

The Multiple Roles of an Independent Economic Research Organization¹

M.C. McCracken, CEO, Informetrica Limited

1 Background

In most countries, there are a group of independent economic research organizations (IEROs) attempting to influence business, governments, labour unions, or others. What do they do? How are they funded? How should one judge their effectiveness? The notion of "independence" requires that the organization is able to frame the questions to be addressed, as well as selecting the tools, horizon, and other parameters around the research methodology.

Often their most visible action is their engagement in the public debate about policy. In the US, there is a long history of such groups as the **Brookings Institution**, **The Urban Institute**, and **Russell Sage Foundation**. More recently, groups like the **American Enterprise Institute** or the **Cato Institute** have emerged on the right.

In Canada, the **Institute for Research in Public Policy (IRPP)** was founded on the suggestion of the Economic Council of Canada to become a "Brookings" for Canada. Other groups have emerged over time. The **Fraser Institute** on the right, the **Canadian Centre for Policy Alternatives (CCPA)** on the left, and others at points on the spectrum.

"APEC is a "strange beastie." It is unlike any other organization in North America, with its overwhelming private-sector support, its regional bias, its research orientation, and its rather high public profile. Its individuality is the essence of Atlantic Canada, and its capacity to survive quintessentially Canadian." So wrote Jim McNiven in the foreword to Tim O'Neill's piece cited below.

The Atlantic Provinces Economic Council (APEC) has been one of the enduring institutions in Atlantic Canada, contributing on a continuous basis to the public policy debate. The deliberations of the Council and their formal publications are the visible manifestation of APEC. However, there are many other channels of influence that need to be understood in tracing the influence of APEC over the years.

¹ Elizabeth Beale and David Chaundy of APEC read earlier drafts. Tim O'Neill provided a copy of his work from 1979 at the 25th Anniversary of APEC. However, the responsibility for these remarks remains with the author.

2 Sources of Financing

2.1 Endowments

Although not common in Canada, there was a base for IRPP and the Canadian Labour Market and Productivity Centre (CLMPC)². More recently, foundation financing of the Caledon Institute has allowed them to "pick their targets" and to do the necessary long-term work to develop policy in Child Benefits and EI reform.

2.2 Standard Services

Most IEROs in Canada seem to eke out a living based on a combination of membership revenues, conferences, and periodicals. This "core" activity is very important since it provides enough revenue to sustain the organization and keeps it from just being another "consulting firm".

2.3 Contract Research

The federal government has stopped providing core funding or contributions towards the work of NGOs in general. Rather they now must be seen to be buying services from the various NGOs. In the case of research-based organizations, this translates into their need to compete for various research tasks against the universities, other NGOs, and a group of private sector consultants. The net result of this shift has not been positive, with substantial loss of good will among the competitors and increased pressure on government departments to define meaningful research projects that can sustain the IEROs.

The paramount requirement for good **independent** research is for an organization to be able to say "no" to a specific project! This implies sufficient financial strength that they can take a longer-term view and not undertake studies that may damage their reputation. If "saying no" is done infrequently then it may serve to improve the quality of the requests for studies to be undertaken. However, with the heightened competition over short-term projects someone else will usually "step up" to do the work.

Contract research can present additional challenges in a smaller region. The client may want something very specific and soon. The IERO may have interests somewhat broader or strategic. In the case of APEC, there is always an issue of needing to balance studies among all four provinces or maintain good relations with key stakeholders.

APEC does not bid on tendered contracts, but apart from ACOA, they sometimes run into sole-source limits, which are too low to do any substantial research. The challenge is to develop long-term, larger and more stable research funds to support research on topics that are important but don't satisfy the narrow or immediate needs of companies or individual departments. In Atlantic Canada, economic research may be an under-funded public good.

² This group is now the Canadian Labour and Business Council, focusing more on human resource training in the workplace.

Doing research is not sufficient. The results must be communicated and through many channels. The client may want to do the communication or to savour the results, restricting further dissemination. This issue is best sorted out before the contract is undertaken, perhaps with a joint communications plan for the end of the process.

3 Providing Public Information

The main purpose of an IERO is to provide information to groups that will inform their decisions about areas of interest to the IERO. The transmission of the information is a communications problem. In the past, this has been done primarily through publications and conferences. Increasingly, web-based approaches are growing in popularity.

The **content** of the information products can vary from a selection of interesting data, facts, and opinions from various sources (compilation) to the reporting of original research done by the IERO.

In the case of APEC, Tim O'Neill placed high importance on the "filtering process" where information from the economics profession is translated into material of use to policy-makers [O'Neill, P/ 19 ff]. The effort is more complex than a simple digest. Rather it is a complex process of filtering out information, bringing together related pieces of information (synthesis), and applying judgement.

3.1 APEC Publications

APEC established a series of Annual Reviews in 1967, each with a specific theme. This was similar to the Economic Council of Canada's Annual Review pattern that began in 1964. By establishing this annual review, both organizations focused public attention (and the media) on their recommendations and the reports became "must read" for most government officials.

APEC faces the challenge to always have a 'balanced' regional perspective in its publications (i.e., don't omit PEI from a piece).

Today, the Annual Review has disappeared, but several periodicals - Atlantic Report (Quarterly) and the Report Card (Quarterly) - are produced, along with a number of research studies. The web site is convenient and well organized, with an E-Bulletin to summarize recent additions.

4 Support to Elected Officials

4.1 Flow of Information

If periodic publications are produced, it makes sense to send these to the offices of all elected officials. Every few years you might ask them if they wish to continue to receive the complimentary publications, although you can take the position that it is a right to communicate with an elected official.

4.2 Queries from Elected Officials

How best to handle this aspect? Many years ago, we put in place a very simple rule. If an **elected** official at any level of government calls us, we listen and help him or her. In some cases, we can provide data or a report at hand. In other cases, it may require a briefing to their caucus. This "service" has been used many times, but never abused. The key element is that it is open to all parties.

4.3 Committees of the Legislature

Many see committees of the federal and provincial governments as a waste of time. However, these institutions are the way in which many politicians obtain the information that is background to their deliberations. Some media representatives may be present to convey the gist of the remarks. The written record will survive for many years and influence many politicians and their offices for years to come. When invited to participate take it seriously, provide a tight summary, and then answer their questions to the best of your ability.

5 Media Interactions

5.1 Timely responses to media queries

Complaining about poor economic reporting is easy to do but not very helpful. Many years ago, in response to my negative comments, Don McGillivray of Southam made a simple response "You are part of the problem." He argued quite persuasively that economists needed to respond to reporter's questions if there was any hope of improved reporting. Only then could one criticize their statements!

Media sometimes do not focus on what you consider the crucial findings of a study. At other times, they emphasize one small aspect of a report because it has a controversial side. It is not easy to know how the media will respond and what angles they might take. A partial antidote is a good executive summary and a well-structured press release.

5.2 Op-ed pieces

Placing the article you wish to see in the newspaper is simply a matter of writing 700- 1000 words and providing it to the paper. The paper has every incentive to print it, since it costs them little. The only requirements are that it be highly readable, factually correct, provocative, and of interest to their readers!

5.3 Feedback to media

If you read a column or see a TV segment that contains factual errors or is misleading, don't hesitate to call the journalist involved. Usually they are happy to have the feedback, even if it is as simple as pointing out the quoted amounts are billions not millions! In some cases, the information will be misused, either by the reporter or in the editing process. An observation that China may rival the US in economic size in the next decade can be twisted to see China as the largest market for Atlantic Canada in ten years! (Distance still does matter in international trade.)

5.4 Other Fora

Another activity of IEROs is running conferences on selected topics that fit with the focus of the organization. The other side of having such an activity is the need to be generous with the time of your own staff for speaking at other conferences! Media coverage of your participation can be helped by providing copies of your remarks on request and supporting the conference organizers in their media relations.

6 Developing Research Capital

6.1 Databases

The basic building blocks for economic research are data – in the form of time series, surveys, compendia of major project descriptions, etc. Statistics Canada, CMHC, the Bank of Canada or other government entities provide much of this information. This infrastructure or public good is heavily used by the IEROs. Sometimes, it is possible for the IERO to "fill in the cracks" with data collected or assembled directly. In turn, this information can be valuable to clients. The **Conference Board** produces a Consumer Sentiment Index. The **Canadian Council on Social Development (CCSD)** has produced a Personal Security Index, including both Statistics Canada indicators and a direct survey of people's attitudes about security.

APEC has created a database of foreign companies in Atlantic Canada with ACOA support. Although it appears that it will not be used for its original purpose, other opportunities are being investigated. Primary data collection is expensive and time consuming, with challenges to develop an appropriate sampling frame. Research data for organizations in Atlantic Canada is otherwise difficult to find, with national surveys providing too little detail for the region.

6.2 Models

Economic models are a more rarefied form of organized data, with equations linking the data and providing the ability to do impact studies and alternative scenarios for the future. There are only a handful of models of the Canadian economy outside of government. There are quarterly models at Global Insight (a US firm), the Conference Board in Canada, and the University of Toronto. There is a large annual model at Informetrica Limited, including a detailed regional dimension. Statistics Canada offers consulting services with a national and an interprovincial input-output model. As well, there is a microsimulation model available from Statistics Canada, Social Policy Simulation Database and Model (SPSD/M), which allows for the distributional analysis of most tax and transfer policies.

An IERO can access these models or develop their own. Significant costs are involved with uncertain demand. Perhaps the most useful starting point is to use the existing tools in collaboration with the suppliers, develop scenarios or impacts of interest to your clients, and then subsequently decide if you want to develop your own tools.

6.3 Repeated Surveys

The development of a survey that it is repeated annually or more often can be a valuable generator of information for clients as well as generating additional data for research purposes over time. Good survey design at the beginning is important, as well as sticking with the same questions over time for comparability.

6.3.1 Major Project Files

Informetrica Limited has been maintaining a current list of major capital projects in Canada for over 25 years. We have shared this list with APEC and benefited from their independent work on identifying projects as well. The uses of the list are rather different. We use it to develop our economic scenarios, realizing that as we move further into the future less is "known" about the specific investments. APEC has focused on what is known to be on the table, with close monitoring of dips and peaks in this activity as a leading indicator of economic development in the various parts of the region.

7 Linkages with other Organizations

An IERO will have links with businesses, labour unions, NGOs, Chambers of Commerce, and universities. These will reflect client linkages, or for purposes of marketing conferences, placement of students, etc. Such links are of value to all parties.

Professional organizations of economists are important groups to foster. APEC has been a key supporter over many years of the Atlantic Association of Applied Economists (AAAE) and been an active member of the Canadian Association for Business Economics (CABE).

APEC has helped restart the AAAE with David Amirault (a former APEC economist). We have also been supportive of the Atlantic Canada Economics Association (the academic group). APEC provides a Board member for both the AAAE and ACEA.

Linkages may not be enough in the emerging world. An IERO should see itself as a node in a complex network, with nodes in many regions and countries. The good news is that establishing these networks is becoming easier with the Internet. The challenge is to not form a network with similar organizations, but rather with those that are interesting but different. The notion of complementary networks may capture the idea.

8 Training Professionals for other Organizations

Hiring new staff seems to be a continuing challenge for IEROs. People leave to join governments or larger organizations. Some people return to university for advanced degrees, after their thirst for knowledge has been stimulated.

In the case of APEC, recruiting economists (Senior or junior) has been a problem over the last few years. Problems relate to the small pool of applicants in Atlantic Canada, weak writing ability, poor grasp of fundamentals, limited research experience, or too specialized training for a small institute. The limited market for economists limits movement between institutions and career advancement in the region.

We have had many summer students and interns apply over the years, although lack of skills can limit the hiring.

8.1 Recruitment Pool

Governments find it convenient to recruit from the staff of independent economic research organizations. They receive a known product, with good training in data, software, and maybe even a modicum of communication skills. They pay a premium, but only to the new hire, not to the providing organization!

8.2 Formal Exchange Programs

Formal exchange programs can be used as a way to provide some employees with experience in government, while also helping government employees to gain some knowledge of your firm-specific capital. The Golden Rule is that the receiving organization must not try to retain an individual unless the sending organization agrees ahead of time as part of the transfer.

8.3 Alumni Approach?

The framework we use is to think of ourselves as a university, with employees being students. Most of the employees will become alumni after a few years. A few may stay around for "graduate work" and even fewer will become "faculty". Such a framework suggests that an IERO should recognize that most of its employees eventually become alumni. The challenge is to foster some residual loyalty towards their "training institution" in the future.

9 Developing a Reputation for Objectivity and Balance

Not all organizations will strive for objectivity or balance. Rather some will choose to represent the interests of their founders, their board, or take profit maximization as their objective. If one puts a premium on reputation then this requires considering multiple viewpoints, open staff discussions, and frequent interactions with the various stakeholders in society.

Two other steps are desirable and appear to be practiced by most IEROs. Authors of studies should be identified, providing both a positive reward to the authors and transparency to the public.

If the work flows from a contract, it would be proper to identify the organization contracting or supporting the work, with appropriate disclaimers.

It has been suggested that the organization should reserve the right to publish all contracted research [O'Neill, p. 47]. In the "thin market" in Atlantic Canada, this may be overkill. However, the issue should be discussed before the project is undertaken so all parties are clear on their undertakings.

Long-term success in building a reputation for objectivity and balance requires continuing attention to maintaining transparency in the organization, good governance, and taking responsibility for any mistakes along the way.

10 How Does an Organization make a Difference?

Can we find their "fingerprints" on governments and their policy-making processes? Alternatively, do we need to look at their contribution in a different way?

There is a rather more complex linkage between research, information, and decision-making than generally appreciated. Research does not lead to decisions. Nor do decisions require research, even though we may believe they would be better decisions if informed by research. Rather decision-makers make decisions only when necessary, using the information in their minds at the time.

The challenge for research organizations is to "fill the minds" of decision-makers directly with information, or indirectly, through those who have a "channel" to those minds. Then, when a decision is made, your information, along with everyone else's, will be the base of knowledge drawn on by the decision-maker.

Comments about how useful a report was, or that they have used our reference material, or people want more information from our database, etc. show that information is reaching people. On-going support of APEC through memberships, attendance at Conferences, and support for research are all demonstrations that value is being received. Don't be disappointed if you don't see immediate reaction to a paper through new legislation!

A few highlights from APEC's past:

- Atlantic Development Board
- DREE
- Investment tax credits for investment in Atlantic Canada
- ACOA
- Atlantic Energy Roundtable
- Atlantic Innovation Fund

11 Moving Forward

Business, governments, and society are in continuous flux. Should an IERO respond to these changes? Try to anticipate them? Alternatively, should it only respond when it fits with the organization?

In the 1980s and 1990s, governments adopted a *laissez faire* attitude towards the economy and the areas of their responsibility. This was convenient, allowing for reduced expenditures, garnering plaudits from conservative elements in society, and maintaining debt ratios in the face of high interest rates without raising taxes. However, we now see the results. Infrastructure is wearing out and inadequate to modern needs. Many groups in society did not fare well under the new regime.

In economic development terms, I cast this using the acronyms - MOPS and PAILS – for market-oriented policies and programs to assist industry and labour. Some thought the issue was to choose only one of these approaches. I argued that both approaches were needed. Infrastructure and other public goods needed to be put in place. At the same time, markets should be improved through increased competition (better information and reduced monopoly power) so that the benefits of economic development flow to all members of society through lower prices.

References

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