

management while encouraging, where necessary, fundamental shifts toward a performance orientation in managerial approach. If adopted widely, it will help to equate evaluation time with political time and improve the track record of program evaluation.

The Langbein book, the Rossi, Freeman and Wright book and the Wholey book all reflect a trend toward improved evaluation practice through modification, refinement and selective application of available methodologies. In particular the fresh approach proposed by Wholey addresses many of the problems discussed in this review and

would enhance the policy validity of evaluation through better utilization of an advancing state of the art.

Notes

1. Comptroller General of the U.S., *An Assessment of the Department of Housing and Urban Development's Experimental Housing Allowance Program* (Washington, D.C.: General Accounting Office, 1978).
2. Theodore H. Poister, *Public Program Analysis: Applied Research Methods* (Baltimore: University Park Press, 1978).

GOVERNMENT REGULATION: ADVICE AND ANALYSIS

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- Business Regulation and Government Decision-Making*, A. Lee Fritschler and Bernard H. Ross. Cambridge, MA: Winthrop Publishers, Inc., 1980, pp. 256 (paper).
- The Regulated Industries and the Economy*, Paul W. MacAvoy. New York: W.W. Norton and Co., 1979, pp. 160.
- The Political Economy of Regulation: Creating, Designing, and Removing Regulatory Forms*, Barry M. Mitnick. New York: Columbia University Press, 1980, pp. 506.
- Government Regulation: Scope, Growth, Process*, edited by W. T. Stanbury. Montreal: The Institute for Research on Public Policy, 1980, pp. 267 (paper).
- Study on Federal Regulation*, U.S. Senate Committee on Government Operations/Governmental Affairs:
- Volume I: The Regulatory Process*, January, 1977, pp. 568.
- Volume II: Congressional Oversight of Regulatory Agencies*, February, 1977, pp. 272.
- Volume III: Public Participation in Regulatory Agency Proceedings*, July, 1977, pp. 162.
- Volume IV: Delay in the Regulatory Process*, July, 1977, pp. 227.
- Volume V: Regulatory Organization*, December, 1977, pp. 352.
- Volume VI: Framework for Regulation*, December, 1978, pp. 305.
- Appendix to Volume VI: Framework for Regulation*, December, 1978, pp. 839.
- The Future of Business Regulation: Private Action and Public Demand*, Murray L. Weidenbaum. New York: Amacom, 1979/1980, pp. 183 (paper).
- The Politics of Regulation*, edited by James Q. Wilson. New York: Basic Books, Inc., 1980, pp. 468.

solutions to many critical national problems; today regulation itself is perceived as a major cause of many of America's ills. Negative attitudes toward regulation took root during the terms of Presidents Ford and Carter and are likely to fully blossom with the Reagan administration. Indicative of this is the high priority Reagan gave to the establishment of a regulatory relief task force chaired by Vice-President Bush, and the appointment of a well-known critic of regulation, Murray L. Weidenbaum, to head the Council of Economic Advisors.

Dissatisfaction with regulation is not only attributable to an increasing number of regulations and regulators over the past two decades, but also to a widening of the scope and coverage of regulatory policy as a means of dealing with social as well as economic issues.¹ Even more significant has been a growing public awareness of direct and indirect regulatory policy costs² which, in light of recent economic conditions, has fueled both political rhetoric ("Get government off our backs!") and action (e.g., California's Proposition 13, Sunset Laws).

Given these conditions, regulatory policy analysts no longer need to argue for more attention to regulatory reform as they had in the past;³ it is already high on the public agenda. They now face the challenge of generating studies and ideas that offer potential solutions to the "problems" of regulation. The volumes reviewed here represent various responses to that task, and should be evaluated as much for their utility for reform-minded policy activists as for their contribution to scholarship in the field. Thus we need to be sensitive to the "audience" each work is addressed to, for while two are scholarly in tone (Wilson and Mitnick), the others are aimed at either the American business com-

Government regulation is not very popular these days. Not long ago regulatory policies were regarded as viable

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munity (Fritschler and Ross; Weidenbaum) or policy makers who are under increasing pressure to initiate reforms in the near future (the seven-volume *Study on Federal Regulation*, Stanbury, and MacAvoy). These analyses must therefore be judged in light of their intended audience as well as any contribution they make to the study of government regulation.

Words to the "Regulated"

Fritschler and Ross' *Business Regulation and Government Decision-Making*, for example, is not a sophisticated analysis of government regulation and adds little to our knowledge of regulatory policy. Except for distinguishing between two types of regulation—the traditional economic form (Regulation I), and that stressing social concerns (Regulation II)—there is little discussion about the issues which concern most regulatory policy analysts. But this book never pretends to be more than it is, i.e., a basic introduction to the national policy-making arena for business executives. Well written and easy to digest, it borders on being a "how-to" book for anyone wishing to influence the Washington establishment.⁴ It offers a clear picture of decision-making systems which have an impact upon American businesses and realistically discusses the possibilities for bringing about change. Rather than a harangue about the inefficiencies of government bureaucracies, the authors provide a useful description of public organizations and how they differ from private corporations, both structurally and operationally. While noting the costs of regulation, they also point out some of the benefits derived by regulated groups in the past. Nor do they ignore the fact that a great many regulations "are generated by private interest, and are a result of the use of government to resolve conflicts in the business community" (p. 45).

Fritschler and Ross describe relevant decision-making systems in terms of multiple and overlapping program-based alliances among specific agencies, attentive interests, relevant legislative committees, and participating state and local units. This model, often used by political analysts,⁵ is central to their view of regulatory reform. Major regulatory reforms are, they believe, highly unlikely due to the very nature of the pluralist-bargaining-incrementalist system described in their book (chapter 9). Therefore, they suggest that business executives learn to contend with the current system. Government *can* handle a public problem if its "program fits neatly into one or a few closely related decision-making systems"; otherwise "the result is likely to be chaotic management, unpredictability, and a program to which outsiders have difficulty relating" (p. 187). An executive having difficulties with a program that is otherwise effectively addressing an issue should try to participate in and influence the appropriate decision-making system. If, however, the program is ineffective and inefficient, the "best one can do is to attempt to break the larger issues into smaller, manageable portions that fit more neatly into operating decision-making systems" (p. 188). This task will be difficult, but worth the effort. One must learn to stop

worrying and love the existing system—or at least learn to deal with it.

Weidenbaum's advice in *The Future of Business Regulation* is also directed primarily to business executives. In spite of his reputation as a "crusader" against regulations, his writing reflects a realistic understanding of the need for and role of government regulation in our complex society. His analysis of regulatory policy costs⁶ is frequently qualified by reference to the desirability of some regulation, and this attitude is explicitly posited in two "principles of business-government relations": "(1) to support the government activities that, *on balance*, benefit society and then improve government's ability to carry them out and (2) to identify government activities that *on balance* harm society and then reform or eliminate them" (p. 7, emphasis added).

The phrase "on balance" is significant, for Weidenbaum bases most of his reform program on the assumed utility and neutrality of "properly conceived and carefully executed" benefit/cost analyses (p. 63). He believes his two basic principles can be operationalized through a variety of analytically sophisticated procedures that will produce a "streamlined regulatory system" (p. 60). In addition to specific applications of benefit/cost analyses, Weidenbaum supports the elimination of "older regulatory commissions" where, through economic analysis, a deregulated market is shown to be "an effective alternative to detailed government oversight"; the use of cost-effective analysis "when benefits cannot be assigned a dollar value. . ."; a credible economic impact statement requirement for all regulatory agencies; the adoption of sunset laws; modifications in the budgetary process; and the use of "incentives" and other "alternatives" to regulation (pp. 61-72).

The major thrust of Weidenbaum's message to his audience, however, is that these improvements are not likely to come about without some changes in the attitudes and behavior of business leaders, government officials, and the general public. He offers two scenarios for the future, one pessimistic and the other optimistic. The pessimistic future involves increasing amounts of government intervention as more (rather than fewer) actions are taken to deal with the "shortcomings of and dissatisfactions with the business system. . ." (p. 60).⁷ The optimistic scenario involves incremental reforms that accept the current role of government but stress "opportunities for correction and improvement" in the regulatory system (p. 61). For this to occur business must improve its operations as well as its image (chapter 6); government must practice "self-restraint" and adopt "principles to guide legislators and regulators to more sensible approaches in their dealings with the private sector" (chapter 7); and the public—as well as those who influence the public (e.g., the media, public interest groups, academics)—need to better understand the business community, its needs, and its limited capacity to undertake social objectives (chapter 8).

The book ends with Weidenbaum expressing his belief in the optimistic scenario. Given the results of the 1980 elections and his own ascendancy to a key decision-making post in the Reagan administration, Weidenbaum should be even more sanguine today about the future of business regulation. A self-restrained government may already be in place,

and the election results indicate a more positive public attitude toward business. Only one condition remains: a business community which acts in its own best interest by (1) "minding the store," i.e., taking care of business' primary function of serving the consumer and building "trust" in the economic system; (2) curtailing corporate excesses, especially the perks of top executives; (3) providing public information on the impacts and costs of government regulation; (4) assuming long-term decision-making perspectives and avoiding short-sighted, self-serving actions; and (5) actively entering the policy arena. These are Weidenbaum's suggestions to his audience, and they imply that a key problem in regulatory policy today is the absence or ineffectiveness of business community influence in relevant decision-making systems.

Expanding and improving that influence through better corporate behavior and greater participation in the policy-making system (as is also suggested by Fritschler and Ross) may accomplish a good deal. It will obviously keep regulatory reform high on the public agenda and might even lead to the specific policy-making changes which Weidenbaum advocates. The question is, are those the appropriate changes? Will reforms of decision-making methods and mechanisms lead to better regulatory policy?

Advising the Sovereigns

Analysts who advise policy makers believe the answer is "yes." A common theme of the *Study on Federal Regulations* as well as the shorter works by Stanbury and MacAvoy is that reform efforts must be focused on changes within decision-making systems themselves. These changes can take any number of forms: adjustments in agency procedures and personnel practices, more citizen input, greater consideration of other salient policy concerns (e.g., economic growth, energy conservation), the application of sophisticated analytic techniques, the adoption and consistent use of effective decision criteria, etc. Central to all these suggestions is the assumption that priority be given to changes in policy-making structures and procedures.

Paul W. MacAvoy's *The Regulated Industries and the Economy* is a non-technical, extremely readable analysis of both recent growth and changes in regulation and the implications of these developments for the American economy. After noting the potentially significant differences between traditional ("price-control and service-enhancement") and "new" ("to prevent harm from a process, product, or their side effects") regulations (pp. 17-24), MacAvoy points out that the most problematic feature of regulation today is not its growth or the emergence of newer regulatory forms, but rather the nature of decision-making processes used by both old and new regulatory agencies. Regardless of the different functions assigned to each agency, the procedures used are ultimately reduced to narrowly focused case-by-case decision-making methods based on pre-defined formulas or specified administrative objectives.⁸ These have not been adapting to the changing demands and conditions of recent years, and the result has been costly for both regulated industries and the entire American economy.

Making basic procedural changes in the regulatory system is likely to prove costly. "Because of these costs of change, proposing reform is an exercise in benefit-cost analysis, in which the benefits from reform include the elimination of the adverse results of the present system and the costs involve social losses from industry disruption caused by the transformation to the new state of affairs." (pp. 106-107). In addition to their costliness, these changes will also be "impolitic" and therefore unlikely to succeed (p. 125). He admits that recent regulatory reform efforts have made some headway, but "the overall record falls short of what is needed to reverse recent declines in performance caused by controls in the regulated industries" (p. 121).

This pessimism does not stop MacAvoy from specifying the changes that are needed. He advocates that traditional pricing decisions be made on the basis of current and future (instead of historical) costs. Second, "where conditions of competition, service quality, and the economy no longer justified any control process," industry should be deregulated. And finally, in health and safety regulation, a "further institutionalization of performance analyses" is needed to improve decision-making processes (pp. 122-124).

It is difficult to continue to take MacAvoy's pessimism seriously since he, like Weidenbaum, is likely to play a significant role in the new administration. The changes he posits do not seem "radical," despite his claim that they will produce significant structural changes in the American economy; and they will probably be regarded as reasonable and moderate by the White House and the substantially more conservative Congress. Nor is he alone in making those specific proposals, for they are advocated by many analysts in both the U.S. and Canada.

The Canadian contribution to this debate is found in a report on *Government Regulation* undertaken at that government's request. Edited by W. T. Stanbury, the volume contains studies by a group of analysts who, like Weidenbaum and MacAvoy, believe in the salience of decision-making systems as determinants of regulatory policy success or failure. This is especially evident in the final three chapters. For example, Robert D. Anderson examines recent attempts to reform regulatory decision-making processes in Canada through traditional approaches (judicial safeguards, statutory procedural requirements, and legislative review and oversight) and finds these methods "grossly inadequate." He is more hopeful about a Socio-Economic Impact Analyses (SEIA) policy put into effect in 1978, seeing it as "an important step in reforming the regulatory process because it goes beyond the matters of law and propriety. . . , and requires the evaluation of the substantive policy effects of proposed new regulations" (p. 170, emphasis in original). While intended for the same purpose as the economic impact statement (EIS) policy implemented in the U.S. during the Ford-Carter years, this Canadian variation differs in one significant sense, i.e., the control of analytic quality. In the U.S., EIS was controlled through "an adversarial system" involving a variety of executive branch actors and agencies;⁹ in Canada, SEIA implementation was guided and monitored by a special Technical Advisory

Group on Impact Assessment (TAG) situated within the Secretariat of the Treasury Board.¹⁰

Given the newness of SEIA, Anderson is unable to evaluate its impact. Nor does he overlook the political and methodological issues that will make the policy's implementation difficult. Yet he is optimistic that SEIA will "significantly strengthen accountability of regulatory authorities in the areas of health, safety, fairness and environmental protection through meaningful consultations with non-government parties and substantive socio-economic analysis of the effects of alternative regulatory schemes" (p. 180).

This attitude carries over into the final two contributions in the Stanbury collection, both written by Fred Thompson. In "Regulatory Reform and Deregulation in the United States," Thompson provides a favorable assessment of policy-making changes made during the Ford and Carter administrations. When "weighted against previous reform efforts," he argues, the Ford-Carter actions were "remarkable" (p. 195). They not only changed attitudes regarding "the use of regulation to achieve public policy objectives," but also led to changes in both policy-making processes and substantive policy considerations (p. 194). The Ford-Carter approaches were distinctive due to their emphasis on improving "allocative efficiency" and assumptions "that economic analysis can identify mistaken regulatory practices and policies. . . , that further mistakes can be avoided, and that past mistakes can be corrected" (p. 95).

Central to Thompson's positive outlook on these reforms is his contention that incrementalism and "marginal adjustments" in both regulatory policy making and regulatory reform do little more than aggravate existing problems by leading to "ever more comprehensive control" (p. 200). This is due, in part, to decision-maker uncertainty, a factor Thompson believes can be overcome through economic analysis. Provide more and better analyses, he argues, and policy makers will be more willing and able to take the "non-incremental" moves necessary to effectively deal with regulatory policy problems. It is not surprising that he advocates the adoption of "review mechanisms" that "will both facilitate and influence decisions" (p. 208). Among his suggestions are improved economic impact assessments, zero-based reviews, the federal assumption of compliance costs as a budgetary item, and the adoption of a "regulatory budget" which provides "an annual summation of all costs generated by an agency" (pp. 208-220). Thompson argues further for this economic analysis approach in "More and Better Analysis? The Case of Health, Safety and Environmental Regulation" where he deals with a variety of technical and methodological questions about the use of economic analysis in general, and cost-benefit analysis specifically. In spite of some problems, he remains optimistic about the ability of policy makers to use these methods to improve regulatory policy in both Canada and the U.S.

A similar argument is provided in Volume VI of the *Study on Federal Regulation* ("Framework for Regulation"). Together with its 839-page appendix, Volume VI is the capstone to a seven-volume document commissioned by

the U.S. Senate's Governmental Affairs Committee¹¹ and issued between January 1977 and December 1978. The five earlier volumes offer thorough analyses of various institutional and procedural issues traditionally associated with regulatory policy problems: "The Regulatory Appointments Process" (volume I); "Congressional Oversight of Regulatory Agencies" (volume II); "Public Participation in Regulatory Agency Proceedings" (volume III); "Delay in the Regulatory Process" (volume IV); and "Regulatory Organization" (volume V). Rather than "knee-jerk" reformist diatribes, these reports reflect careful research into a number of important questions associated with decision-making procedures and criteria.

An examination of these works not only reveals the significance of formal institutional and procedural variables, but also indicates how diverse and complicated regulatory policy-making systems are. Structurally and operationally, government regulation is full of idiosyncracies which have frustrated many reformers in the past. In this context the distinctive "economic analysis" approach of volume VI and the appendix seems refreshing and full of promise.

The two analysts credited with putting together the sixth volume, Michael W. Klass and Leonard W. Weiss, emphasize at the outset their concern with the "economic substance" of regulation and intention to provide Congress with the decision-making framework it "needs properly to design alterations in regulation" (pp. 5-6). Their effort is impressive in scope, for they address the conditions for and impacts of regulation, various alternatives available to policy makers, costs associated with regulatory policy change, and the role of different institutions in bringing about needed reforms. Underlying their presentation is a belief in the practical utility of economic analysis.

Regulatory decisions, particularly on the implementation of new schemes and the continuation of existing schemes, all too often are based on insufficient analysis and consideration of alternatives. . . .

Appraising the actual effects of regulation on various goals can only be achieved by making costs, benefits and other effects visible, and by experimenting with alternatives. This does not argue simply for benefit-cost analysis, but rather for broadly based impact evaluation performed on a regular basis (p. 269).

The appendix provides 10 examples of such "broadly based impact evaluations." But this impressive collection should be regarded as more than merely an attempt to prove that the economic "framework" is workable. Collectively and individually they offer well written and carefully argued examinations of the historical and legal backgrounds of federal regulation in a number of policy areas, provide economic assessments of past and current policies in each field, describe alternative courses of action, and offer specific recommendations for changing current policy. The strength and logic of the techniques used in these studies reflect well upon the state of the art in economic analysis. There is little doubt that in certain cases we do have the capabilities needed to carry out such studies. If that was the intended message of this massive volume, it comes through quite clearly.

The primary message of *all* these works is quite clear:

problems of regulatory policy are problems *in and of* the regulatory policy-making system. They are problems rooted in the inability, reluctance, or outright unwillingness of decision makers to base their policies on analytically-informed (as opposed to "political") judgments. The improvement of government regulation therefore hinges on the *depoliticization* of the regulatory policy-making process through the establishment of neutral analytic technique and "objective" decision criteria. From this perspective the current generation of regulatory reformers are not much different from those of the past who focused on regulatory decision makers and put their creative efforts into developing organizational and procedural strategies for rendering them less "political" and more "rational." The goals of scientific management and the principles of administration never died; they are alive and well and residing in reincarnated form as "economic analysis."

The Academic Voice

With few exceptions, the works reviewed thus far have been aimed primarily at non-academic audiences. The remaining works represent a noticeable shift in "voice" in two ways. First, they are not explicitly aimed at a specific audience such as the business community or relevant policy makers. Instead, they address questions and issues associated with regulation which, in turn, attract the attention of those interested in the phenomena being examined. For the most part, those interested parties are scholars concerned with analytic descriptions, explanations, and evaluations rather than policy prescriptions. Thus, the second point is that these works typically offer *analyses instead of advice*. At the risk of being criticized as too "academic," abstract, or irrelevant, these works avoid policy suggestions in order to concentrate on more basic research concerns. Beyond these common characteristics, however, such analyses can be very different.

The Politics of Regulation is a collection of case studies, edited by James Q. Wilson, which have the common objective of explaining "how and why government acts the way it does" (p. xiii). While the chapters are organized according to the functionally defined categories of traditional rate and entry regulation, antitrust policies, and the "new" regulation of products and processes, the focus of each is on a specified regulatory agency. This is not surprising given the explicit concern of Wilson's group on *how* regulatory "goals were determined, conflict resolved or managed, standards set, and policy enforced" (p. xi).

Both individually and collectively, these case studies provide evidence of the complex world of regulatory policy making. We get a picture of regulatory policy making as a multidimensional phenomenon with multidimensional problems manifesting themselves idiosyncratically in each agency. There are instances of something resembling regulatory agency "capture" (Edward Mansfield's chapter on "The Federal Maritime Commission"), but for most of the examined agencies the problems are associated with other themes such as changing environments (Douglas D. Anderson on "State Regulation of Electric Utilities"), the prose-

curatorial, professional, or moralistic ethos of agency operatives (Suzanne Weaver on the "Antitrust Division of the Department of Justice," Steve Kelman on the "Occupational Safety and Health Administration," and Jeremy Rabkin on HEW's "Office of Civil Rights"), intraorganizational conflicts (Robert A. Katzmann on the "Federal Trade Commission"), the presence or absence of adequate and clear legislative mandates (Alfred E. Marcus on the "Environmental Protection Agency" and Paul J. Quirk on the "Food and Drug Administration"), and the role of key actors (Bradley Behrman on the "Civil Aeronautics Board"). The picture which emerges is that the regulatory policy-making process is not easily described or explained, and that simple one-dimensional approaches to the subject are doomed to failure.

This is the theme Wilson presents in his concluding chapter. "A Single-explanation theory of regulatory policies," he argues, "is about as helpful as a single explanation of politics generally, or of disease. Distinctions must be made, differences examined" (p. 393). That point is primarily addressed to proponents of the "economic theory of regulation" (e.g., George J. Stigler, Richard A. Posner, Sam Peltzman) who explain regulation and regulatory agency behavior by showing that government action is sought by and administered on behalf of regulated industries. Wilson attacks this economic perspective and its narrowly defined focus, and applies a variety of alternative frameworks which help clarify and explain the role of political, institutional, environmental, and intellectual factors in regulatory policy making. These models expand our understanding of the regulatory policy arena and thus provide us with insights into a complex subject. Neither Wilson nor the other authors involved in this work offer simple solutions or explicit advice to regulatory reformers other than an implied warning to avoid relying on oversimplified theories. For that reason alone it is a book every serious student of regulation should read.

The same can be said for Barry M. Mitnick's *The Political Economy of Regulation*. Mitnick presents a comprehensive overview of regulatory policy analysis using a framework derived from organizational theory that is itself a significant contribution to the field. Based on an "incentive systems approach," this model is applied to the various principal-agent relationships characterizing the regulatory policy-making system and its decision-making processes. In this way Mitnick is able to offer a logically drawn picture of the complex world of government regulation.

This is no simple accomplishment. Only a model capable of reducing all relevant social interactions into basic agency relationships could contend with the diversity and complexity of regulatory policy phenomena. But this approach is not without its costs, for much of the richness of regulatory policy making is lost in the translation from reality to theoretical model. In addition, when applied to the details of regulatory policy situations, the model often produces an unwieldy looking collection of variables and relationships that, when described or diagrammed, makes the most involved case study narratives seem delightfully simple.

Yet the development of such a model is a necessary first step if policy analysts are to empirically examine the struc-

ture and operations of regulatory policy-making systems. Upon reading the cases presented in the Wilson volume, for example, one is tempted to translate the insights of those authors into working hypotheses using operational terms provided by the incentive systems approach. In that sense, Mitnick's synthesis should be regarded as a beginning rather than an end. He brings together the disparate material that falls under the label "regulatory policy analysis" and provides a model that begs to be tested and challenged.

That is a major contribution to the study of regulation, but it is one that only policy analysts from academia are likely to appreciate. Members of the business community and policy makers are usually impatient with mere case studies or model-building. Such impatience is based on the mistaken notion that these "academic" exercises have little or no real practical value. The reluctance of certain analysts to pass judgment on regulatory activities or their unwillingness to prescribe reforms is taken as an indication of indifference or "ivory tower" detachment. A careful reading of these works, however, indicates otherwise. Academics tend to speak with a cautious voice, not an unconcerned one. Mitnick, for instance, is quite explicit about his intentions: "the efforts of this work at theory-building and explanation can be servants to the goal of choice of future institutions." He calls this approach "prescriptive explanation," i.e., "the study and evaluation of the principles of societal operation that produce differently valued future states" (p. xx). It is the facilitation of choice that is central to his work; this is not just another academic exercise. The relevant question to ask at this juncture is whether the "academic" path is likely to prove more useful than is usually thought. Are efforts at demonstrating the complexity of regulation or at modelling the regulatory policy system worth waiting for?

Putting Carts Before Horses

The question can be phrased differently: Do we know enough about government regulation to warrant the adoption of the various reforms being proposed by many analysts? Will a more aware and active business community improve regulatory policy making? And will a more open, rational, and analytically-informed regulatory policy-making system translate into more effective and efficient regulatory policy actions? If regulatory policy analysts are certain that the answer to these queries is yes, then the complications raised by the case studies presented in Wilson's volume and the theory-building exercise undertaken by Mitnick will prove of little value. Under those circumstances, students of regulatory policy should spend more time perfecting their advisory capabilities and less resources attempting to confirm or synthesize what is already known about government regulation.

To clarify this point, we can turn to James D. Thompson's classification of organizational decision strategies.¹² In his categorization there are four types of decision processes (i.e., "strategies"), each based on the level of the decision-making unit's (a) perceived understanding of the cause/effect relations governing the phenomena under con-

sideration, and (b) certainty regarding outcome preferences. Where the perceived knowledge of causal relationships is low, two strategies emerge: *judgmental* where outcome preferences are certain, and *inspirational* where they are uncertain. The other two strategies reflect a positive belief in the organization's knowledge of causal relationships, but differ on the matter of outcome preferences: where they are certain about preferences, *computational* strategies dominate, but where they are uncertain *compromise* strategies will emerge.

Within the context of this scheme, the advice provided in most of the works reviewed here assumes that regulatory policy-making units are sufficiently informed about the causes of regulatory policy phenomena and are therefore capable of relying on computational or compromise decision-making strategies. The compromise strategy is central to the advice provided by Fritschler and Ross, while the computational approach is strongly advocated by MacAvoy, the Canadian report edited by Stanbury, and the *Study on Federal Regulation*. Weidenbaum's work bridges the two positions by calling for both more activity by the business community (a compromise strategy) as well as greater reliance by regulatory agencies on "neutral" benefit/cost techniques (a computational strategy). The Wilson and Mitnick volumes, however, fit neither category. By raising doubts regarding the current state of knowledge about regulatory policy phenomena, both works bring the advice of the other volumes into question. They are not advocates of the judgmental or inspirational strategies which now predominate in most regulatory policy-making bodies, but neither do they proselytize for immediate reforms based on the assumption that policy makers are sufficiently knowledgeable about the problems they are dealing with.

The choices that emerge are reasonably clear-cut. On the one hand, we can believe that by adopting computational or compromise decision-making structures and methods now, we will be making maximum use of current knowledge and stimulate the generation of even more useful knowledge in the near future. On the other hand, we can work on the assumption that significant structural and procedural reforms must await a substantial improvement in our understanding of regulatory policy phenomena, and that any deliberate movement toward computational or compromise strategies at this point will prove frustrating at best and might even make future reform efforts more difficult.¹³

As an academic, I am naturally drawn to the latter approach, but not without some doubts. Given the long history of regulatory policy studies, a fundamental question is whether regulatory policy analysts are capable of adding to the basic store of knowledge we already possess about government regulation. The Wilson volume indicates that there are many dimensions to regulatory policy making that have yet to be explored. Mitnick's contribution is a systematically arranged summation of existing knowledge which has the potential of guiding future studies. But can regulatory policy analysts put these materials to work in empirical investigations that will produce relevant and useful new knowledge?

An indication that this may be possible is offered in the

first three chapters of the Stanbury volume. The work begins with a chapter (by Margot Priest, Stanbury, and Thompson) devoted to establishing a working definition of "economic regulation" ["the imposition of rules by a government, backed by the use of penalties, that are intended specifically to modify the economic behaviour of individuals and firms in the private sector" (p. 5)⁴]. Using that analytic foundation, the authors of the second chapter (Stanbury and Thompson) explore possible reasons why regulatory reform was a more salient issue in the U.S. than in Canada. Not only do they demonstrate the viability of the initial definition, but they also show how comparative studies can be useful in supplying some intriguing insights into the subject that should be explored in greater depth. The third chapter (by Priest and Aaron Wohl) applies that same definition in an attempt to describe the historical growth patterns of economic regulation in Canada since 1867. Besides its suggestiveness for a similar study that might be undertaken for regulation in the U.S., this analysis highlights some of the conceptual and methodological problems that will plague regulatory policy researchers in the future. Some of those problems will be impossible to solve; but the knowledge gained from even imperfect studies may prove extremely valuable.

It is obvious that policy analysts in both economics and political science have not yet fully applied themselves and their techniques to the study of government regulation. In addition, there are few indications that any significant work is being done by students of public administration to clarify the management dimension of regulatory policy. Until they do, it seems reasonable to suggest that those who are advocates of or receptive to regulatory reform proposals proceed with caution.

Notes

1. On the growth of federal regulations, see William Lilley, II and James C. Miller, III, "The New 'Social Regulation,'" *The Public Interest*, No. 47 (Spring, 1977): 49-61. On related changes in the nature of regulation see Melvin J. Dubnick and Lafayette Walker, "Problems in U.S. Standard-Setting: The Implications of the Shift to Control Functions," *Midwest Review of Public Administration*, 13, No. 1 (March, 1979): 25-49.
2. See Murray L. Weidenbaum and Robert DeFina, *The Cost of Federal Government Regulation of Economic Activity* (Washington, D.C.: American Enterprise Institute, 1978); also Synergy, Inc., "Costs and Benefits of Regulation: A Survey of Studies," in Office of the Secretary, U.S. Department of Commerce, *Regulatory Reform Seminar: Proceedings and Background Papers* (Washington, D.C.: October, 1978).
3. A good deal of the traditional literature on regulation bordered on being journalistic exposés rather than carefully designed policy analyses. E.g., Louis M. Kohlmeier, Jr., *The Regulators: Watchdog Agencies and the Public Interest* (New York: Harper and Row, 1969).
4. For example, seven appendices provide practical information ranging from a list of relevant interest groups and publications to instructions on the use of the *Federal Register* and *Code of Federal Regulations* to procedures for registering as a lobbyist or forming a political action committee.
5. This "policy subsystem" model has not only been used in a variety of classic case studies [e.g., Fritschler's *Smoking and Politics*, 2nd edition (New York: McGraw-Hill, 1975)], but is also central to understanding "interest group liberalism" [see Theodore J. Lowi, *The End of Liberalism: The Second Republic of the United States*, 2nd edition (New York: W.W. Norton and Co., 1979)].
6. An important contribution made by Weidenbaum in this and other works is the distinction between direct, indirect, and "induced" or (incremental) regulatory policy costs.
7. This tendency, called the "tar baby effect," was first described in James W. McKie, "Regulation and the Free Market: The Problem of Boundaries," *Bell Journal of Economics and Management Science*, I, No. 1 (Spring, 1970): 6-26.
8. In traditional price and entry regulation, an agency typically relies on historically based estimates of the investments and rate-of-return to be allowed for public utilities under its jurisdiction. In the newer health and safety field, agencies have sought solutions in specifying the equipment or means by which a policy objective is to be achieved (MacAvoy, chapters 2-3).
9. See Christopher C. DeMuth, "Constraining Regulatory Costs," Parts One and Two, *Regulation*, 4, Nos. 1-2 (January/February, March/April, 1980). Also see Susan J. Tolchin, "Presidential Power and the Politics of RARG," *Regulation*, 3, No. 4 (July/August, 1979): 44-49.
10. Organizationally, SEIA is very close to the model advocated by both Weidenbaum and MacAvoy for the U.S.
11. The first two volumes were issued under that committee's previous title—"Government Operations."
12. I wish to thank John Nalbandian for drawing my attention to the relevance of Thompson's typology. See James D. Thompson, *Organizations in Action* (New York: McGraw-Hill, 1967), pp. 134-135.
13. For a different perspective, see Chris Argyris, "Ineffective Regulating Processes," in Argyris, et al., *Regulating Business: The Search for an Optimum* (San Francisco: Institute for Contemporary Studies, 1978), pp. 173-192.
14. For other attempts to develop a useful definition of regulation, see chapter I in Mitnick, *The Political Economy of Regulation*, and Mel Dubnick, "Making Regulators Regulate," paper presented at the American Society for Public Administration National Conference, Baltimore, 1979.

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