B | Center for Effective Public Management at BROOKINGS

April 2015

Ulysses goes to Washington: Political myopia and policy commitment devices

By Richard V. Reeves

Richard V. Reeves is a senior fellow in Economic Studies at the Brookings Institution, policy director of the Center on Children and Families, and editor-in-chief of Social Mobility Memos blog. His research focuses on social mobility, inequality, and family change. Prior to joining Brookings, he was director of strategy to the UK's Deputy Prime Minister.

TABLE OF CONTENTS

INTRODUCTION

Myopia can threaten the effectiveness of public policy. The time horizons for effective policymaking are often longer than those of electoral politics. Since politicians are human, immediate political pressures can trump longer-term considerations. Like Groucho Marx, elected officials may ask: "What has posterity ever done for me?"

One solution is to create ties that commit policymakers to a longer-term perspective. Ulysses ordered his sailors to tie him to the mast, so that he could hear the song of Sirens without steering his ship to the rocks.[1] Elected politicians have opted, in similar fashion, to hand the conduct of monetary policy to an independent central bank.

Central banks are one example of a policy commitment device, intended to insulate certain areas of policy from immediate political pressure. An institution like a bank represents the strongest kind of commitment device; a weaker one is the establishment of clear goal or target against which policy can be judged; and at the loosest end of the spectrum, commitment can be enhanced through formalized public advice.

The creation of a policy commitment device is a deeply political exercise. Politicians are required to willingly concede some of their power in the service of a long-term goal, without undermining the basic elements of representative democracy. There is also of course a danger of over-commitment: of binding policy too tightly to a particular goal or approach, at the cost of lost flexibility and accountability.

But there is certainly scope for assessing the value of some new policy commitment devices. Five candidates are discussed at the end of this paper: a national infrastructure bank; an office of opportunity; a federal minimum wage board; a federal nuclear waste corporation; and a carbon tax.

1 Note that Ulysses' sailors were ordered to plug their ears with wax, so that could not even hear the song. Ulysses wanted to experience the temptation of the Sirens, but made provisions against the danger of yielding to it. Thanks to Bill Galston for the reminder.

I. CONFRONTING MYOPIA

"*Through infirmity of character, men often reach for the nearer good, even though they know it to be the less valuable*". JS Mill, *Utilitarianism*, 1861

One of the great challenges of being human is balancing immediate temptations against distant rewards. We try, and often fail, to weigh the donut against the cardiac arrest, the fling against the long, happy marriage, the splurge on a car against a higher income in retirement.

Politicians suffer from myopia in their day jobs, too—chasing the headline tomorrow, or the vote next year. Representative democracy itself is therefore protected by various commitment devices: in particular constitutions, which effectively "future proof" a form of government and a system of legal and political rights. Super-majorities for constitutional amendments; an independent Supreme Court; an upper legislative house as a "cooling chamber" for the popular will; a presidential veto: all of these are mechanisms for maintenance of the existing system.

Like most of the founding fathers, James Madison saw the danger of short-termism:

> "Democratic communities may be unsteady, and be led to action by the impulse of the moment. Like individuals they may be sensible of their own weakness, and may desire the counsels and checks of friends to guard them against the turbulence and violence of unruly passion."[2]

There is of course a delicate balance to be struck between the maintenance of a particular representative system and the ability of representatives to respond to changing preferences and priorities; in other words, between the protection and operation of democracy. One careful reviewer of this argument concludes that generally speaking, constitutional rules enhance rather than weaken democracy. A constitution is a limit imposed "by Peter when sober on Peter when drunk."[3]

> *...[G]enerally speaking, constitutional rules enhance rather than weaken democracy.*
>
> *A constitution is a limit imposed "by Peter when sober on Peter when drunk.*

Policy can also be damaged by short-termism. As economist Alan Blinder puts it:

2 Quoted in Jon Elster, *Ulysses and the Sirens*, p. 168.

3 Holmes, S., 1988, 'Precommitment and the Paradox of Democracy', in: J. Elster & R. Slagstad (eds), *Constitutionalism and Democracy: Studies in Rationality and Social Change, Cambridge University Press, Cambridge*. (p. 196).

> "Myopia is a serious practical problem for democratic governments because politics tends to produce short time horizons—often extending only until the next election, if not just the next public opinion poll. Politicians asked to weigh short-run costs against long-run benefits may systematically shortchange the future."[4]

The risks of political myopia are perhaps clearest in the economic field. Those in political power will often be tempted to release the brakes on inflation—most obviously by slashing interest rates—in the run-up to an election. And regardless of political ideology, spending money on tax cuts or new programs is almost always more politically palatable than working to balance the budget, especially when the benefits of fiscal Puritanism will accrue to your successors. As Jon Elster puts it:

> "Congress will, like St Augustine, tell itself that balancing the budget is a good idea —in the future. But when the future arrives, it always does so in the form of a new present, to which the same reasoning then applies."[5]

To a large extent political myopia is part of the price of democracy, a price most of us would willingly pay despite the frustrations. The question is when it may be appropriate to deploy a policy commitment device to tilt the scales, at least a little, in favor of the future.

But short-termism can damage other areas of policy, too. Politicians may be tempted to raid funds needed to fund old-age pensions and social care; an opportunity to reduce defense spending may be missed because of short-term political discomfort; investments in early years education can lose out to programs delivering more immediate benefits; the control of carbon emissions can be trumped by more pressing pocket-book politics; strategic infrastructure investments may lose out to current spending; nuclear waste might accumulate in short-term storage facilities; and so on.

Aware of these dangers, politicians sometimes create policy commitment devices to bind themselves and their successors to a particular course of action or approach to policy. In a democracy, of course, such policy commitment devices cannot be permanently binding; elected representatives can always deviate from, or even, *in extremis,* discard certain commitments. Congress, for example, has the power to overrule the Fed's decisions, or even—a century after granting its independence—to take it back under political control.

To a large extent political myopia is part of the price of democracy, a price most of us would willingly pay despite the frustrations. The question is when it may be appropriate to deploy a policy commitment device to tilt the scales, at least a little, in favor of the future.

4 http://www.foreignaffairs.com/articles/53584/alan-s-blinder/is-government-too-political.

5 Elster, J.

II. POLICY COMMITMENT DEVICES

Commitment devices are common objects of study in the behavioral sciences, as mechanisms for helping people save more, eat less, stay healthy, curb drinking, or quit smoking.[6] In these fields, the primary focus is on individual myopia or related problems such as lack of willpower, poor organization, lack of information, status quo bias, or loss aversion. One of the best-known and simplest "nudges" is to automatically enroll employees in an occupational pension scheme. Simply changing the default option in this way significantly increases participation. The policy is being enacted at a national level in the U.K. and has been proposed for the U.S., most recently by President Obama in his Budget for 2016.[7]

Commitment devices for policy have the same broad aim—to counter myopia—but a different actor: the government. This makes for one very big difference from the outset: in the end, since the government has the power to make and un-make laws, it cannot enter into what some scholars call an "imperative" commitment, from which departure is not a legal option. For governments, the commitment will always take the form of a "reputational" commitment, one that can be broken, although often at considerable political cost.

The vast majority of policy problems do not require commitment devices. The kind justifying the use of a commitment device will have some or all of the following features: a long-range planning horizon (e.g., pensions); a requirement for a high degree of stability or consistency (e.g., environmental regulation); or at significant risk of being damaged by short-term political pressures (e.g., monetary policy).

In policy areas where some or all of these apply, a commitment device may be an appropriate response. In most countries, for example, power over monetary policy has been handed over—or perhaps we should say "loaned out on a long-term basis"—to an independent central bank. The bank is explicitly charged with balancing the needs of today with the demands of tomorrow. Blinder, a former vice chair of the Fed, has set out the argument for independence with admirable candor:

> "First, and least important, monetary policy is a somewhat technical field where trained specialists can probably outperform amateurs from the political realm. Second, the effects of monetary policy take a long time to filter through the economy, so good policy decisions require patience and a long time horizon—two attributes not normally associated with politicians. Third, the pain of fighting inflation (higher unemployment for a while) comes well in advance of the benefits (permanently lower inflation). So shortsighted politicians with their eyes on elections would be tempted to inflate too much."[8]

6 For a good overview, see Richard Thaler's forthcoming volume, *Misbehaving: The Making of Behavioral Economics* (2015).

7 President's Budget for the Fiscal Year 2016.

8 http://www.foreignaffairs.com/articles/53584/alan-s-blinder/is-government-too-political.

Note that Blinder's second and third reasons explicitly invoke the Fed's role as a policy commitment device. Of course, independent central banks can be taken back under direct government control. But given the likely consequences in terms of market confidence and borrowing costs, such an act would require extreme circumstances. To my knowledge, no central bank has ever been taken back under government control once granted independence.[9] Even current moves among some U.S. politicians to "audit the Fed" are controversial.

For the purposes of this paper, I distinguish between three types of commitment device, in decreasing order in terms of the degree of implied commitment: institutions, goals, and advice.

In fiscal policy, too, the temptations of the short-term can be great. Here, though, policy commitments have typically been less binding: and for good reason, since taxing and spending is the lifeblood of democratic politics. Fiscal commitments have sometimes taken the form of a constitutional amendment requiring a balanced budget—often over the economic cycle—or a public debt "ceiling" of, typically, 60% of GDP. But these provisions can usually be suspended or overturned by the same majority in the legislature required to establish them in the first place. During the recent crises, most nations suspended these fiscal rules, although some are now reintroducing them.

Any commitment device in any policy arena will have one defining feature: pain. What gives bite to a commitment is the certainty that a price will be paid for failing to live up to it. Byran, Karlan and Nelson (2010) offer a definition of a commitment device for individuals which applies to the policy variant too: "An arrangement entered into by an agent which restricts his or her future choice set by making certain choices more expensive."[10] Brunner, Flachsland and Marschinski (2011) offer a similar definition for "credible commitments":

> "A commitment is motivationally credible if the observable gain from deviation from it is below the observable gain from compliance. While motivational commitment devices do not rule out deviation per se, they introduce additional costs for potential defectors, making deviation less profitable and hence less likely."[11]

Policy commitment devices are not coercive, since the final power to coerce lies with the government creating the device. But they do impose costs for departure: otherwise they would offer no commitment benefits.

9 Although some have seen their independence compromised: Hungary is a current case in point.

10 "Commitment Devices" Gharad Bryan, Dean Karlan and Scott Nelson, April 25, 2010.

11 *Credible commitment in carbon policy* (2011) Steffen Brunner, Christian Flachsland, Robert Marschinski, Potsdam Institute for Climate Impact Research Telegraphenberg, Potsdam 14412, Germany.

For the purposes of this paper, I distinguish between three types of commitment device, in decreasing order in terms of the degree of implied commitment: institutions, goals, and advice. The table below gives some examples of each kind of commitment device in different areas of policy. It is an illustrative list only. In the following three sections, I define and describe each kind in more detail.

	INSTITUTION	GOAL	ADVICE
Monetary Policy	Independent Central Bank	Inflation target	Monetary Policy Committee
Infrastructure Investment	National Infrastructure Bank	Target for investment as %/ GDP	Critical Infrastructure Partnership Advisory Council
Fiscal Policy	Independent Fiscal Authority	"Golden rule" or fiscal pact Balanced budget amendment	CBO (US) OBR (UK)
Minimum Wages	Independent wage-setting body	Target for NMW e.g., % of median	Wage Advisory Board
Carbon/ Environment	Central carbon bank EPA	Target for carbon emissions	Sustainable Development Commission (UK)
Health Spending	NICE (UK) (IPAB)	Target/cap as % GDP	IPAB
Poverty		"Abolish Child Poverty by 2020"	Child Poverty Commission (UK)
Education	College savings plans	US top of college graduates league table by 2020	National Advisory Committee on Institutional Quality and Integrity
Welfare & Pensions	Social Security Administration	Welfare Cap (UK)	Social Security Commissioners
Foreign Policy & Defense	BRACs	Troops out of Afghanistan 2015	Defense Policy Board Advisory Committee

III. INSTITUTIONS

The strongest kind of commitment device is generally an independent institution with the legitimacy and resources to exercise decision-making power. The Federal Reserve's control over monetary policy is the exemplar here. The power of the Environmental Protection Agency to regulate emissions offers another, more controversial, example. Some nations allow a separate institution to set minimum wages, or control infrastructure spending, or to make decisions about the rationing of certain health expenditures. In all these cases, authority has been delegated to an institution or body that is separate from government. The degree of separation varies, however. The institutions can be quite close to the executive, or operate at a further remove. In their book Delegating Powers (1999), Epstein and O'Halloran argue that in the U.S., unified government is more likely to result in the creation of executive agencies, while divided government tends to result in the formation of more distant commissions or federal corporations.[12]

Another important distinction is between permanent and temporary institutional commitment devices. Central banks tend to be a permanent feature of the institutional landscape. But temporary institutions can also help with longer-term decision making, especially in areas where the short-term politics are difficult. An example is the Base Closure and Realignment Commission (BRAC), established under statute in 1988 to help reduce U.S. military spending. Decisions about reductions in military spending, including base closures, require a strategic, long-term view of military assets. But very often there are also strong political pressures, especially in those areas likely to be affected.

The BRAC was an attempt to tackle this problem. Like all commissions, it made recommendations. But unlike most other commissions, these recommendations had real teeth: by law, Congress had to either accept or reject the commission's recommendations in full within 45 days of submission, or else they went automatically into effect. In other words, the "default" policy position became the one advocated by the independent commission. A decision was forced. In an influential 2011 article, "Too Much of a Good Thing," Peter Orszag, former head of the OMB, described the power of the BRAC:

> "The commission's recommendations took effect unless Congress specifically disapproved. Thus, unlike most commissions, this one had a guarantee that its recommendations would not sit on a shelf collecting dust. On the other hand, even though this process favored action over inaction, it was not completely undemocratic: Congress still had oversight and could, if it wanted to, reject the commission's ideas."[13]

In practice, the odds of Congress entirely rejecting an independent, authoritative report were slim. So the BRAC was a well-designed commitment device, tightening the bindings just enough to get the job done. It worked so well that three more BRACs were established in 1990.

Another area of policy requiring decisions with long-run effects and short-term political difficulty is health care spending, especially in Medicare. The Affordable Care Act introduced an institutional commitment device to address this problem: the Independent Payment Advisory Board (IPAB), swiftly dubbed a 'death panel' by opponents. As Nancy-Ann DeParle, then White House Deputy Chief of Staff, put it in 2011, the purpose of IPAB was to:

> "Recommend policies to Congress to help Medicare provide better care at lower costs. This could include ideas on coordinating care, getting rid of waste in the system, incentivizing best practices, and prioritizing primary care…Congress then has the power to accept or reject these recommendations. If Congress rejects the

12 *Delegating Powers* (1999), Epstein and O'Halloran.

13 Peter Orzsag, "Too Much of a Good Thing," *New Republic*, September 14th, 2011.

recommendations, and Medicare spending exceeds specific targets, Congress must either enact policies that achieve equivalent savings or let the Secretary of Health and Human Services follow IPAB's recommendations".[14]

Admittedly the Board's advice is highly circumscribed. As the Obama administration made clear: "IPAB is specifically prohibited by law from recommending any policies that ration care, raise taxes, increase premiums or cost-sharing, restrict benefits or modify who is eligible for Medicare." The Board could not recommend new spending, even if it would result in much larger savings; and it could not alter any of the insurance provisions for Medicare beneficiaries.[15]

But within the narrow confines of its purview, IPAB could not simply be ignored. In this sense, it is similar to the BRACs. Unless Congress took a different decision to the one recommended, the "default" position became the one set by IPAB. In this sense, IPAB is a hybrid policy commitment device, half-way between a purely advisory body, and an independent agency.

As things stand, however, IPAB is a zombie institution, with as one commentator puts it, "no money, no members, and increasingly, at least in the near-term, no purpose." This is because IPAB only springs into action if Medicare spending is rising at a certain rate—per capita GDP + 1 percent—and right now the trajectory of spending is well below that level. The Obama administration is trying to bring forward the date when IPAB might spring into action, with a lower trigger point (0.5 percent rather than 1 percent). This provision is highly unlikely to pass, however. On current trends IPAB will not be activated for a decade, and perhaps never.

But it would be wise to give IPAB some members at least. "What if there's a big increase in spending that we don't expect? It might not happen for a while, but it's certainly not impossible," says Brookings' Louise Sheiner. "IPAB can be viewed as an insurance policy." The danger at this point, however, is that few capable candidates will want to serve on a body that has attracted such political vitriol, and has such constrained powers.

IV. GOALS

The second kind of policy commitment device is the setting of a clear long-term goal by a senior political figure: to abolish child poverty, end a war, halve cancer deaths, or double graduation rates. Since failing to achieve such a goal is likely to be politically costly, resources will typically be consistently deployed in trying to meet it.

Goals come with widely differing degrees of commitment. Campaign promises, for example, have little bite. Few people are aware, now, that in 2008 Barack Obama pledged to cut poverty in half in

14 https://www.whitehouse.gov/blog/2011/04/20/facts-about-independent-payment-advisory-board.

15 I am grateful to Henry Aaron for these points.

Goals come with widely differing degrees of commitment. Campaign promises, for example, have little bite. Few people are aware, now, that in 2008 Barack Obama pledged to cut poverty in half in ten years. "I absolutely will make that commitment," he said. "Understand that when I make that commitment, I do so with great humility because it is a very ambitious goal."

ten years. "I absolutely will make that commitment," he said. "Understand that when I make that commitment, I do so with great humility because it is a very ambitious goal."[16]

But since Obama was not even in government, that commitment was taken with more than a pinch of salt, and he has not repeated it in office. There are occasional exceptions to the rule that campaign commitments are weak: "Read my lips: no new taxes." Note some important differences between Obama's pledge and George Bush's pledge. Declaring the goal oneself— "no new taxes" —is different to confirming it passively; "I absolutely will make that commitment." It matters whether the TV cameras are rolling.

There is a big difference between a statement that is clearly made intentionally, with plenty of planning and forethought, and one made off-the-cuff. Glenn Kessler, who writes the Fact Checker column for *The Washington Post* writes:

> "When The Fact Checker was a diplomatic correspondent…one rule of thumb was that prepared statements should be given more weight than off-hand statements at news conferences. Prepared statements often were the result of careful staff discussions and thus generally provided a better sense of the actual policies of an administration. Of course, talking points at news conferences can also be the result of staff discussions, but they may not always be delivered correctly."[17]

If a political leader uses a vivid, memorable phrase, it is more likely to generate attention, stick in people's minds, and act, intended or not, as an accidental commitment device. "Read my lips," again. And one of the reasons President Obama said he was considering a strike against in Syria in 2013 was his own public statement in August 2012 that use of chemical weapons was a "red line" Assad could not cross. The "red line" language was unscripted, and, according to *The New York Times*, caught his own staff unawares. If he had been more anodyne, perhaps the comment would have been forgotten. As it was, his own words from the past acted to frame and constraint his actions in the present, perhaps more than he intended.

16 Barack Obama. Democratic Candidates Compassion Forum, Grantham Pa. April 13, 2008.

17 http://www.washingtonpost.com/blogs/fact-checker/post/president-obama-and-the-red-line-on-syrias-chemical-weapons/2013/09/06/8646f9ee-16db-11e3-961c-f22d3aaf19ab_blog.html.

By contrast, the goal set for monetary policy by Fed Chair Ben Bernanke on December 12th, 2012, bore the hallmarks of careful planning. Bernanke (now at Brookings) announced that interest rates would be held down so long as unemployment was above 6.5 percent (which is not to say they would necessarily rise if it fell below that level).[18] Bernanke spoke at the end of a two-day meeting of the Federal Open Market Committee. His words were scripted, included in the FOMC minutes, carefully briefed to the media, and delivered with precision.

Nothing changed in the powers or governance of the Fed on that day: but Bernanke's statement nonetheless acted as a form of commitment device, significantly increasing the chances of stability in monetary policy, and thereby giving more certainty to the financial markets. The costs of departing from the commitment—for Bernanke himself, for the Fed, for the markets, and for the economy—would be quite high. He knew that, his successor Janet Yellen knows that, and the markets know that they know it.

A goal can be positive, in the sense of "achieving X by Y." But it can also be negative, in the sense of avoiding certain outcomes, or putting a cap in place to prevent certain kinds of activity or spending. Limits on borrowing, spending or debt are the most obvious examples. It is also possible to set limits for specific areas of policy. The U.K. provides an example of each kind: first, the commitment to halve child poverty by 2010, and abolish it by 2020. This goal significantly influenced fiscal policy in the U.K. for the first decade of this century under the Labour governments of Tony Blair and Gordon Brown, and even into the new coalition government formed in 2010 (in which I served).

Second, the U.K. has introduced a cap on welfare spending, initially covering the five-year period starting in April 2015. The cap excludes pensions and 'automatic stabilizers', such as unemployment benefits, that track the economic cycle. The independent Office for Budget Responsibility will assess whether spending remains below the cap, which is set at £119 billion and allowed to rise only with inflation. In the event of a breach, the chancellor will be required to win parliamentary approval for any additional spending. The government made it clear that the move was a commitment device:

> "The purpose of the welfare cap is to protect against medium-term, structural deterioration in welfare. As such, there will be a margin above the cap to ensure policy action is not triggered by small fluctuations in the forecast. Subject to this, the cap will act as *a binding constraint on policy*."[19] (my emphasis).

18 And forecast inflation remained below 2.5 percent.

19 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf.

The current chancellor George Osborne confirmed the intent in his 2014 budget:

> "In future, any government that wants to spend more on benefits will have to be honest with the public about the costs, need the approval of Parliament, and will be held to account by this *permanent cap* on welfare."[20] (my emphasis)

Goals for policy, with varying degrees of commitment, can in fact be found in many areas of U.S. policy. Here is a small handful:

- End the war in Afghanistan by the end of 2014.[21]
- Reduce the number of deployed US nuclear weapons by a third.[22]
- Get the US to the top of the world table for graduation rates by 2020.[23]
- End chronic and veteran homelessness by 2015.[24]
- Increase the proportion of women who receive a cervical cancer screening to 93 percent.[25]

Goals for policy clearly come in many forms, and departments can have hundreds of them. How far they act as policy commitment devices, however, depends on seven key factors: prominence, specificity, simplicity, timeline, bipartisanship, tracking, and accountability.

Goals for policy clearly come in many forms, and departments can have hundreds of them. How far they act as policy commitment devices, however, depends on seven key factors: prominence, specificity, simplicity, timeline, bipartisanship, tracking, and accountability.

i. The **prominence** given to the goal by senior figures significantly influences the costs of failing to meet it. The 2014 Afghan handover timetable was a major Presidential commitment: if it had not happened, Obama would have had some explaining to do. By contrast, goal PHI 11.2 from the Department of Health and Human Services—to "increase the proportion

20 http://www.bbc.com/news/business-26647831.

21 State of the Union Address 2013: "By the end of next year, our war in Afghanistan will be over."

22 http://usnews.nbcnews.com/_news/2013/06/20/19043446-obamas-nuke-reduction-goal-is-just-the-start-of-a-slow-process?lite.

23 State of Union address, 2009.

24 http://usich.gov/opening_doors/.

25 http://www.healthypeople.gov/2020/topics-objectives/topic/cancer/objectives.

of Tribal and State public health agencies that provide or assure comprehensive laboratory services that incorporate integrated data management"—is unlikely to be known to anyone outside a small circle of experts, and unlikely to cause much political damage if missed.[26] This is not to say that officials within HHS are not committed to the goal, simply that the political salience of failure will be low.

ii. The **specificity** of the goal. A goal to "improve health outcomes for disadvantaged communities" carries little weight. To act as a commitment device, such a goal would need to clearly define "improvement," "health outcomes," "disadvantaged," and "communities." Likewise a generic goal to "tackle child poverty" lacks any binding power, while the U.K.'s commitment to halve, and then abolish, child poverty is enshrined in law and tied to a very specific metric: the proportion of children living in households with an income below 60 percent of median household income.

iii. The **simplicity** of the goal. While the precise specification of a goal will often need to be quite technical (as with the U.K.'s poverty target), goals that are simple to express and understand will typically carry a greater commitment. "Halve the deficit by 2015," "no new taxes," "abolish child poverty," "troops out of Afghanistan by 2014"—these are clear enough goals that missing them will be obvious and therefore painful. This is not to say that more complicated goals should not be used to guide policy; simply that in terms of the effectiveness of a goal as a commitment device, clarity counts.

iv. The **timeline** provided. Goals without a timeline are better defined as wishes. Setting a goal for achievement at some point in the future (such as the nuclear weapons goal) carries much less weight than ones with a specific target date (e.g. the college graduation goal). Also, the further into the future the goal is pushed, the less commitment it is likely to imply. A government that sets a goal of cutting the deficit in half by 2015 is clearly making a much stronger commitment than one that sets the same goal, but "by the end of the economic cycle." The UK's child poverty target set a clear "due by" date: 2010 to halve child poverty, 2020 to abolish it.

v. **Bipartisanship**: if the timeline for achieving a goal exceeds the likely political term of the incumbent, the commitment is less valuable. Few Republicans have endorsed President Obama's 2020 goal for college graduation. If a Republican, or even a Democrat of a different stripe, occupies the White House after 2016, the target could well be dropped. And of course everyone knows this. If bipartisan agreement can be reached—perhaps even codified in some way—the commitment is insulated against regime change, and therefore much more binding. When the U.K. parliament passed the Child Poverty Act, enshrining the 2020 child poverty targets in law, it did so with cross-party support. David Cameron's new administration

26 http://www.healthypeople.gov/2020/topics-objectives/topic/public-health-infrastructure/objectives?topicId=35.

was therefore bound by the targets in a way they would not have been if they had opposed the legislation. This is not to say that a later administration cannot move away from the commitment: simply that doing so will be a highly public move, and is likely to require significant political capital and explanation.

vi. **Tracking** progress towards the goal: after all, a goal is no good if nobody can tell if it has been achieved, or in the interim whether progress towards it is being made. Public data-points therefore contribute significantly to the credibility of the goal. Each year, for example, the UK's child poverty figures are compared to the target. Similarly, in the U.S. we can see where the U.S. ranks on the international college graduation league table, and see progress towards the 2020 goal of being at the top.

vii. **Accountability**: if progress against the goal is judged by credible, independent agencies, rather than by the goal-setter themselves, the commitment will be greater. You might tell me you've lost weight: I'm more likely to believe a doctor who has just repeated your annual health check. A goal for deficit reduction is more credible when an independent body, such as the Congressional Budget Office, is doing—or at least confirming—the measurements. We have to trust the measures in order to trust that the goal has truly been met. This will in turn increase the policy commitment benefits of the goal.

Note that an important feature of goals as commitment devices is their reliance on the political process: opposition parties highlighting missed goals, regular elections to hold politicians to account, media scrutiny, and public debate. By contrast to institutional devices, which work in part by depoliticizing policymaking, goal-based commitment devices actually increase the politicization of an issue. The risk of political damage helps enforce adherence to a goal that everyday politics would otherwise make it hard to achieve: a kind of policy *jujitsu*, with politics used against politics.

V. ADVICE

The commissioning of public advice—what Madison called "the counsels and checks of friends"—is a third form of commitment device for policymakers. Examples include monetary policy committees, federal committees, or official commissions. Policy-makers can ignore the advice from such bodies, of course, but typically at some political cost.

One example is independent advice on the level of the minimum wage. Setting a minimum wage level is a difficult decision, even when the principle of a wage floor is established. Ideally, the minimum should be set with a long-term view of economic conditions, and with a degree of consistency over time. The economic rather than electoral cycle should weigh most heavily.

In most economically advanced nations, some kind of commitment device has therefore been put in place in an attempt to set the minimum with an eye on long-term economic impacts. As a 2009 study by Tito Boeri shows, out of 66 countries:

- Twenty-four delegate the determination of the level of the minimum wage to a tripartite body (a commission, council or independent agency)

- Twenty-six countries set the minimum wage after taking advice following formal consultation between the Government and representatives of employers and workers; and

- Sixteen countries (including the U.S.) set the minimum wage through a simple legislative vote.[27]

In the U.K., public advice is given by the Low Pay Commission, which recommends the rate of the national minimum wage. The Commission has nine commissioners, three each from the trade unions, employer organizations, and academia. The U.K. government has followed the advice of the Commission almost every year, and in each year under the current Conservative-Liberal Democrat Coalition government. The latest recommended rise of 3 percent, announced in March 2015, will take the wage floor up to £6.70.

As with the setting of goals, public advice works as a commitment device in large part because of the political costs associated with departure.[28] In the U.S., advisory bodies can serve this purpose in areas where long-range policy is particularly important. Most operate under the provisions of the 1972 Federal Advisory Committee Act (FACA), which includes requirements to publish a clear charter; operate transparently; consult the public; and publish recommendations. There are now at least 1,000 committees operating under FACA rules.[29]

There is wide variation in the prominence, resources, and quality of these committees. But many have a great deal of influence over the conduct of policy. One comprehensive study of the 41 committees and panels advising the Food and Drug Administration (FDA) found:

> "Although the advice of advisory committees is not binding on the FDA, the recommendations of a committee are widely regarded as a predictor of agency action. As a result, FDA advisory committees have become highly visible to the

27 http://ftp.iza.org/dp4335.pdf.

28 Advice can help with commitment problems even in authoritarian regimes. The strong economic performance of many Asian autocracies at the end of the last century was due, in part, to the work of deliberative councils in key sectors, according to economists Jose Campos and Hilton Root: "A dictator, by his nature, does not generally entertain checks (and balances) against his authority. But this absence undermines credibility for the long term: how do firms know he won't change policies tomorrow? ... To solve this problem, East Asian dictators traded authority for information, in effect tying their own hands by establishing institutions that restricted their scope for arbitrary action" (quoted in Elster, p. 150).

29 http://www.gsa.gov/portal/content/104514 .

public, the Congress, the media, and the financial investment community."[30]

> *In politics, as in life, the value of advice depends heavily on the authority, credibility and expertise of the advisor.*

The key factors influencing the strength of policy commitment resulting from advice are *independence*, *authority*, and *status*.

1. **Independence**. The weight carried by the words of an advisor depends on the degree to which they are independent of decision-makers. Few expect the advice of the U.S. Attorney General to be wholly independent, given that they serve at the pleasure of the president. Budget forecasts from the fiercely independent Congressional Budget Office (CBO) carry more weight than those from the Treasury Department. Credibility and commitment go hand in hand; and independence enhances credibility. The addition of outside agents to government bodies goes some way in the same direction. The forecasts of the Social Security Board of Trustees, for example, are more authoritative because while four of the six are political appointees, two are Public Trustees. These two positions were created in the 1983 Social Security Amendments Act, following a recommendation of the Greenspan Commission that it would increase "confidence in the integrity of the trust funds."[31]

2. **Authority**. In politics, as in life, the value of advice depends heavily on the authority, credibility and expertise of the advisor. Most FACA advisory committees are made up of recognized experts in the relevant field. The economic advice provided by the CBO is heeded in large part because of the strong economic skills and knowledge of the director and team. Policy advice on tackling obesity from Dr. Shiriki K. Kumanyika, Chair of the Institute of Medicine's Committee on Childhood Obesity Prevention, has greater impact than advice from, say, Sam Kass, the former White House chef who now directs the Lets Move! campaign (or least, one hopes so).

3. **Status**. Any number of institutions, including professional bodies, trade groups, unions, companies, NGOs, and think tanks, can offer public advice. And they do: commissions, committees, taskforces, coalitions, campaigns, working groups, centers, networks and alliances litter the public policy landscape. Very often, their explicit aim is to promote longer-term policymaking. But advice given by a group explicitly charged with the task is clearly more binding that from one set up with no official status. It is harder to ignore advice when you have asked for it. FACA committees; the Social Security Trustee Board; the CBO—all offer public advice to policymakers because policymakers have tasked them to do so.

30 http://www.ncbi.nlm.nih.gov/books/NBK236080/.

31 The Public Trustees are Presidential appointees, but cannot be from the same political party, and must be confirmed by the Senate.

Of course advisors and advisory committees are not angels, immune to the pressure of vested interests, only ever looking out for the long-term good. The more influential they are, the more scrutiny and pressure advisors will face, and the more important it becomes that they are independent, objective and balanced.

The Relative Value Scale Update Committee (RUC) provides a cautionary tale. A group of 29 physicians convened by the American Medical Association, the RUC is the main advisor to the Centers for Medicare and Medicaid Services (CMS) on the financial value attached to doctor visits and procedures. By some estimates, nine out of ten of its recommendations are accepted by CMS. The RUC is not governed by FACA, although there is a strong case that it should be, especially given growing concerns about the secrecy of its operation and under-representation of primary care physicians.[32]

Powerful advisory bodies will inevitably attract attention and lobbying. Hopefully their composition, openness and institutional independence offers protection against some of the dangers of immediate political pressure: indeed that is part of the point.

VI. THE POLITICS OF COMMITMENT

Policy commitment devices are a political response to a political problem. Their function is to put some policymaking on a longer-term footing than the rhythms of politics may allow. Of course, to the extent that politicians reflect the preferences of their voters, the problem could be solved if the electorate reliably voted on the basis of long-term welfare. But it does not look as if voter myopia is likely to be cured any time soon; which leaves the problem in the hands of policymakers.

Policy commitment devices are a political response to a political problem. Their function is to put some policymaking on a longer-term footing than the rhythms of politics may allow.

A big question, however, is which areas of policy are legitimate candidates for the introduction of commitment devices, and at what level of commitment? At the beginning of this paper I suggested a policy rationale: in circumstances requiring a long planning horizon, a high degree of stability or consistency, where there is a significant risk of damage from short-term political pressures, or some combination of the three.

But there is also an important political criterion. By definition, commitment devices weaken the day-to-day authority of elected politicians, who are the people representing us in the legislature and executive. To put it bluntly, power shifts from elected representatives to "unelected bureaucrats."

32 http://www.washingtonpost.com/opinions/do-doctors-have-too-much-sway-over-medicare-payouts/2013/07/24/459b38be-f305-11e2-8505-bf6f231e77b4_story.html.

As a general principle, areas of policy that remain substantively politically contested ought to remain in the hands of elected representatives. Only once a high degree of political consensus has been reached on the overall long-term objectives policy commitment devices be considered.

As a general principle, areas of policy that remain substantively politically contested ought to remain in the hands of elected representatives. Only once a high degree of political consensus has been reached on the overall long-term objectives policy commitment devices be considered. Since Alice Rivlin suggested this formulation to me, it might be described as the “Rivlin rule” for determining the political legitimacy of policy commitment devices.

Monetary and fiscal policy provides contrasting examples. The 1913 bill creating the Federal Reserve System gives a clear mandate: maximum employment, stable prices, and moderate long-term interest rates. These goals are broadly agreed, and there is also general consensus that monetary policy serving these goals will be more effectively conducted outside of government.

Fiscal policy, however, remains a highly contested political space. There is limited cross-party consensus about the relative costs and benefits of particular levels of government spending, debt, or deficits. Decisions on who and what to spend on and who and what to tax are, needless to say, deeply political.

The failure of the 2011 Joint Select Committee, or “super-committee,” offers some relevant lessons. Established under the Budget Control Act, the bipartisan Committee was charged with finding at least $1.2 trillion in deficit reduction over ten years. Any tax or spending changes agreed by the Committee would pass by simple majority without amendment or filibuster. Absent any agreement, automatic cuts (sequesters) would begin in 2013.

The Committee failed to reach agreement—and the rest is history. But why did it fail? After all, in many respects it appeared to have the features of policy commitment device, rather like the BRACs of the 1980s and 1990s. But the Committee failed for two related reasons. First, it was not in fact constructed in such a way as to create commitment. Second, the changes under discussion were highly political: closer to theological than technical issues.

It is true that the Committee’s recommendations could have passed with a straight up-and-down vote. But unlike the BRACs or IPAB (on paper), the Committee’s recommendations would not have become the “default” option. The political burden would still have been on the proponents rather than opponents of the changes.

More importantly, there was no political price tag for failure. A necessary component of a credible commitment device is exit pain. But here both sides simply walked away, blaming the other. Senate Majority Leader Harry Reid, (D-Nev.), said the Democrats on the Committee had been "prepared to strike a grand bargain that would make painful cuts while asking millionaires to pay their fair share" but that Republicans "never came close to meeting us halfway." Sen. Mitch McConnell of Kentucky, his Republican counterpart, said an agreement "proved impossible, not because Republicans were unwilling to compromise, but because Democrats would not accept any proposal that did not expand the size and scope of government or punish job creators."

Congress' goal when it created this panel was not to resolve a fiscal mess, it was merely to buy time so it could avoid painfully tough choices. And it wasn't looking to stall only until this Thanksgiving. It wanted to delay though the 2012 elections. And in that, at least, Congress succeeded gloriously.

If anything, the political fortunes of Committee members may have been improved by failing to agree and then slinging "millionaire" and "punishing job creator" sound-bites at each other. Political scientists label this tendency "strategic disagreement"—where disagreement is driven not just by differences in policy preferences but also a desire to differentiate from the other party (Barber and McCarty, 2013).[33]

In theory, the looming sequester should have meant some pain for failure. But in practice it didn't loom very large. Since the sequester did not bite until 2013—on the other side of the 2012 elections—the Committee members seemed untroubled by it. If the sequester had been set to kick in a year earlier, perhaps that would have focused minds a little more. As the Urban Institute's Howard Gleckman put it:

> "Congress' goal when it created this panel was not to resolve a fiscal mess, it was merely to buy time so it could avoid painfully tough choices. And it wasn't looking to stall only until this Thanksgiving. It wanted to delay though the 2012 elections. And in that, at least, Congress succeeded gloriously."[34]

The failure of the Committee illustrates an important point: in the U.S. at least, fiscal policy remains too politically contested for its conduct to be removed to any degree from the political arena. Various proposals for greater fiscal policy commitment devices, whatever their technical merits, will remain on the drawing board.

33 Barber, Michael, and Nolan McCarty. 2013. "Causes and Consequences of Polarization," *Negotiating Agreement in Politics*, edited by Cathie Jo Martin and Jane Mansbridge. December 2013, American Political Science Association. https://www.apsanet.org/media/PDFs/Publications/Chapter2Mansbridge.pdf.

34 http://taxvox.taxpolicycenter.org/2011/11/21/five-reasons-why-the-deficit-super-committee-failed/#sthash.Bj2RSnXK.dpuf.

Alan Blinder, for instance, has proposed giving considerable power over fiscal policy to a Fed-like "independent federal tax authority." But in his description of the guidance that would need to be given to such an authority, Blinder reveals both how unlikely such a move would be:

> "The legislation establishing the authority should set its basic goals. Should the United States tax income, consumption, or something else? Should the authority strive for tax neutrality or should it seek to encourage particular activities such as saving, homeownership, or charitable contributions? What distributional goals should it seek?"

Blinder points out that these kinds of judgment are being made in government all the time, but in a "hodgepodge" fashion. He is right, of course. But hodgepodge is part of the price we pay for democracy. There is little chance of a settled consensus on the "distributional goals" of fiscal policy. Logue and Hines (2014) have proposed a less comprehensive delegation of fiscal policy, with the Fed or Treasury given limited powers to adjust tax rates.[35] But it is still a far-fetched idea.

Economists Glenn Hubbard and Tim Kane have argued for a goal-based commitment device for the public finances: specifically, a 28th amendment to the U.S. Constitution prescribing a balanced budget over a seven-year time horizon.[36] Similar balanced budget requirements are already in place for many individual U.S. states, though not covering capital spending. Another approach is some form of "rule" for fiscal policy along the lines of the "golden rule" adopted by many European nations (i.e. borrowing to balance non-investment spending over the economic cycle).

But all of these devices presume too much consensus among policymakers, or even among experts. It not at all clear what levels of deficit and/or debt are damaging simply in narrow economic terms, let alone with regard to broader social welfare. Designing any kind of permanent rule for balance represents another attempt to make a political question an apolitical one, and runs the risk of over-committing policymakers.

Indeed, alongside policy myopia there is a related danger of what the economist David Kamin labels "policy drift."[37] This is the result of policymakers "not adapting policy to incorporate new information as it is received, instead sticking with the old policy (at least up to a point), even though it is no longer appropriate." Kamin points to the failure of Congress to provide more economic stimulus in 2009 and 2010, or to address the solvency of Medicare, as examples of such drift.

These are cases where the pursuit of a long-term policy goal may require greater short-term flexibility in policymaking than Congress typically allows, for some of the reasons outlined in the

35 Logue, Kyle D., and James R. Hines, Jr. 2014. "Delegating Tax," University of Michigan Law and Economics Research Paper No. 14-005. October 2014.

36 http://www.nytimes.com/2013/08/12/opinion/republicans-and-democrats-both-miscalculated.html.

37 David Kamin, *In good times and bad:Designing legislation that responds to fiscal uncertainty*, Hutchins Center Working Paper #7, Brookings, 2014.

present paper. Myopia can result in a failure to act as well as from a tendency to engage in unhelpful actions.[38]

An important additional political requirement of commitment devices is the power to reverse course. As Blinder correctly points out, "delegated authority must be retrievable." Bindings should only be as tight as policy demands. A commitment device can become a trap, reducing the flexibility of action. Reversibility has to come at a price—or there is no commitment—but cannot be beyond reasonable reach.

An important additional political requirement of commitment devices is the power to reverse course. As Blinder correctly points out, "delegated authority must be retrievable." Bindings should only be as tight as policy demands. A commitment device can become a trap, reducing the flexibility of action. Reversibility has to come at a price—or there is no commitment—but cannot be beyond reasonable reach.

Like all powerful tools, commitment devices must be used with great care. The purpose of the commitment has to be considered carefully, and spelled out clearly. The degree of commitment has to be calibrated to the risks of myopia. A judgment has to be made about the relative costs and benefits of policy commitment versus policy flexibility. And all of these difficult trade offs have to be made by the very people facing the political pressures distorting policymaking: a political version of "physician, heal thyself."

VII. FIVE POLICY COMMITMENT DEVICES

Is there any space for new policy commitment devices in the U.S.? Five proposals are worthy of serious consideration. Note that these are framed at the federal level, but could be appropriate—indeed in some cases more so—at a state or city level.

A NATIONAL INFRASTRUCTURE BANK

The US ranks 12th in the world for infrastructure, according to the World Economic Forum's Global Competitiveness Report, down from seventh place ranking in 2008, and below China.[39] The

38 In the Spring of 2015, the debt ceiling is back in the news. This is not a commitment device, since it does not constrain spending—just the borrowing required to fund it. It is if anything an anti-commitment device: in effect it allows congress to put spending on a credit card, and then to refuse to pay the bill. The ceiling is however, as Philip Wallach points out, "a terrible distraction from the important business of thinking about our nation's fiscal future." See:http://www.brookings.edu/blogs/fixgov/posts/2015/03/13-debt-ceiling-again-wallach.

39 http://www.weforum.org/reports/global-competitiveness-report-2014-2015

American Society of Civil Engineers give the nation's infrastructure a D+ grade,[40] while the McKinsey Global Institute estimates that we need to spend an additional $150 billion a year through 2020 to meet the nation's infrastructure needs.[41]

The U.S. is not investing enough in its infrastructure; but it is also failing to make much-needed strategic investments to support economic development and growth. This is where a federal perspective is critical. But right now, net federal investment (accounting for depreciation) is running at a historically low percentage of GDP: zero.

By definition, infrastructure projects with national economic significance require long-term planning. But short-term, local political pressures can distort policymaking (rather like the issue of military base closures). One symptom is the state of the Highway Trust Fund. This supplies investment capital for roads and mass transit but is on the brink of insolvency. Revenues for the fund from the gas tax have steadily diminished, mostly because the tax rate has not kept pace with inflation. At the end of 2014, the Department of Transportation reported: "The Highway Account is expected to become insolvent by the end of August [2015]," and is drawing up a cash management plan. Political resistance to a higher gas tax, or even to inflation-linking the existing tax, means this problem is only likely to grow.

When the fiscal situation is tight, the politics of funding infrastructure are fraught, and William Galston and Korin Davis describe the political stance on the issue as one of "general stalemate." The stimulus package gave a short-term boost to some areas of infrastructure investment, but this is now fading away. As Galston and Davis point out, the U.S. "has no long-term plan, strategic set of priorities, or dedicated long-term funding stream." The federal government allocates funds for infrastructure over a two-year period, at most. In short, this is an area of policy desperately needing strategy but mired in political tactics.

One promising solution to the problem is a National Infrastructure Bank (NIB). This is not a new proposal: Robert Puentes correctly describes it as the perennial "next greatest idea." Most of the arguments for a NIB are set out by Galston and Davis in their paper *Setting Priorities, Meeting Needs: The Case for a National Infrastructure Bank* (2012).[42] The governance, reach, and especially financing of an NIB are all complex questions, but not insoluble ones.

An NIB could act as a policy commitment device. Rather like a 401k plan for individuals, putting money into a NIB would be a way to protect the needs of the future from the vagaries of the present. It would also be a way of committing resources to long-term declared economic goals, such as boosting exports, accelerating advanced manufacturing, or supporting clean energy technology.

40 http://www.infrastructurereportcard.org/

41 http://www.brookings.edu/~/media/research/files/papers/2013/08/15-repatriation-tax/federalism-series-repatriation.pdf

42 http://www.brookings.edu/blogs/up-front/posts/2012/07/16-infrastructure-bank-puentes.

It may be that the political leap required to create such a bank is too great: that the very short-termism bedeviling infrastructure spending also kills any chance of creating an institution to overcome it. One option is to create the Bank with built-in opportunities for reversibility: say, with fixed reauthorization votes after three, seven, and 10 years of operation. This would significantly reduce the value of the Bank, since the risk of abolition would make it difficult to attract private funds. On the other hand, it may be the only way to get it off the ground at all.

An NIB could act as a policy commitment device. Rather like a 401k plan for individuals, putting money into a NIB would be a way to protect the needs of the future from the vagaries of the present. It would also be a way of committing resources to long-term declared economic goals, such as boosting exports, accelerating advanced manufacturing, or supporting clean energy technology.

AN OFFICE OF OPPORTUNITY

There is one issue on which the major players on both sides of the aisle are in agreement. Upward intergenerational mobility is too low—both a symptom and a cause of unfairness in American society.

By definition, policies to promote intergenerational social mobility operate over long time horizons. There is an additional political challenge: investments to enhance mobility are typically heavily loaded towards the young, or very young, who will not be voting anytime soon. While concerns about the immediate standard of living issues can get political traction, intergenerational mobility can be a tougher sell.

There does currently appear to be a genuine bipartisan concern about mobility, however. The question is where this concern leads. Right now, the opposing parties have radically different ideas on what the policy response to low social mobility ought to be. Rather than attempting to get agreement on a particular policy or program, a more realistic goal is to try to reach consensus on the creation of a commitment device, to maintain the focus on intergenerational issues over the longer-term.

In an earlier paper, *Planning the American Dream: The Case for an Office of Opportunity*, I argued for the creation of a new, small independent body tasked with tracking and reporting on progress in terms of intergenerational mobility.[43] In effect, I'm proposing a "mini-CBO" for intergenerational mobility.

43 http://www.brookings.edu/research/papers/2014/05/planning-american-dream-office-of-opportunity-reeves

This Office of Opportunity could undertake three main tasks. First, produce an annual official mobility report, with a selection of different yardsticks of progress in overall trends in intergenerational mobility. Ideally, the Office would select a single long-term measure as its primary focus: for example, the proportion of people born in the bottom quintile making it to one of the top two quintiles as an adult.

Second, select, produce, and promote “leading indicators” of likely future mobility trends. Since shifting the intergenerational mobility rate is a very long-term, very difficult task, the Office should produce annual reports on shorter-term trends that—based on the best available evidence—will likely lead to more upward mobility in the long run.

Third, assess policies for improving social mobility. Many policies aim to narrow the opportunity gap (i.e., promote upward relative mobility). Whether they work or not is another matter. The Office should objectively assess policies or potential policies in terms of their impact on intergenerational mobility.

The Office of Opportunity could be established in a number of ways, including as an executive agency, a congressional office, or an independent commission.

FEDERAL NUCLEAR WASTE CORPORATION

If any area of policy requires long-term thinking, it is surely nuclear waste disposal. Safely storing material that will remain lethal for thousands of years, in somebody’s backyard, is obviously a difficult task for politicians interested in getting re-elected. Right now, U.S. policy is a mess. This is an area where NIMBY meets NIMTO (Not In My Term of Office).[44]

Money from a consumer levy on energy generated by nuclear plants is not being drawn on for its intended purpose of safe storage: $31 billion sits, unused, in the Nuclear Waste Fund. Meanwhile about 70,000 tons of waste sits awaiting a long-term home, at some 100 sites nationwide. The levy, which raised around $750 million a year, was struck down by the D.C. Circuit Court in 2013 on the grounds that it was unfair to consumers, in the absence of credible plans to spend the money on a long-term storage facility.

Following the decision of the Obama administration in 2010 to cease work on the Yucca mountain storage site in Nevada—in contravention of a 1987 law, according to a judgment of the DC Court of Appeals—there has been essentially no progress. The administration faced accusations that the decision on Yucca was political, rather than scientific. Harry Reid of Nevada, an outspoken critic of the plan, became Senate majority leader in 2007; and Nevada’s six electoral votes are prized in Presidential elections. (Nevada has voted for the winner in every Presidential election since 1912, with the exception of 1976).

44 The term ‘NIMTO’ is the creation of Sherri Z. Heller, Director of Sacramento County Health and Human Services

In 2012, a Blue Ribbon Commission described the Yucca reversal as "but the latest indicator of a policy that has been troubled for decades and has now all but completely broken down".[45] The Commission bluntly blamed Washington politicians for failing to put aside short-term political considerations in the interests of a satisfactory long-term strategy:

> "Continued stalemate is also costly—to utility ratepayers, to communities that have become unwilling hosts of long-term nuclear waste storage facilities, and to U.S. taxpayers who face mounting liabilities, already running into billions of dollars, as a result of the failure by both the executive and legislative branches to meet federal waste management commitments."

The Commission made a number of recommendations, including a move towards 'consent-based' siting, and urgent work on a geological storage site (Yucca or similar). But the key proposal was to create of "a new, single-purpose organization…to provide the stability, focus, and credibility that are essential to get the waste program back on track." The Commission suggested, as the ideal model, a Fed Corp, (congressionally chartered federal corporation), with the revenues from the levy placed under the control of the Corporation in order to avoid the destabilizing annual appropriations process.

This is in fact an policy area where one commitment device is actually preventing the creation of another. The anti-majoritarian rules and customs of the Senate, intended to promote longer-term decisions, have here been the major obstacle in making a long-term decision in this vital area of policy.[46] Now that the Senate is in Republican hands, the issue is being revived. But even if congress passes a bill that would revive the planned Yucca facility, President Obama could veto it.

We have a clear problem: the management of nuclear waste is falling victim to predictably myopic political processes. We also have a clear solution: an institutional policy commitment device in the form of a Federal Corporation for Nuclear Waste. Rather than continuing to argue over particular decisions, legislators need to see that they are not best-placed to make them.

FEDERAL MINIMUM WAGE ADVISORY BOARD

Setting the level of a minimum wage is a delicate business, both economically and politically. While the old fears that minimum wages would hit job growth have been proved most just that—fears—there is also clearly a balance to be struck. The danger is that a governing party will make a short-term decision that is not in the best long-term interests of the economy or workers. Bowing to short-term pressure either from employer bodies or unions can cause volatility in an area where steadiness is optimal.

45 http://cybercemetery.unt.edu/archive/brc/20120620220235/http://brc.gov/sites/default/files/documents/brc_final-report_jan2012.pdf

46 I am grateful to John Hudak for this insight.

It might be argued that legislatures are the only place for competing voices on a minimum wage; that this is an entirely political rather than technocratic decision. This will depend in part on the degree of political consensus about the existence and role of a minimum wage—in other words whether the "Rivlin rule" referred to earlier applies. In nations where the minimum wage is a live political issue, decision-making power should clearly remain with the politicians.

For the U.S., where the principle of a minimum wage is fairly well established, one approach is the creation of a Federal Minimum Wage Advisory Board. This could be made up of nine members: three representatives of employer organizations, three from labor organizations, and three independent labor economists. The Board would recommend a rate for the national minimum wage each year, which would then be enacted by Congress in the usual manner. The Board would have a strong incentive to set a rate likely to be adopted by Congress, in order to establish and maintain its reputation. There is, after all, little point sitting in a Board that is ignored.

So while the Board's recommendation would not be binding, and would not even become the legal "default" level, it is likely that it would be sensible, and that as such, Congress would typically follow the Board's advice. This has certainly been the pattern in most countries with similar advisory bodies.

An alternative, favored by my Brookings colleague Gary Burtless, would be to simultaneously raise the minimum wage and introduce automatic indexing, lifting the minimum wage at the same rate as the median wage, (not consumer prices): in effect doing for the minimum wage what President Nixon did for Social Security. Congress would have the power to suspend a rise—perhaps if unemployment reached a certain threshold—but the default would be to link changes in the minimum wage to changes in the median wage.

A CARBON TAX

Climate change policy is an obvious example of a policy area requiring long-term decisions but vulnerable to short-term political pressures. Since the costs of heating the planet will be incurred at some uncertain point in the future, the temptation for policymakers to delay action is strong: especially when it involves short-term political pain. So the gas can gets kicked down the road.

Climate change policy is an obvious example of a policy area requiring long-term decisions but vulnerable to short-term political pressures. Since the costs of heating the planet will be incurred at some uncertain point in the future, the temptation for policymakers to delay action is strong: especially when it involves short-term political pain. So the gas can gets kicked down the road.

It is also an area where consistency and reliability in policy is substantively important, most obviously in terms of capital allocation. Without a credible commitment to reduce carbon emissions, investments in low-carbon energy production and transport are constrained.

International agreements are typically weak forms of commitment (especially in the U.S., which signed but did not ratify the Kyoto Protocol). But there are a range of possible commitment devices for climate change policy at a national level, including a “carbon central bank,” with power to set carbon emission levels; the passing of “carbon budgets” (legally-binding emission levels over fixed periods); carbon bonds; cap and trade systems; clear targets for reduction of carbon emissions; or the establishment of independent agencies to provide public advice to governments. Each implies a different degree of commitment; each also has their advantages and disadvantages. The tighter commitment devices are beyond the wildest dreams of the greenest U.S. campaigner; on the other hand, the weaker ones have little traction.

One potential commitment device is a policy most politicians instinctively shrink from: a tax. As a series of papers from Brookings by Adele Morris and others shows, a carbon tax would be simple, effective, and efficient.[47] Leaving aside the economic arguments in favor of a carbon tax, the key point here is that it could provide a powerful commitment device for the policy goal of reducing carbon emissions.

While politicians love to position themselves as anti-tax, history shows that once a tax is established, it is highly unlikely to be abolished. The only way to get rid of a tax, and thereby lose the associated revenue, is to cut spending or raise taxes elsewhere: each of which carries some political cost.

There are also two ways to further increase the commitment value of a carbon tax. First, all revenues could be used to cut income tax—shifting towards taxing “what we burn, not what we earn.” If abolishing the tax meant increasing income tax, it is more likely to remain in place. Second, as Morris and Mathur (2014) suggest, firms could be encouraged to pay their carbon tax bills in advance, perhaps through the use of tradable tax compliance credits. This would create a constituency with a vested interest in the maintenance of the tax:

> “Firms who hold these credits are likely to support the continued implementation of the program, even its strengthening, since that would increase the value of their tradable tax credit assets. A strong political consensus for the continuation of the program increases investors’ confidence the program will endure, and that strengthens incentives to invest in abatement and low carbon technologies.”[48]

47 See for example: *A Carbon Tax in Broader U.S. Fiscal Reform* (2014) and *The Many Benefits of a Carbon Tax (2013).*

48 *Energy Policy* 66 (2014) 326–334.

A big question here, though, is whether carbon reduction meets the "Rivlin rule." Perhaps there is not yet sufficient political consensus on this question to justify moves towards a policy commitment device in this area. In which case, the political battle has to be won first.

CONCLUSION

Policy commitment devices are only justifiable in areas where myopia results in real damage to the national interest. As Larry Diamond of the Hoover Institution warns: "There is something undemocratic about entrusting the formation of big policy decisions to expert commissions."[49] This means we must proceed cautiously; the goal is to improve democracy without instituting a technocracy.

In a sense, policy commitment devices represent an admission of failure. In an ideal world, our legislators and executives would work together to consistently address long-term problems with sustainable policy solutions, and voters would reward them for doing so. Like the rest of us, however, politicians discount tomorrow too heavily. But if they possess just enough wisdom to see the dangers of their own temptation, they may, like Ulysses, see some value in occasionally binding themselves to the mast.

Acknowledgments
Thanks to the following colleagues for providing idea, feedback and constructive criticism of this paper: John Hudak, Alice Rivlin, Isabel Sawhill, Bill Gale, Adele Morris, Robert Puentes, Ron Haskins, Gary Burtless, Bill Galston, Jonathan Rauch, Ben Bernanke, Henry Aaron, Stuart Butler, and Louise Sheiner. Thanks also to Beth Stone and Christina Jacobs for editorial support. All the usual disclaimers apply, of course.

49 Quoted in Orszag, 2011.

Governance Studies
The Brookings Institution
1775 Massachusetts Ave., NW
Washington, DC 20036
Tel: 202.797.6090
Fax: 202.797.6144
brookings.edu/governance

Editor
Christine Jacobs
Beth Stone

Production & Layout
Beth Stone
Nick McCLellan

EMAIL YOUR COMMENTS TO GSCOMMENTS@BROOKINGS.EDU