Policy and politics in the USA and in Europe

Counter-factual analysis and Italy's deficit

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The Italian language is a beautiful one, with a minor flaw: it uses the same term to describe two very different and important concepts, namely *Politica* (which can mean both politics and policy). The English language might be less harmonious but it has a great quality: it uses different terms, politics and policy, as mentioned above.

·Politics meaning a Project aimed at Pursuing Political Power

·Policy meaning a Proposal for the Country's Problems

Hence ***politics* is focused on power**, whereas a ***policy* is focused on problems**.

This is not to say that those who pursue political power do not want to solve the country's problems, or that they cannot propose solutions. It simply means that mere propaganda alone is not enough to truly deal with the country's problems. Those who wish to address such problems require a much vaster array of analytical tools than those who opt for propaganda.

The fulcrum of a modern evaluation system is to be seen in the instruments that enable us to address the topic of **causality** (which has been a topical issue for about 2,000 years). The study of causality is based on three pillars:

· Causality, Causality, Causality

Others want us to believe that the problem is

· Complexity, Complexity, Complexity

The relevance of complexity is largely overrated; it is used to foster controversy, to the detriment of analytical rigour.

There are different ways to tackle problems, without resorting to complexity as an alibi. For example, it is possible to break down the problem into its essential components.

Therefore, every time a policy can be broken down, you should ask yourself the following:

«Has this measure produced the **effects** it was thought up for, whenever it was implemented?»

Think of what could happen if this question were **truly** asked for one quarter of public policy measures.

In 2018 I wholeheartedly wrote a short article: *How counterfactuals got lost on the way to Brussels*. In that article I asked the EU to tell us why it was the only international organisation not to use state-of-the-art methods when evaluating public policies.

Most of the EU *evaluators* had (have) no idea of the meaning of Causal Effects, Identification Strategy, Potential Results, Partial Compliance... They are quite happy simply reasserting extremely trivial commonplaces (the efficiency-efficacy binomial) or, worse still, the impact indicators.

The counter-factual approach has therefore become a global barrier against evaluative nonsense, regardless of the source.

For example (mentioning the sin, but not the sinner):

«The course sets forth an organic path to a methodological reflection for the evaluation of complex cases where, for example, it is particularly difficult to get hold of data, where the very object to be placed at the centre of the analysis is blurry, in multi-stakeholder contexts **and so on**» (sic).

Or: «We have chosen to explore a particular research design capable of giving value to such cases, starting from an epistemological analysis, then moving on to a methodological one, to techniques and their statistical analysis».

Crucial steps that have led evaluation to its current status: 1997, a turning point, and 2003.

·1997: launch of PROGRESA (*Programa Educación, Salud, Alimentacion – Education, Health and Food Programme*) in Mexico, the fist *conditional cash transfer program supported by a rigorous impact evaluation* (and the first for several other aspects).

·1997: concurrently, in Europe, Pawson and Tilly published *Realistic Evaluation*, desperately trying to prove the uselessness of **all** experimental evaluation, blasting it *a priori*.

After 2003, the path started going downhill. For example:

·2003: the USA passed the ESRA (Education Sciences Reform Act), which would change the future of evaluation in terms of education, increasingly using standardised tests and experimental evaluations. The IES (Institute for Educational Sciences) was created too.

·2003: J-PAL was founded in Boston by two professors of the MIT; in a few years it would gain a leading position in the sector of development aid, through an unbiased use of social experimentation. Currently, 150 J-PAL professors from 50 countries have started 550 evaluations.

In 2007 the European Evaluation Society (EES) reacted in a disorderly and ideological way to ESRA; it objected to the fact that a (US) law imposed the experimental design as the first choice. It should be noted that in **Europe there is currently no movement** supporting social experimentation.

That's enough to say: forget about them and move on.

Let's see if I can briefly explain what the counter-factual approach is.

Counter-factual is what would have happened if a measure hadn't been enforced. Hence, by definition, it is not observable and requires that an identification strategy be chosen.

The effect of a measure is the difference between what has happened and the counter-factual, namely, what would have happened to the same subjects had the measure not been implemented.

It's as simple as that.

There are two fundamental approaches to a counter-factual evaluation of policies: experimental and non-experimental.

Truth be told, rather than a dichotomy, this is a continuum that ranges from one extreme, where we find the classical randomised trial with a perfect compliance, to the other, where we have cases based on observational data that must back non-observational hypotheses, which must back very strong non-testable hypotheses.

Currently, where is the frontier?

The frontier today is the heterogeneity of effects and external validity. But the real issue concerns the use of impact evaluation, which over the next 40 years will be what internal validity has been over the past 40 years.

And where does Italy stand?

Italy's deficit, when looking at the frontier and standard applications, is **staggering, and the gap cannot be bridged in the short run**. I'll spare you the depressive details of this deficit and I'll try to list the crucial steps to be taken in order for the country to catch up a bit.

We need an institution to show they believe in this work, to act as trailblazers.

The Senate is perfect.

We need to reach a minimum threshold in terms of number of initiatives.

If the start is too slow, it risks vanishing amid general indifference. One or two experiments a year will be nothing more than smoke and mirrors.

The trend in the United States is that of conducting many low-cost experiments (less than 100,000 dollars), but that requires great skill. The *Laura and John Arnold Foundation* offers funding programmes specifically dedicated to low-cost experiments. I have asked the director whether they finance experiments abroad too and he said they did not, *but that was before Trump*.

Bank foundations should be involved in an intelligent way.

I would take up initiatives following the example of the *Educational poverty* announcement, avoiding some of the naive mistakes. The greatest difficulty was agreeing on the impact evaluation term. This wouldn't have happened with the Senate.

Stake on the experimental method in the medium term.

Experiments offer more benefits than the existing programmes. They can test innovations, and that's the ideal situation for an evaluator.

Focus on targeted, intense and widespread training.

Training (meaning the lack of personnel trained to use counter-factual methods) will probably be one of the main hurdles to the spreading of such methods.

I sincerely hope the Senate can support the new body that can bridge that huge gap that separates us from the frontier of evaluation.