

# Providing Evidence-Based Policy Advice for an Informed Society – „Research With Impact“

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## **We live in a complex and uncertain world ...**

- » Policy measures command limited effectiveness.
- » Evidence-based policy would admit to these limitations, but ...
- » ... policy makers often seek legitimisation, not further insight.

## **Evidence-based policy advice ...**

- » ... does not only comprise the intensive use of data.
- » It makes transparent how experiences and observations are combined to collect empirical evidence.
- » It takes clear positions towards delicate issues, but also transparently exposes the limits of its insights.

## **Three aspects mark the special contribution of economics...**

- » Incentives influence human behaviour.
- » We were expelled from paradise.
- » Decision makers form expectations about the future.

## **Germany benefits from a culture of independence ...**

- » (extra-)university research, e.g. Leibniz Association
- » German Council of Economic Experts ... , Scientific Councils ...
- » Objects of advice are policy decisions (not policy makers), the general public is informed via variegated channels.

### **Empirical research is information reduction ...**

- » Probability theory: Knowing everything ...
- » Statistical inference: Knowing the distribution ...
- » Empirical economics: No prior knowledge whatsoever ...

### **Nothing works without identification assumptions ...**

- » Empirical research can only address the „known unknowns“.
- » Analogies require identification assumptions.
- » More observations are „only“ able to improve precision.

### **Substantial identification problems plague causal analyses ...**

- » It's all about the contrasts between the factual and the counterfactual situation.
- » Causal analyses necessitate the construction of the counterfactual from the reservoir of possible contrasts.
- » Only good arguments, not more data can support convincing causal statements.

### **Empirical approaches reflect these insights ...**

- » Progress in Economics: Understanding the limitations ...
- » Controlled randomized experiments as the „gold standard“.
- » Non-experimental surrogates: „natural experiments“ ...

### **Supply: independence and competence ...**

- » Quality improvements: more science, not more technique.
- » Quality control: evaluation and „evaluitis“.
- » Opportunism or ideology might be able to hide behind technical skills ...

### **Demand: competence and congruent incentives ...**

- » Competence improvements through education ...
- » Research leading to an increase in accountability ...
- » Competences of an informed society ...

### **Confusion of objectives and instruments ...**

- » Mis-interpretation of correlations as evidence for causality ...
- » ... foster „efficacy illusions“ among policy makers.

### **Distortion of well-balanced concepts ...**

- » Einstein: As simple as possible, but not simpler than that ...
- » Democratic process: „No proposed law will leave the parliament, ...“

### **Trusting „claqueurs“ ...**

- » Freedom is the right to say, what others might not want to hear ...

Annual reports, special reports etc.: German Council of Economic Experts  
([www.sachverstaendigenrat-wirtschaft.de](http://www.sachverstaendigenrat-wirtschaft.de))



„The German Council of Economic Experts: Statutory mandate and process“  
Working Paper 02/2016, June 2016 ([www.sachverstaendigenrat-wirtschaft.de](http://www.sachverstaendigenrat-wirtschaft.de))

„Research With Impact. Forschung und Politikberatung am RWI“,  
RWI Positionen 54, 12/2013 ([www.rwi-essen.de](http://www.rwi-essen.de))



„Wirkungstreffer erzielen – Die Rolle der evidenzbasierten Politikberatung in einer aufgeklärten Gesellschaft.“ *Perspektiven der Wirtschaftspolitik* **15(3)**: 219-233.