Director’s Perspective

Faculty, students gain from research collaboration

The La Follette School takes great pride in the many opportunities for students and faculty members to collaborate on research. Each year, funding for faculty research supports numerous students as project assistants (PAs).

This Policy Report highlights one such collaboration – research by Professor Menzie Chinn and Ryan LeCloux (MIPA ’18). Chinn and LeCloux investigated the usefulness of quarterly state-level gross domestic product (GDP) measures, which began in 2014.

For faculty, project assistantships have proven invaluable to research. LeCloux, now a research assistant for the Wisconsin Legislative Reference Bureau, said the experience greatly developed his data analysis skills and allowed him to utilize skills from his statistics course in a real-world setting.

Since 2016, the Herb Kohl Public Service Research Competition has expanded project assistant opportunities for students. Working closely with our outstanding students is one of the most rewarding and enjoyable aspects of serving on the La Follette School faculty.

The Kohl Research Competition also has elevated the status of faculty members’ external funding applications. For example, Professor Greg Nemet was honored with a prestigious 2017 Carnegie Foundation Fellowship for his research on solar energy, which earlier received Kohl funding.

External and internal research support only provides financial resources, it also raises the profile of the La Follette School and our exemplary faculty and students. For Nemet, the funding allowed him to more closely focus on his book project about solar energy, which is previewed on page 5.

La Follette School students benefit tremendously from our faculty’s research, whether it’s from project assistantships or from the impact on the content we’re teaching. Our research demonstrates the La Follette School’s deep commitment to making the world a better place for everyone – no matter their party affiliation, economic status, heritage, gender, or religious beliefs.

As director of the La Follette School of Public Affairs, I am honored to carry on this rich tradition and encourage you to visit our website to learn more about our research, teaching, and outreach – all embodied in the Wisconsin Idea.
Allocating Indivisible Life-Saving Goods with Both Intrinsic and Relational Quality

The allocation of deceased-donor kidneys to patients with end-stage renal disease (ESRD) poses a wicked rationing problem. In 2014, the Organ Procurement and Transplantation Network (OPTN) implemented a new allocation system that more explicitly accounts for the intrinsic quality of these life-saving organs.

The new allocation rules take much greater account of intrinsic quality to increase efficiency in the use of the limited supply of deceased-donor kidneys by better matching expected graft life with expected longevity to reduce the need for second transplants and wasted graft life. In this paper, David Weimer and his co-author focus on the process that led to this non-incremental revision of allocation rules by OPTN.

They trace the evolution of the new allocation system with particular attention to the role of evidence and the ways that concerns about equity were solicited, assessed, and taken into account in modifying the original proposal. These deliberations show the potential for stakeholder rulemaking to integrate evidence and values.

Extending over more than a decade, the process involved extensive modeling by the Scientific Registry of Transplant Recipients (SRTR) and the tacit knowledge of transplant professionals to predict the consequences of rule changes as well as extensive consultation with stakeholders to value these consequences. Perhaps more than any other area of medical governance, the process demonstrates the application of evidence-based medicine to improve health outcomes.

The authors conclude that a similarly beneficial change may have resulted through agency rulemaking; however, the process would almost certainly have been less transparent and involved a much less systematic and continuous involvement of stakeholders, and therefore, would likely have followed a different path to a different outcome. Stakeholder rulemaking may be worthy of consideration as an alternative to agency regulation in policy areas in which important stakeholders with tacit knowledge can be induced by sufficient stakes to engage in transparent policy development.

In addition, the authors explore the complexities of the allocation of scarce goods with heterogeneous quality. Although the medical ethics literature abounds with discussions of allocating scarce indivisible goods such as transplant organs, little attention has been given to the implications of quality differences within the stock of the scarce resource.

The authors introduce a distinction between relational quality, in which the value of the good depends on both its characteristics and characteristics of potential recipients, and intrinsic quality, in which the value of the good would be higher for all feasible potential recipients than would be the value of an alternative good of lower quality.

The Authors
David Weimer is the Edward E. Witte Professor of Political Economy, University of Wisconsin–Madison. Laura Wilk is a juris doctor candidate at the University of Texas School of Law.

Stakeholder rulemaking may be worthy of consideration as an alternative to agency regulation in policy areas in which important stakeholders with tacit knowledge can be induced by sufficient stakes to engage in transparent policy development.

Impact and Implications
No collective choice institution is perfect, including the stakeholder rulemaking that produced the new kidney allocation system. Nonetheless, the process vigorously employed evidence-based medicine within a context involving conflicting interests and values that make incremental change difficult and radical change truly surprising, at least from the perspective of U.S. rulemaking.

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The Politics of Rulemaking in the United States

Despite the importance of government rulemaking, many people have only a foggy understanding of what a government rule is. Every year, U.S. agencies issue rules governing such critical policy topics as air quality, financial markets, highways, foreign aid, food stamps, power production, and toxic chemicals.

In this paper, Susan Webb Yackee reviews several recurring themes in the rulemaking literature, providing contextual, background, and further definitional information. She also draws highlights from the literature across two major themes: political accountability and public participation.

The writing of government rules is a key step in the public policymaking process. It is at this stage when public agency officials “fill up the details,” in the words of the Supreme Court, of what may be incomplete or even purposefully vague statutes passed by Congress and signed by the president.

Agency policy decision making is often idealized as providing technocratic, scientific, and/or expert-based solutions to policy problems. In fact, one of the primary reasons—if not the primary reason—why legislatures delegate policymaking authority to administrative agencies is to harness agency expertise in addressing complex policy topics. Yet, agency policymaking also takes place within a political context.

The rulemaking process established in the 1946 Administrative Procedure Act (APA) has evolved significantly, with the president and legislature passing new procedures that require additional analysis of select rules. The courts also have heightened the scrutiny on agency decision making across the rulemaking process. Taken together, these efforts by political principals have complicated the relatively straightforward APA notice and comment process.

The public participation component of notice and comment rulemaking has been heralded by some observers as a way to open lawmaking to public scrutiny and to address the “democratic deficit” that is often attached to policymaking by unelected bureaucrats. In reality, interest group representatives are the main “public” participants.

Two factors help drive this relationship. Few citizens have the expertise to monitor bureaucratic policymaking and to know how and when to participate, and citizen lobbying may require resources and technical expertise for it to be influential during rulemaking.

In conclusion, it may seem as if rulemaking is becoming more political. However, rulemaking has been political since 1946. Given this history and its importance to governance, public policy, business, and modern society, Yackee calls for more research—especially quantitative research—to unpack and understand the politics of U.S. rulemaking.

She suggests three complementary opportunities for future scholarly research and inquiry: the influence of agency autonomy on rulemaking processes, outputs, and outcomes; the collection of new data to advance the empirical understanding of rulemaking; and the use of agency guidance documents to increase the systematic understanding of agency policymaking tools.

The Author
Susan Webb Yackee is a Professor of Public Affairs and Political Science at the University of Wisconsin–Madison. She also is Director of the La Follette School of Public Affairs.

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Impact and Implications
The concentration of this article is on quantitative studies of notice and comment rulemaking, and how rulemaking may provide points of entry for political factors. It suggests many complementary opportunities for future scholarly research and inquiry, including agency autonomy, data and methods, and agency guidance documents.
The Effect of Housing Assistance on Student Achievement: Evidence from Wisconsin

Each year thousands of low-income families receive government-funded housing assistance in the form of a Section 8 housing voucher (to find housing in the private rental market) or access to public housing (ranging from single-family homes to high-rise apartment buildings). This assistance is intended to improve the stability and quality of the family’s housing, with some families moving across school attendance boundaries to settle in a long-term residence. These changes in housing and school environment have the potential to shape children’s academic trajectories by improving financial and social resources, access to higher achieving classrooms, and the quality of neighborhood.

This study examined the effect of a family’s receipt of housing assistance on children’s academic achievement. Drawing from a unique data set, the authors linked the housing assistance status of all Wisconsin households receiving means-tested benefits (e.g., SNAP or Food Stamps) with the standardized test scores of public school students in those households. Two comparison groups were used: (1) children in households that received housing assistance four years after the treatment group, and (2) low-income students whose families did not receive housing assistance.

The results suggest that housing assistance leads to small increases in math scores in the range of 0.02-0.03 standard deviations. Although small, it should be noted this change is produced by an intervention that does not specifically target education. Large-scale, education-specific interventions often result in effect sizes only somewhat larger. Looking at each type of housing assistance separately, vouchers are associated with increasing math scores while public housing is associated with decreasing math scores. Noting the limits of their data, the authors do not draw a strong causal conclusion about this difference.

There were no significant changes in reading scores, which is consistent with research showing that reading improvements are more closely related to home life and math skills are primarily learned in the classroom. While differences between boys and girls were not statistically significant, the authors find some evidence that math gains are concentrated among black students instead of white students. This could be due to black students moving out of comparatively lower-resourced neighborhoods than white students. That is, they had more room for improvement when moving to a new residence and school.

Considered as a whole, our results are the latest in a long line of work finding federal housing assistance to have relatively limited effects on student achievement.

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Impact and Implications
The results of this study are consistent with a body of research finding housing assistance to have relatively limited effects on student achievement. This study builds on previous research in several important ways. First, the data were drawn from a geographically diverse state rather than only from a large urban area. Second, the analysis compared vouchers against public housing, and compared housing assistance receipt to no housing assistance. Third, student test scores were used as the measure of educational outcome.

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Policymaking in energy always involves multiple objectives, including affordability, cleanliness, and reliability, and transitions from one energy carrier to another have historically occurred very slowly.

As a substantial global industry, solar energy has generated trade disputes among superpowers, threatened the solvency of large energy companies, and prompted serious reconsideration of utility regulation rooted in the 1930s. Solar not only produces clean and inexpensive energy, it provides several lessons for innovation in other technologies for addressing climate change.

The literature on solar is extensive, including analyses of increasingly detailed data sets; however, the question as to how solar became inexpensive and why it took so long remains unanswered. As a 2017 Andrew Carnegie Fellow, Professor Greg Nemet took a deep dive into these questions, drawing on new data sets, analyses, and a growing literature.

Nemet’s forthcoming book How Solar Energy Became Cheap: A Model for Low-Carbon Innovation provides a comprehensive and international explanation for how and why this happened. Flows of knowledge from one country to another—often embodied in equipment and as tacit knowledge of internationally mobile individuals—have been central to solar’s progress.

The payoff from understanding the reasons for solar’s success is not just to take full advantage of its potential. It also offers an opportunity for supporting other low-carbon technologies with analogous properties, including small modular nuclear reactors and direct air capture.

However, a key challenge in applying the solar model is in finding ways to speed up innovation. Nemet offers nine innovation accelerators—actions that would have sped the development of solar and that could be applied to new low-carbon technologies that fit the solar model.

The Author
Gregory F. Nemet is a Professor at the La Follette School of Public Affairs and the Nelson Institute for Environmental Studies, University of Wisconsin–Madison.

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Impact and Implications
Increasing globalization has contributed extensively to solar’s success; however, solar is an inherently local venture, with installation accounting for 80 percent of the cost. Committed government action in multiple jurisdictions can enhance each of Nemet’s nine innovation accelerators and can stimulate improvement in and adoption of the broad set of technologies needed to address climate change.
Tracking the business cycle at the level of state economies and discerning the impact of policies on state economies has been hampered by limited data on a higher-than-annual frequency. In this paper, Menzie Chinn and his former project assistant review the data sources and series available for a cross section of states, with discussion of the associated advantages and disadvantages.

The paper identifies data available to researchers interested in evaluating the course of the economy, particularly in response to specific shocks. Until recently, though, gross domestic product (GDP) at the state level was released only at an annual frequency.

Since 2014, quarterly GDP reports provide state statistics in nominal and real terms. The GDP reports also include a sectoral breakdown of value added, making it possible to discern in an accounting sense the contributions to economic growth arising from given sectors.

After reviewing the sources of high frequency data, Chinn and LeCloux provide estimates of the correlation and co-movement of various indicators with state-level real GDP, and how different indicators define turning points in state economies. They also illustrate the usefulness of high frequency state-level GDP by evaluating whether a state economy is in line with expectations.

Additionally, the authors provide one example of how researchers use high frequency data to assess indirectly the impact of economic policies – 2012 legislation in Kansas that reduced the tax rate on pass-through corporations to zero and reduced other income tax rates.

Chinn and LeCloux conclude that the advent of quarterly GDP for the states has been a boon to those who want to track economic activity, broadly defined. However, the short span of data available (starting in 2005) and the sometimes substantial revisions in the series suggest that reliance solely on the quarterly GDP statistics is not desirable.

In general, though, outside observers are better equipped to assess the outlook for a state’s economy and the impact of policies on economic activity than they were in the past.

The Authors

Menzie Chinn is a Professor of Public Affairs and Economics at the University of Wisconsin–Madison.

Ryan LeCloux (MIPA ’18) was Chinn’s project assistant during the 2017–18 academic year and now is a legislative research analyst at the Wisconsin Legislative Reference Bureau.

Impact and Implications

These results suggest that state-level quarterly GDP data provide valuable information for discerning the impact of fiscal and regulatory policies – as well as nationwide policies – on state economies. However, the state-level reports are subject to greater (percentage) variability (from revisions) than the national counterpart, due in part to the smaller sample size.

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Tracking the State Economies at High Frequency: A Primer, La Follette School Working Paper, https://go.wisc.edu/275mgc
Heterogeneous Impact Dynamics of a Rural Business Development Program in Nicaragua

With severe poverty concentrated in rural areas of the developing world, there have been numerous efforts to engage the rural poor as entrepreneurs. The hope is that with the right information, investment, and market connectivity, the poor can boost their incomes, invest in their children, and work their way out of poverty.

In 2007, the government in Nicaragua launched a rural business development program (RBD) in cooperation with the Millennium Challenge Corporation, the U.S. government foreign aid agency. The RBD was designed to boost the productivity and incomes of rural, poor farmers by enhancing their business knowledge and improving their access to markets and technologies. Participating farmers were part of the program for 24 months.

In measuring the effectiveness of such interventions, researchers face several challenges. It is often costly to gauge long-term impacts, especially if participants continue to experience benefits (or fall back to old behaviors) after a program ends. Additionally, when a program affects some types of participants differently, it can complicate the analysis. To address these challenges, the authors used a five-year roll-out design that randomized farmers’ exposure to the RBD program and allowed in-depth analysis of those who (eventually) enrolled in the program.

The authors found that on average the program boosted farmers’ income in targeted activities between $1,200 and $2,100 annually and increased agricultural investment by between $700 and $4,000. The investment impacts are much larger when the authors examine a longer period of time. Somewhat surprisingly, there are no impacts on the third outcome of interest—household expenditures. In fact, weak evidence suggests that the program reduced expenditures, as might be expected if households were investing more in their farm than on household expenses.

At a cost of $2,500 per enrolled farmer, the RBD appears to be a cost-effective instrument to boost the average income and assets of participating farmers. However, the effectiveness of similar programs to reduce rural poverty at scale crucially depends on its ability to produce impacts across a broader population. The authors found two groups that did not benefit from the RBD program: those that declined to participate (one-third of the original target population) and those that were on average slightly poorer at baseline. Among those who did participate, the impacts were actually greatest among those who had the greatest initial disadvantages.

The Authors

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Impact and Implications

Research shows that anti-poverty business development programs may exclude some farmers who are perhaps unwilling to assume the risk and effort involved with becoming more entrepreneurial. Among those opting to participate, the authors used multi-year panel data analysis and machine learning methods to shed light on this question. These results suggest that programs like the RBD should exercise caution when excluding farmers whose resources are thought to be too modest, as these households may have the most to gain from such interventions.

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