

The Eightfold Path

Step #5

Project the Outcomes

Goal / Purpose:

Step #5 Project the Outcomes

- Hardest step in the 8 step process
- Essential step....Be REALISTIC! outline the likely future impact of the implementation of the alternatives to solve the defined program
- 51-49 principle. We are driven out of pure self-defense to treat 51 percent confidence, in our projections as though it deserved 100 percent confidence.

Processes involved in Step 5:

1. Extend the Logic of Common Sense

- Policy analysis uses social sciences to a degree that it can
- Policy analysis make use of multiple models or the best model
- Various models need to be used in conjunction with evidence*
- Policy analysis makes use of metaphors- to yield qualitative insights about important causal relationships.

2. Choose a Base Case

- projections should be defined against a common reference point, the base case
- Base case = whatever condition exists today [that base case not be expected to change so compare models to this base level or could be how trends might unfold without policy adoption]
- Some forgiveness if errors exist in base case if comparisons don't impact various models with radical differences

3. Dare to make magnitude estimates

- Like a SMART goal.....some measurability

Processes involved in Step 5:

4. Trends Might be the Basis of Projections:

- Verify that trends are stable
- Data series can be subject to seasonal or cyclical trends

5. Break-Even Estimates can shrink uncertainty

- Combatting your critics saying “you have no evidence this will work”.....well they have “no evidence it won’t work” because it is about future impact
- Set the bar of justification as low as is reasonable
- Adopt phrase of “sufficiently likely” to produce good enough results justifying known costs & risk
- Considered “break-even” or “threshold” analysis

6. Try Sensitivity Analysis

- Check your assumptions and check on worst possible outcomes
- Problem is you are wrong on 2-3-4 assumptions....then get “Monte Carlo simulation”
- long-term policy analysis → computer assisted projection technique, help alleviate “Monte Carlo outcome”

Processes involved in Step 5:

7. Confront the Optimism Problem:

- Stay grounded in realistic versus excessive optimism.
- Use Scenario writing → think of the dangers of the implementation process, political & otherwise but allow your imagination to run a little
- Write scenarios in future perfect tense
 - Start with a list of adverse implementation outcomes→ one or two scenarios of how these might occur
- Think about “unanticipated consequences” which are really anticipatable yet undesirable side effects
 - Moral hazard increases
 - Overregulation

Ethical costs of optimism -- worrying about possible adverse side effects of otherwise “good” policies as well as the possibility that even intended main benefits may fail to materialize

Processes involved in Step 5:

8. The Emergent-Features Problem:

- Due to Complexity one will not always be predict with accuracy with respect to how interventions affect others as adaptations and changes occur during an implementation process
- Moves & Countermoves may prove to be helpful but could also lead to troubles with policy alternatives you are evaluating

9. Construct an Outcome Matrix:

- Projecting outcomes leads to a dense thicket of information
- May need to repeat this exercise
- Left in matrix generally signifies greater importance
- Make labels as informative as possible....use terms maximize & minimize

Outcome Matrix Example:

TABLE I-2

COMPARATIVE ANALYSIS
Anytown, USA
(2050 Baseline: 5.5 Million Metric Tons CO₂e)

O (Operational)
E (Economic)
P (Political)

	Policy Scenario	(% reduction from 2050 CO ₂ e baseline)	(Cost per ton CO ₂ e abated)	Viability
		Efficacy	Cost-effectiveness	
EXISTING BUILDINGS	Mandate efficiency retrofits for homes	6.9% to 8.8%	-\$130 to \$5	O: High E: Medium P: High
	Mandate efficiency retrofits for commercial buildings	7.9% to 10.5%	-\$132 to -\$30	O: High E: Medium P: High
NEW BUILDINGS	Require zero-energy capable homes	4.1% to 5.6%	-\$132 to -\$25	O: High E: High P: High
	Require zero-energy capable commercial buildings	6.5% to 8.9%	-\$120 to -\$48	O: High E: High P: High
URBAN PLANNING	High-density residential development	2.4%	-\$1,333 to -\$702	O: High E: High P: Medium
ENERGY SUPPLY	Incentives for distributed PV	3.9%	\$15 to \$139	O: High E: Medium P: High
FINANCIAL MECHANISMS	\$20 carbon tax	11.3%	\$20	O: High E: Medium P: Low
	\$50 carbon tax	20.6%	\$50	O: High E: Medium P: Low

CO₂e = carbon dioxide emissions

Processes involved in Step 5:

10. But Policy contexts differ:

- Policy context can include income; race; residential density, & other demographic features
- Not all can be defined by list....

The Eight-fold Path

Step #6

Confront the Trade-offs

Goal / Purpose:

Step #6 Confront the Trade-offs

- By confronting the various trade-offs, at least one ‘good’ alternative should be reached that will solve/mitigate the original problem
- Part of iterative process of ensuring the defined problem is being addressed for intended purpose

Processes involved in Step 6:

1. Focus on Outcomes:

- Identify alternative and convert them into outcomes
- Need them stated as outcomes so the trade-offs can be confronted/compared/analyzed
- Weigh costs that are incurred privately (company installing pollution reducing equipment) against social benefits (improved health). If the projected outcomes can be expressed in \$\$, evaluating the outcomes will be easier.

Example: Trading-off 20 foot patrol police officers at night versus getting a fleet of low maintenance police vehicles. Outcomes might be the prevention of (\pm) 50 burglaries by the foot patrol instead of a savings of \$300,000 in car maintenance.

Processes involved in Step 6:

2. Establish Commensurability [measurable by the same standards]

- Concept of break-even
- Multi-attribute problem
- Example: Alternative A1 stacks up well on Criterion C1, moderately well on C2 and poorly on C3....Alternative A2 stacks up the opposite way
- Choose between two alternatives if we can weight the importance of the criteria and express their relative weights in units that are commensurable across the criteria

Processes involved in Step 6:

2. Establish Commensurability [continued]

Break-Even analysis revisited:

- Helps focus on residual uncertainties you will have to estimate
- Frame terms on how to express those estimates
- Break-even can help to solve commensurability problems
- Example safety standard imposed with cost \$50 million but save.....allows an estimate for a “statistical life”

Frame trade-offs crisply:

- In order to establish commensurability, weighting of criteria is important
- Example before from pg 35....railroad costs vs 10 households
- Another way is to think in terms of “average” individual....obviously involves complex moral questions but numbers are helpful....often essential

Processes involved in Step 6:

3. Trade-offs are about Increments

- All outcomes are expressed as increments or decrements wrt some **base case** outcomes.
- Sizes of increments or decrements can be compared i.e spending an extra \$35 for 1 more hour of garbage collection once a week will allow for the disposal of 5 extra tonnes of garbage per month (good outcome).

Is the good outcome valued more or less than the extra money spent?

- Such analysis helps with decision making based on which factor the decision maker or society find favorable.

***base case – what are the conditions today?**

Processes involved in Step 6:

4. The better and the worse

- Can trade-offs be quantified? Not often possible!
- When faced with alternatives which are hard to quantify but have trade-offs among them, it is best to “rank order” them.
- Rank-ordering is useful with budget (money, personnel) constraints.
- Rank ordering offers a top to bottom approach until the budget is exhausted.

Example: Board of local community foundation needing advice on how to evaluate grant applications for a social service activity. What are the alternatives? Strengths and weaknesses of the alternatives?

References:

Bardach, E., & Patashnik, E. (2016). *A practical guide for policy analysis: The eightfold path to more effective problem-solving* (5th edition). Thousand Oaks, CA Sage/CQ Press.