

THE NEGATIVE INCOME TAX EXPERIMENT: COMMENCEMENT EXERCISES

Harold W. Watts, University of Wisconsin

Introduction

The announcement of the completion of the New Jersey Graduated Work Incentive Experiment made by the Assistant Secretary for Planning and Evaluation, in the Department of Health, Education and Welfare on December 20, 1973 represents an important stage in the maturation of a process begun more than six years ago. It is somewhat like the completion of a degree program that is marked by a commencement or graduation ceremony. An important goal has been attained, but its worth in terms of the ultimate objectives supposed to flow from it has yet to be established. The evidence produced, ranging from the large and complex data files to the refined summary indicators, is now launched on its own course, outside the protective custody of those responsible for its development. In an important sense a new experiment is just beginning--its conclusions will tell us how the evidence from this and other social experiments will have an impact on the sponsor (or "client"), the scholarly community, the general public, and ultimately on social policies.

In this paper the "developmental process" will be very briefly reviewed; then various, more speculative, remarks will be offered about the future path of the career of this and similar social experiments.

The Development of the Evidence

The "results" of the experiment, necessarily boiled down to a manageable set of numbers, inevitably seem out of proportion to the time and talent and, above all, money that has gone into their production. For this reason it is useful to review both the steps involved in producing the evidence, and a more complete list of the range of available products.

The design of the experiment--encompassing the original specification, sampling procedures, allocations to treatments, questionnaire development, and drafting of a "pseudo-law" in the form of rules of operation for the simulated negative income tax--was the result of combined efforts of the sponsoring agency (OEO), The Institute for Research on Poverty at Madison, and Mathematica, Inc. at Princeton. The effort involved economists, sociologists, lawyers, and statisticians in a genuinely joint enterprise. It would be wrong to claim that the process was smooth and painless. But the controversies were resolved, once with the help of outside "arbitration", and the project continued, more strengthened than scarred by the conflict. This experience suggests to me that real inter-disciplinary activity in an important project can be inspired by a clear and present danger of failure.

The collection of data involved, most importantly, an hour-long survey every quarter for the three years of operation at each site. In addition, various kinds of data were accumulated as a by-product of the operation of the experi-

ment. The Urban Opinion Surveys division of Mathematica was responsible for this activity, working closely with staff from Madison when necessary. A great deal was learned about panel surveys in low-income areas from this experience.

Preparation of a data base for analysis is a third critical phase of the development of information. This includes coding, initial data entry, design and implementation of file systems, and a very large amount of "data cleaning". The objective, to get basic information from the questionnaires as close as possible to the fingertips of the researchers in an immediately manipulable form, sounds deceptively simple. Anyone who plans to carry out a social experiment should begin early and expect to work late on this part of the task. The primary function of coding and data processing were carried out by Mathematica, and the data cleaning was a joint effort.

The analysis--and this should be regarded as the "first exploitation" part of a hopefully continuing process of analysis--has been the main preoccupation during the past year. The largest share of this work has been carried on at Madison. Comparatively little co-ordination, aside from securing adequate coverage of subject areas, was sought in this phase. Individual researchers or small coalitions carried out separate analyses of specific topics. There were several suggested standardizations--sample specifications, definitions of key variables, etc.--which were widely adopted for reasons of convenience and also because of a desire for comparability with other analyses. More than 25 professional analysts were involved in this part of the job* along with at least as many support personnel.

The physical product of these efforts amounts to approximately 1500 pages of final report which are accompanied by an additional 450 pages of administrative procedures and findings which document the operations carried out by Mathematica, and draw conclusions from them.

In summary, then, there is a lengthy "final" report document which contains the complete set of analytic and descriptive studies produced by the project. There is also a summary document prepared for their own release by H.E.W., as well as less "official" summaries prepared for delivery at various meetings and seminars. Another output is the data file itself which is now available and accessible to the general research community for further analysis. A substantial effort is being made to inform interested scholars about the opportunity to use these data and to facilitate such use. The file is necessarily complex, particularly for those not accustomed to panel data, and we are attempting to short-cut many of the delays and frustrations that are typical when a researcher tries to exploit a "new" source of data.

The Evaluation of the Evidence

How will various "consumers" react to the

introduction of this large body of new and somewhat unprecedented evidence? At least three consumers can be distinguished: the immediate sponsors of the project and their policy-making adversaries or collaborators, the scholarly and research sub-cultures, and the public at large. Over the coming weeks and months each group will be exposed to some degree to this new evidence. It is of interest to consider how the evidence will be presented, perceived, and assimilated.

The primary recipient of the evidence in the policy-making sphere is, of course, the sponsor. H.E.W., as the inheritor of the cognizant part of O.E.O., assumed responsibility for monitoring this experiment and for receiving and announcing the basic findings. As sponsor, H.E.W. received the complete range of detailed and summarized findings prior to general release and took a major role in the selection and interpretation of the evidence given emphasis in official releases and digests. The Office of Assistant Secretary for Planning and Evaluation serves as a distribution point both for other parts of H.E.W. and for other departments and agencies whose concerns touch on labor supply, taxation, or incentives.

The summary material has, in my opinion, been carefully and competently prepared. Close consultation with the experimental staff has been maintained and a judicious balance between the needs of brevity and accuracy has been achieved. These materials are of very great importance, because nearly all of the most immediately involved officials simply must rely on 5 to 10 page summaries. More lengthy documents can be digested by staff, of course, but this process again results in condensed versions for final consumption.

How much interest and effort is expended on the assimilation of the evidence in the administrative branch naturally depends on whether a legislative initiative is being developed to which the evidence is relevant. At the present time I have no particular insight about the likelihood of new administrative moves in the area of welfare reform, but there is, in any case, an evident continuing interest in this topic within H.E.W.

The official summaries and interpretations are important for another reason. If the evidence is used by the administration (or deemed a significant potential basis for contention), the staffs and services which inform the legislative branch will also take the official summaries, rather than the voluminous, fully hedged, qualified, and somewhat confusing "full report" as the starting point for their assessment, critique, or total rejection of the evidence. A great deal of active interest exists in the fiscal policy subcommittee of the Joint Economic Committee, headed by Rep. Martha Griffiths. Their truly massive study of the system of income maintenance and public assistance is aimed at major reform, and as such has been an eager consumer of all kinds of relevant evidence.

The congressional committees which have direct responsibility for Social Security, taxation, public assistance and any newly proposed reform, have a strong latent interest in reviewing any evidence from the experimental

work, whether the evidence is used to support or oppose a particular proposal. Both Ways and Means and the Senate Committee on Finance were exposed to very preliminary evidence from the experiment, both in written form and in direct testimony, while considering the Family Assistance Program (FAP) when it was proposed in 1969. If major new legislation is introduced in the next few years there is little question that these committees will be intensely interested in the experimental evidence.

By no means all the policy action in the public welfare and labor supply areas is at the federal level. State and local governments are directly and primarily responsible for certain policies addressed by the experimental evidence. The channels by which the evidence is communicated to these levels is much less clear, however. Some state and municipal governments have already requested copies of the reports, and further requests are likely to be generated by stories in newspapers or the broadcast media.

The general public will certainly depend on the media for most of its information about the new evidence. Occasional stories have appeared in the past, reporting descriptively on the existence and objectives of the experiment, or reporting preliminary findings and interpretations. It seems likely that many stories will appear based on the "final" report. It is, of course, impossible to predict how faithfully or with how much perspective the evidence will be portrayed and perceived. But it seems highly unlikely that any reporter will find it worthwhile to peruse the entire array of primary studies. They will probably also rely on some ready-made summary or on a very partial sampling of the basic studies. It is very easy to be critical of almost any journalistic account of scientific or scholarly studies, but it is not at all easy to offer constructive alternatives when the basic subject matter is quite complex.

In the long run, of course, change or reinforcement of beliefs and myths about labor supply and motivation of the poor will depend on a broader process than the public press and broadcast system. A vigorous public policy debate, featuring the experimental evidence would accelerate its perception. A slower process would probably involve a "trickle-down" via opinion leaders and the educational process. In any case the content of the public's perception will depend on the evaluations and assessments by both scholars and policy-makers of the validity and ultimate relevance of the evidence. The immediate impact of the report on the beliefs of the general public is likely to be small in any case, and any eventual impact will depend both on the report and on the evaluation--pro and con--which it inspires.

This brings us around to where we are today--at a meeting of scholars and researchers whose analysis, irreverence and wisdom is needed to establish the limits of credibility of the experimental evidence. Having been produced by scholars and technical research professionals, the main report is of a style and form to interest and provoke others of the same breed. And it is from this community that the most severe and comprehensive review must come.

Previous reports at professional meetings and journal articles have communicated the basic design, scientific objectives, and preliminary findings to

the concerned professions. Interest in the experiment has always been great, but so far there has been a lack of substantive evidence and conclusions to either attack or defend. This lack will have been corrected by the end of these meetings (December 30th at 1:30 p.m. to be exact) and both summary and detailed reports are now available for review. In addition, as mentioned above, the data files used for the analysis, as well as the basic data files from which they were constructed, are accessible for researchers who wish to replicate, modify, or extend the analysis performed to date.

It is hoped that by now (some would say "finally") there are reports on the findings which can satisfy most of the interested professional-scholarly community. Papers--ranging from non-technical summaries and descriptive papers which can provide an authoritative introduction for the non-specialist to the detailed technical reports of greatest interest to the specialist in either the subject matter (e.g. labor supply) or methodology--are available.

It is now time for the profession at large to give this work the kind of careful, challenging and even nit-picking review which is necessary if this evidence is to receive or deserve wide credibility. It is possible that the entire undertaking has produced evidence eventually judged as worthless. It is more likely that some initial conclusions will be overturned and some others qualified more appropriately, so that in the end a more consistent and warranted set of conclusions will emerge.

At least two groups will be especially interested in the critical review process. Those who have contributed to the empirical literature on labor supply in the past, usually on the basis of non-experimental cross-sectional data, will be concerned with establishing some kind of rationalization for the similarity or lack of it between our results and theirs. Secondly, those who are responsible for the development of evidence from other experiments, presently at an earlier stage of maturity, will be eager to discover and learn from our mistakes and triumphs (if any) with a view to immediate application to their own efforts.

At present there are two organized efforts aimed at critical review. The Russell Sage Foundation has sponsored a project directed by Dr. Peter Rossi which will be especially concerned with the sociological methodology and findings from the experiment. The Brookings Institution

has a project directed by Dr. Alice Rivlin and supported by the Ford Foundation which is charged with review of social experimentation in general and which will devote a major conference this spring, with "commissioned" papers, to the review of the urban negative tax experiment.

Major summary papers will be published in the Journal of Human Resources early in 1974, which is also expecting to receive and publish manuscripts concerned with evaluation and criticism of this social experiment. No doubt other journals will publish both original and critical studies based on the experiment as well.

The studies comprising the final report will eventually be published after further editorial and substantive revision. The latter is aimed primarily at closing some gaps of comparability across separate studies, and to press a bit further the resolution of some outstanding puzzles in the current report. This publication, which will require three volumes, will not be available until 1975 and will probably coincide with publication of numerous critical reviews.

Conclusion

After a lengthy period of development, a new and somewhat novel body of evidence is being introduced to the outside world. A new phase of the social-experimentation "experiment" is thus being entered by the earliest of the income maintenance experiments. Clearly the eventual policy pay-off of the endeavor depends on how that evidence is received, and how it holds up under stress. This part of the experiment is quite unstructured and uncontrolled, however, and is for that reason exciting and hazardous. But, with whatever degree of justice, a verdict will eventually be rendered--based on the perceived value of this and succeeding social experiments. Scholars and researchers have an important critical role to play in digesting and evaluating this new evidence and in judging the utility of social-experimental evidence more generally. It is now time for that effort to begin in earnest.

*Officially at a half-time level of effort, for the most part, but frequently working more than full time.