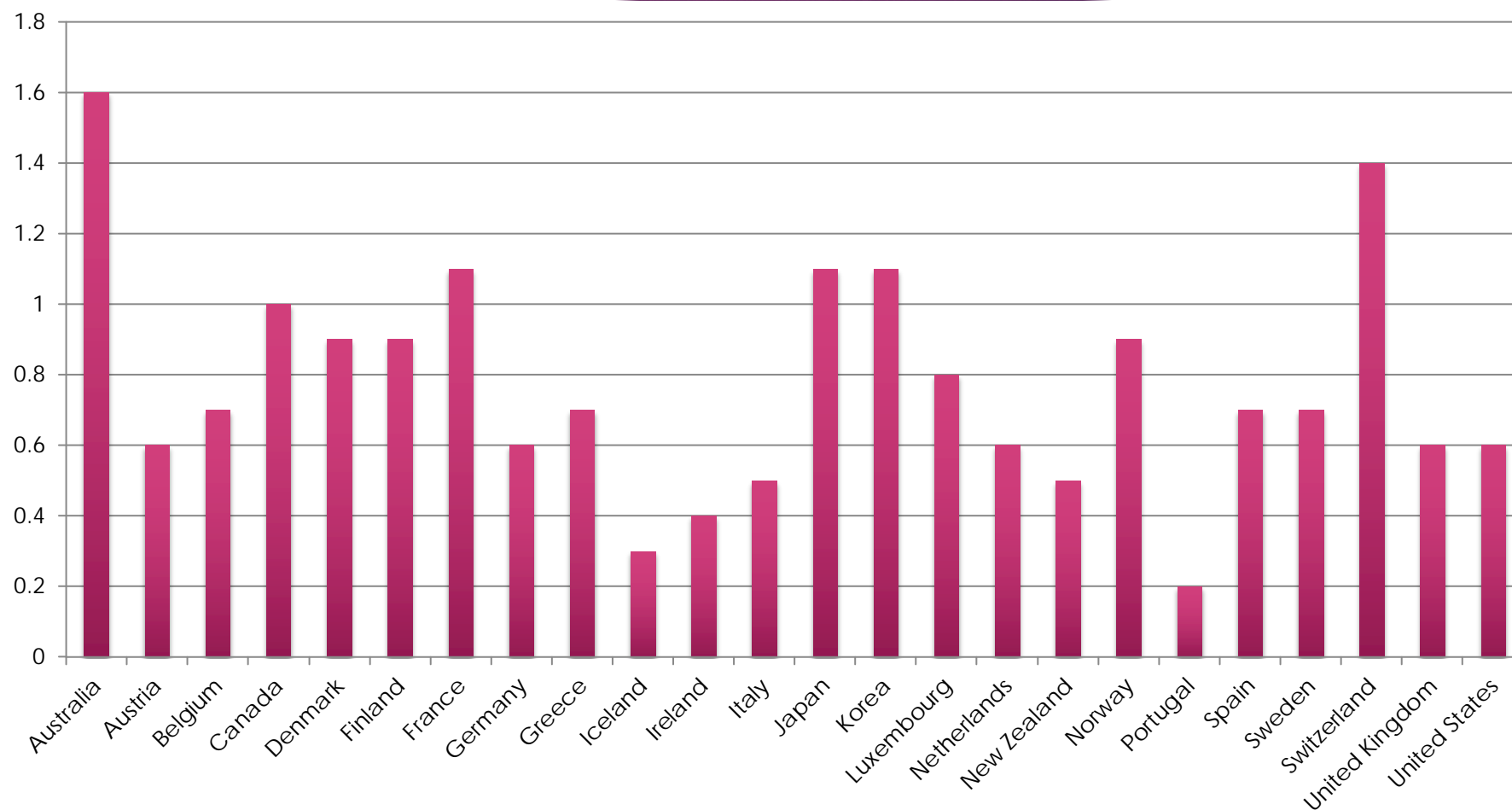
Non-temporal analysis of policy choice

A common focus on:

▶ "Who gets what" – current, cross-sectional distribution

▶ The political irrelevance of the long term

　　▶ Welfare-state reform

　　▶ Political business cycles

　　▶ Retrospective voting

▶ Time as path dependence or feedback effects

But rarely an explicit analysis of tradeoffs over time

The puzzle

How can we explain variation in democratic governments' willingness to invest in future?

Vaahtokarkkeja!

Impatience?

Varying impatience?

Working assumptions

- Modestly positive time preferences
  - Policymakers and citizens value the future – somewhat, but not radically, less than the present

→ Question: Why would politicians who value – and whose constituents value – the long run fail to make long-run net beneficial policy investments?

Three obstacles to investment in the long term

1. Inattention to the long term

2. The uncertainty of the long run

3. Opposition from (organized) short-run losers

Challenge 1. Inattention to the long term

- ▶ Information about the present is specific, vivid, urgent

- ▶ Information about the long run is diffuse, abstract, hypothetical

- ▶ If attention is a scarce resource, citizens
  - ▶ May *care* about long-term problems, but
  - ▶ Devote relatively less attention to them (than to short-term outcomes) when evaluating policies and government performance

- ▶ Impedes politicians' efforts to *justify* short-term costs in terms of long-term benefits

Agenda 1: Under what conditions do citizens attend to long- term problems?

1. Negativity and framing opportunities

► Humans more attentive to losses than to gains (Kahneman/Tversky, Weaver, Soroka)

► Citizens more supportive of policies that avoid losses than those that provide gains (Arceneaux 2012, Quattrone & Tversky 1988)

Intertemporal policy tradeoffs
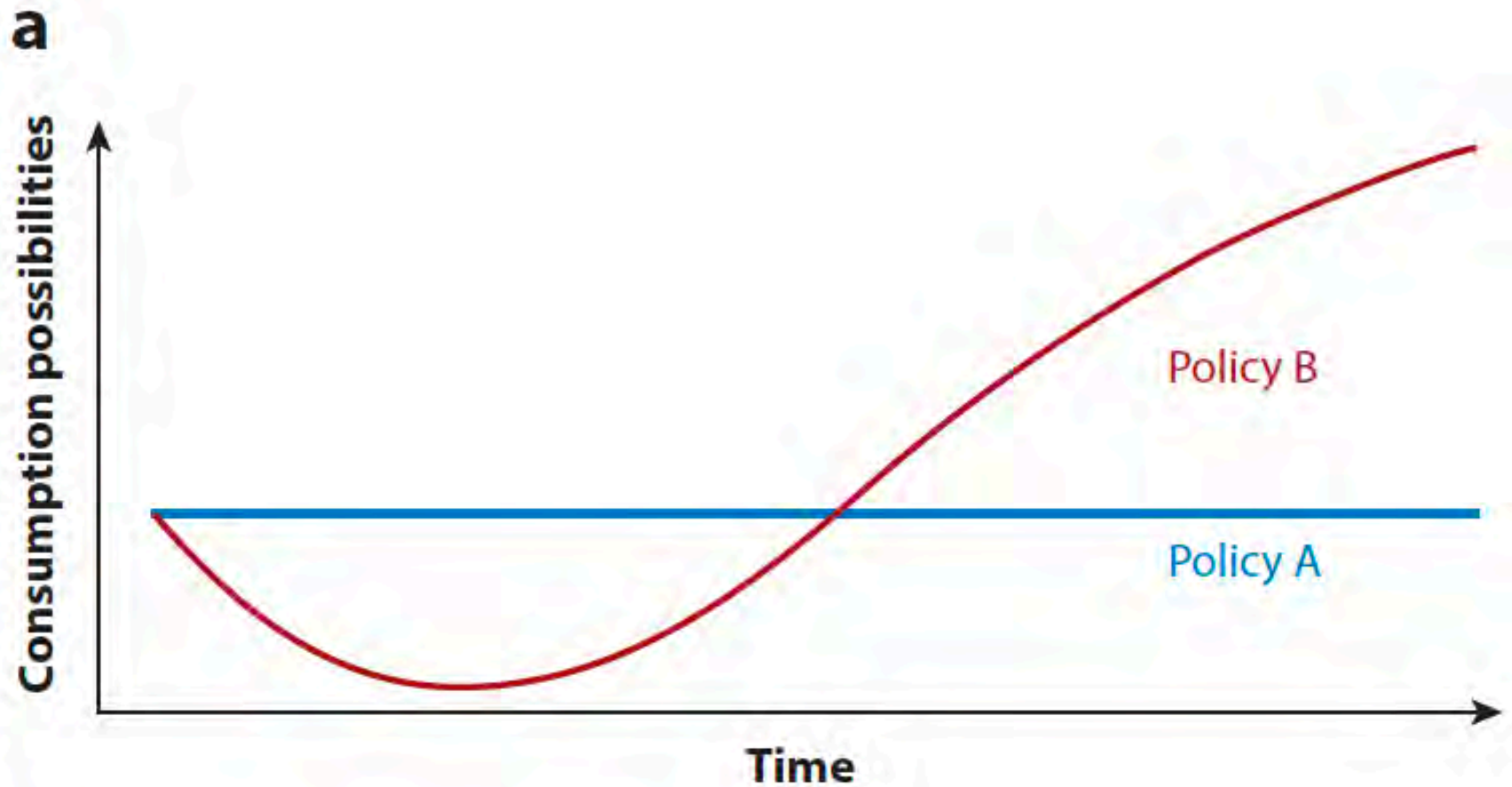
Intertemporal policy tradeoffs

Agenda 1: Under what conditions do citizens <u>attend</u> to long- term problems?
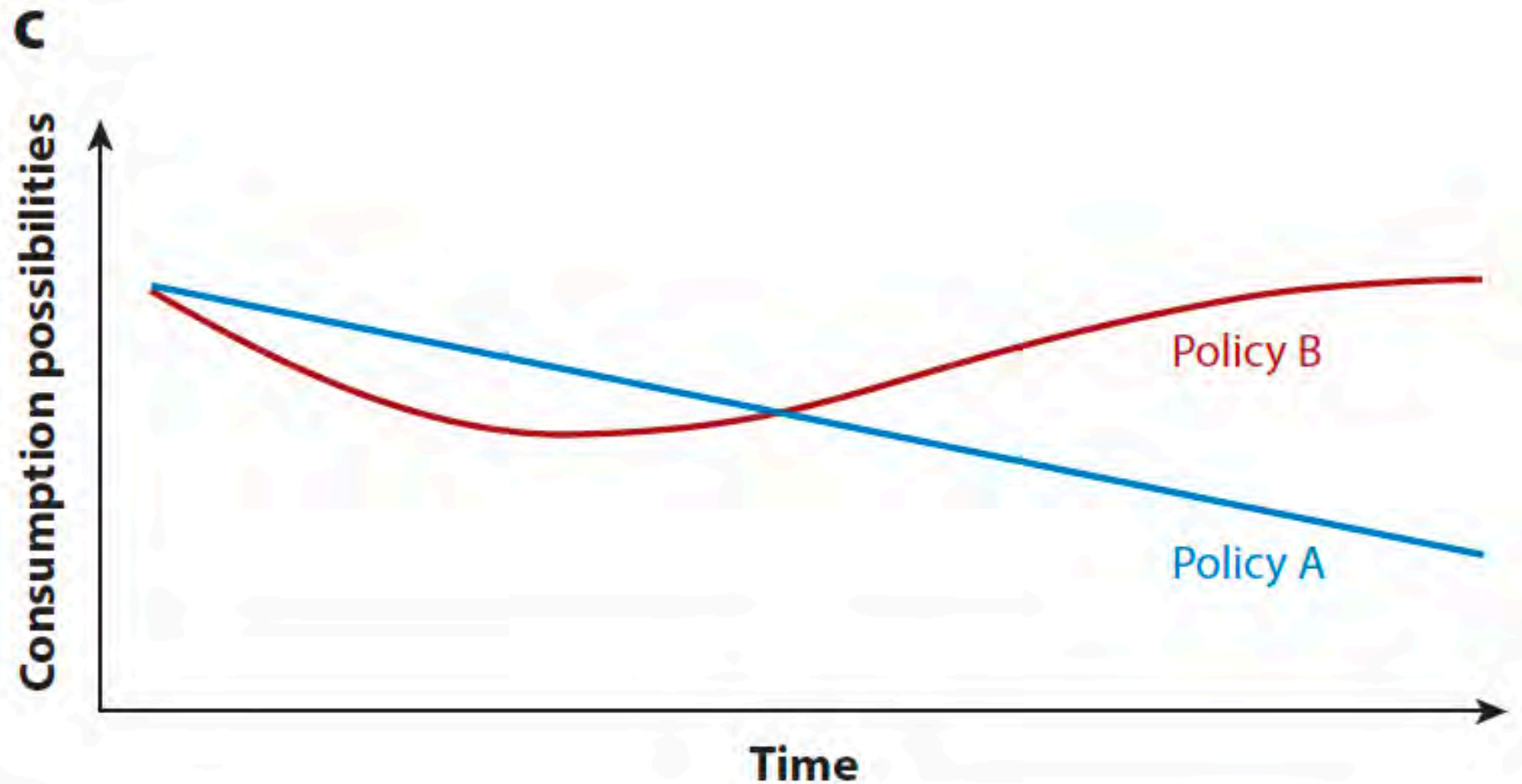
1. Negativity bias and framing opportunities

- ▶ Humans more attentive to losses than to gains (Kahneman/Tversky, Weaver, Soroka)

- ▶ Citizens more supportive of policies that avoid losses than those that provide gains (Arceneaux 2012, Quattrone & Tversky 1988)

- ▶ But framing opportunities constrained
  - ▶ Politicians can't always claim "loss-avoidance"

Agenda 1: Under what conditions do citizens <u>attend</u> to long- term problems?

1. Cognition: Negativity bias and framing opportunities

- ▶ Under what conditions can politicians persuasively frame policy investment as loss-avoidance? Some possibilities:
  - ▶ "Early warning" focusing events
    - ▶ E.g., Erratic weather patterns → climate change
    - ▶ What counts as a "focusing event"? How are they interpreted?

  - ▶ Programmatic signals
    - ▶ E.g., trust fund projections → pension unsustainability

Agenda 1: Under what conditions do citizens <u>attend</u> to long- term problems?

2. Policy structure: Timing of benefit-stream visibility

- ► Policy investments may only become profitable over the long run, but…

- ► Wide variation in how soon the benefit stream becomes "visible"

- ► Contrast
  - ► Investment in pension-system sustainability
    - ► Benefit stream invisible for decades
  - ► Investment in physical infrastructure
    - ► Benefit stream visible quickly

Challenge 2:
The uncertainty of the long run

- Long-term investments are elite-citizen bargains in which citizens pay first

- Democratic politics itself makes those bargains risky
  1. Today's politicians may "take the money and run"
     - Taxes collected now for one purpose may be spent on something else later

  2. Today's politicians may not be in office tomorrow
     - And tomorrow's politicians may not keep promises made by today's

Don't wait for uncertain marshmallows (Kidd et al 2012)

Experimental evidence on uncertainty
(Jacobs/Matthews 2012)

- Study asked U.S. citizens to evaluate an investment in solvency of Social Security program, with short-run costs
  - Random assignment to benefits either 5 or 40 years away

- → Discounting effect
  - Support falls as benefits become more temporally distant (5 vs. 40 years)

- → But why?
  - Uncertainty

Political trust moderates effects of delay
(Jacobs/Matthews 2012)
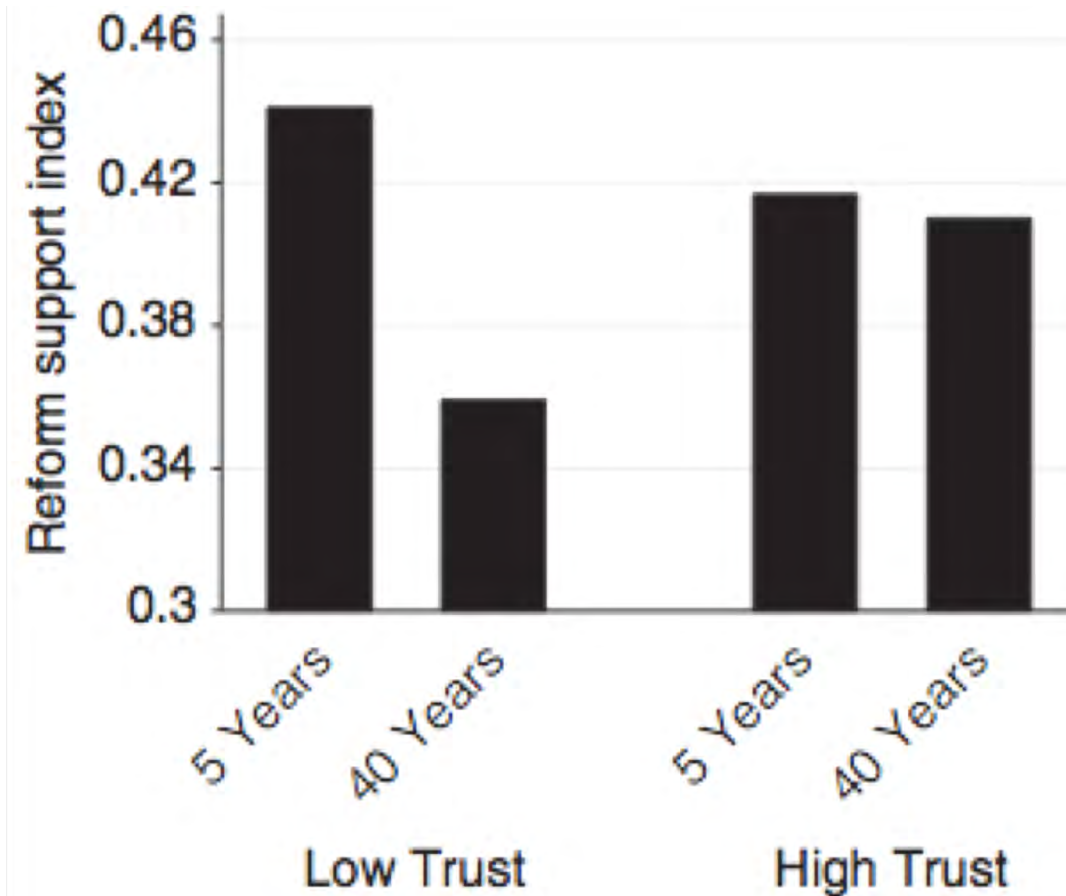
Agenda 2: What generates confidence in long-term policy promises?

1. Institutional structure

- Dispersion of authority
  - Generates credibility by impeding policy change (Henisz 2000)

- Institutions that grant veto power to those expected future beneficiaries (North/Weingast, Katzenstein, Streeck/Schmitter)
  - Corporatism?
  - PR & stable patterns of cooperation?

- Delegation to more-trusted public actors (Jacobs/Matthews 2017)

Agenda 2: What generates confidence in long-term policy promises?

2. Policy structure

▶ Hand-binding designs (Patashnik 2000, Jacobs 2011, Jacobs/Matthews 2017)

    ▶ Trust-fund financing

    ▶ Layers of insulation from politics

▶ Investment in non-fungible assets

    ▶ Concrete vs. cash

Agenda 2: What underwrites confidence in long-term policy promises?

▶ Interactions between institutions and policy structure

  ▶ Do credibility-generating institutions and rigid policy designs serve as substitutes?

  ▶ Do actors create more flexible policy designs when institutions are better at enforcing bargains?

Challenge 3:
Opposition from short-term losers

- For many long-term investments, a "concentrated" group bears disproportionate short-run costs
  - Environmental protection → resource industry
  - Pension reform → seniors
  - Infrastructure investment → local communities (e.g., NIMBY interests)

- Concentrated groups often mobilized / organized

→ Equipped to fight to block investment

Agenda 3: When can opposition from short-term losers be avoided?

1. Policy design: How costs are distributed

- ▶ Focus the pain on the beneficiaries (e.g., user fees)
    - ▶ The "losers" are also the "winners"
    - ▶ Is fairness as *reciprocity* better?

- ▶ Spread the pain (e.g., general taxation)
    - ▶ Reduces cost-salience
    - ▶ Is fairness as *progressivity* better?

Agenda 3: When can opposition from short-term losers be avoided?

2. Policy design: How benefits are distributed

▶ Compensate losers out of expected aggregate gains

▶ Turn "My pain/your gain" into "My pain/my gain"

What *not* to do

"The way to get at fixing the debt is to feel like everybody is willing to put something on the table," said Maya MacGuineas, the president of the Committee for a Responsible Federal Budget, a bipartisan group. "Once you have one side grab all it could, you're never going to have the other side show up."

Agenda 3: When can opposition from short-term losers be avoided?

3. Process design: inclusiveness

▶ Does groups' willingness to accept short-term losses depend on inclusion in decision-making process?

▶ Better to include or exclude/override short-term losers?

A meta-agenda:
Easy vs. hard long-term goods?

- ▶ The nature of the long-term good affects
  - ▶ Whether it generates "focusing events," portends future losses
  - ▶ How soon the benefit stream becomes visible
  - ▶ How fungible the assets are
  - ▶ Whether costs must be imposed on "concentrated" losers
  - ▶ Whether benefits can be shared with "losers"
- ▶ Are there thus politically easier and politically harder long-term goods?
- ▶ Do some political systems have a comparative advantage in producing some kinds of long-term goods, rather than others?

Concluding thoughts

- Many more questions
  - Measurement: How can we systematically score degrees of future-orientedness?

  - Can institutions be designed to focus policymakers' attention on the long term?
    - Does the Finnish model work?

  - Does deliberation promote future-orientedness (Michael Mackenzie's work)
  - Are there cultural differences in future-orientedness?

Concluding thoughts

- Many more questions
  - How does political competition affect time horizons of policy?

Concluding thoughts

- Scope for methodological innovation?
  - So far…
    - Normative theory
    - Qualitative case studies
    - Surveys and survey experiments
    - Lab experiments

  - What about…
    - Cross-national statistical analysis
    - Field experiments

Kiitos paljon!