

SETTING THE STAGE

Relevance of Economic Analysis for Decision Making

THE IMPORTANCE OF COMMUNICATING RESEARCH RESULTS

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A number of years ago the Wisconsin Department of Transportation (DOT) hired me as a newly minted Ph.D. economist. The department decided that it needed an economist, and the task of that economist would be to explain to the engineers how economic analysis could be used in decision making. I proceeded to undertake what I think was one of the true fiascos of my professional life. I translated all my marvelous economic theory into a course that covered rates of return, time valuation, and social costs. Many of these topics were still fairly new at that time, in the late 1960s.

The response to the course?

"How is this helpful? What are you telling us that we can put to use? Do you have a manual for us with lookup data?" No, it does not really operate that way.

"Well, can you help justify my project?" Well, no, that is not exactly what I am trying to do.

"Can you get me project approval? Can you work through the political mechanisms to make sure that my project is the one that comes forth?" Well, again, no.

So, although the project engineers were ultimately polite, there really was not much that a young Ph.D. economist full of economic theory could do to be of assistance. Fortunately, times have changed. Even though today's questions are not really any different, I think we have a great deal more information and a better opportunity to

explain the usefulness of economic analysis to people who are in the position of putting economic analysis to practical use.

This is indeed a fortunate period of time. We currently enjoy an extremely healthy economy, with budget surpluses not only at the national level but also within virtually every state. However, to maintain and improve our economic situation presents a major challenge. It is a challenge that is intensified by globalization of the economy and the fact that we had a trade deficit of \$170 billion just in 1998.

In preparing this presentation, I found it instructive not only to read the papers specifically prepared for this conference but also to look back at a little report on transportation issues that the General Accounting Office (GAO) published in early 1993. It listed the issues that GAO considered most important to the country. The very first issue that it listed underscored the imperative of wise investment in transportation.

GAO's statement built on the Intermodal Surface Transportation Efficiency Act of 1991 landscape, which included the creation of the U.S. Department of Transportation's Bureau of Transportation Statistics and Office of Intermodalism, both designed to seize emerging technological opportunities in the field of making wise investments.

The imperative for wise investment has not diminished in importance since 1993, and it is, if anything, greater today than it was then. I would like to point out a significant corollary, focusing on the importance of clear communications in the fields of economic analysis and investment decision making.

Surely we need stronger, more detailed data and better analysis procedures. However, I do not know that we need to improve the state of the knowledge so much as we need to translate that knowledge into language that people in state DOTs and metropolitan planning organizations (MPO) can use.

I will now suggest several hypotheses:

First: Top priority ought to be given to communications.

Second: Although it is important to communicate to interest groups, chief executive officers, legislatures, city councils, mayors, and the like, it is especially important to communicate with those at the technical level within state DOTs and MPOs. Those at the technical level are best equipped to sort through research findings and put them to work. Those with the technical expertise can then apply those findings to their unique local circumstances and share their knowledge with decision makers and interest group representatives.

Third: Communication is very greatly aided by examples and case studies. Case studies and examples are the rhetoric that resonates with people who can effect changes to transportation and investment policy.

Fourth: We probably need some organizational changes and some institutional strengthening within the state DOTs. It appears to me that the last decade has seen a diminution of many organizations' technical competency. What's more, it seems that those who deal with economic matters have been shunted aside to secondary roles instead of being truly useful advisers to decision makers. Thus, I submit that one of the key things we need to do is to improve communication channels within agencies and perhaps review the priority accorded to investment responsibilities.

Fifth and final: Decision makers must take responsibility for being accessible and for seeking out the best technical advice on economic questions. Clearly, economic considerations are only part of the story and should be balanced with other matters, but surely we should not neglect to allocate our resources appropriately and support the goals of our society properly through our expenditures.

Let me conclude by returning to my first hypothesis and underscore that the communication of our research results is at least as important as the generation of those results in the first place.