What is Public Policy?

...pattern of government decisions and actions intended to address a perceived public problem

Questions:

• Why do we need public policies?
• What is "good" public policy?
  – Implicitly: What is "bad" public policy?

Concepts

• Markets
• Community
• Private Interest
• Public Interest
• Public Policy
• Public Policy Decision-making
• Market failure
• Externalities
• Collective Action
• Politics
Fish Banks Simulation – What did We See?

- Market decision-making
  - Individual action to maximize individual welfare
    - Some “winners” & Some “losers”
    - Willing risk-takers & Unwilling risk-takers
  - Market = \( \sum \) individual producer/consumer actions

Fish Banks Simulation – What did We See?

- Market Failure
  - Prices decoupled from supply/demand
  - Market price of fish did not increase as supply decreased
    - Retailers refused to pay higher prices that might choke demand
    - Fishers kept fishing
      - Occupational culture did not allow employment mobility
    - Fishers maintained total catch
      - switched to other locations
      - Fishers switched to other species
      - Better technology
  - \( \Rightarrow \) Depleting ocean over time

Other forms of market failures

- Monopolies, cartels
  - Gasoline prices over Labor Day weekend
- Non-production of a good
  - Housing for the poor
  - Telephone service for rural areas
  - Education for all citizens
- Production of an “undesirable” good
  - Prostitution
  - Drugs
Fish Banks Simulation – What did We See?

• Externalities
  – Unplanned/unintended effects of market behavior
  – Not included in (external to) the “price” of goods
  • Therefore market does not capture this effect
  – Actions with private benefits ➔ social costs & private costs
    • By-catch of turtles, sharks
• Collective Action Failure
  – No Community (Collective) Decision-making for common good
  – Actions with social benefits ➔ private costs
    • Unwillingness to forsake private benefits or accept private costs for the collective good

Fish Banks Simulation – What did We See?

• Consequences
  – Fish stocks collapsed
  – Fishing industry collapse
  – Personal/fleet bankruptcy
  – Collapse of top levels of Ocean trophic levels
• Is this a public problem?
  – Should the government get involved?

Government to the Rescue

<table>
<thead>
<tr>
<th>Individual Decisions</th>
<th>Collective Decisions</th>
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<tbody>
<tr>
<td>I can choose, alone &amp; without interference</td>
<td>Choices are made by the community &amp; are binding on all</td>
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<tr>
<td>Liberty of the individual</td>
<td>Tyranny of the Majority</td>
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<tr>
<td>What socks should I wear?</td>
<td>Should we have a right to die? Suicide?</td>
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<td>Religion</td>
<td>Should we restrict what people can read?</td>
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<td>Whom should I marry?</td>
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<td>Theft by the Minority:</td>
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<td>Own an SUV</td>
<td>Liberty of the Group:</td>
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<td>Number of children</td>
<td>How much should we spend on defense?</td>
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<tr>
<td>Smoking in public places?</td>
<td>What do we do about the homeless?</td>
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Government to the Rescue

• What motivates government?
  – Private interest
  – Public interest
    • Widely shared values & ideas, & interests
      – overcome some elements of self-interest
    • Politics: clash of opposing visions of which shared
      values, ideas, and collective interests should
      define policy!
      – including the appropriate role of government

What is “good” public policy?

• Government decisions and actions that
  address public problems consistent with
  widely shared values & ideas
  – How do we decide which issues are to be
    considered public problems?
  – What are those widely shared values &
    ideas?
    • Constant over time and space?

Policy Legitimizing Values

• Security
  – Responding to needs
• Liberty
  – Freedom to choose &
    act with government
    interference
  – Freedom from basic
    needs
• Equity
  – Fairness in burdens &
    benefits
• Efficiency
  – Economic efficiency
  – Greatest return for a
    given input
• Democracy
  – Doing what people
    want
Value Tradeoffs in Public Policy

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How do we determine what is in the public interest & what is good public policy?

What the community wants

What the market provides

Expert judgment

What political & business leaders want

Most Efficient Use of Public Resources

Public Interest: Market Solution

- Simple Aggregate of Individual Preferences
  - Uncordinated (non-deliberative) choice
  - \( \sum \) individual preferences
  - Is this the same as collective (social) preferences?
- Government should create environment for markets to succeed
- Welfare Economics Model of Public Interest
  - If citizens want cleaner air they will buy low emission vehicles and pay extra for "green" electricity
- If people are poor, then the government should reduce taxes to allow the market to create better paying jobs
- Advantage: economically efficient
- Assumptions
Public Interest: Pluralist Solution

- Weighted aggregate of interest group intensity x interest group membership
  - Mobilization and organization of political influence
- Government should listen to those with greatest stakes and engagement in a given policy area
- Assumptions
  - All potential interests have equal capacity to mobilize & organize
  - All groups have equal access to decisionmakers
  - Group action (leadership) reflects membership

Public Interest: Administrative Solution

- Government experts determine community “needs” and proper level of government response
  - Professional/scientific analysis
- Public is “rationally ignorant”
  - Its preferences are uninformed
    - And with good reason
- Assumptions
  - Needs are well-established, objective & definable
  - Experts have relevant knowledge
  - Experts are unbiased

Public Interest: Elite Solution

- Political & business leaders determine what is in the public interest and government acts accordingly.
- Public rational ignorance
- Assumptions
  - Elites are benevolent & unbiased
    - Public interest > private interest
  - Elites have relevant knowledge
Public Interest: Civic Solution

- Government fosters informed Public deliberation on issues and implements consensus view
- Community knows what is good for it
  - Universally subscribed collective choices, or
  - Majoritarian subscribed collective choices
- Assumptions
  - Public is informed (not ignorant)
  - Community membership is well defined & agreed
    - Who was in the fish banks “community?”
    - Consensus is possible

Institutional Context of American Public Policy

- Madisonian institutions
  - Fragmented power and authority
  - Designed to stop “bad” policy
    - Liberty
  - Frustrates rapid adoption of “good” policy
    - Requires broad consensus on what is good
- Administrative state
  - Unforeseen by Federalists
  - Policy by experts