

# The Art of Policy Advising

The countries of the European Union and indeed most developed countries are facing a major transformation resulting from the need for decarbonisation, as well as from the effects of demographic change and digitalisation. In addition to this, most countries have been disrupted by crises such as the coronavirus pandemic, the Russian war of aggression against Ukraine and the resulting energy price crisis. These framework conditions have recently presented political decision-makers with extraordinary challenges.

Politicians rely on the advice of scientific experts, whose counsel is central to shaping their opinions and supporting their policy decisions. Since the aforementioned challenges affect all areas of social life, policy decisions must be underpinned by correspondingly diverse expertise from wide-ranging scientific fields. Politicians are left with the difficult task of reconciling the varying views and insights and extracting the most appropriate policy decisions from them. Scientific analysis for the purpose of policy advice must be, above all, based on scientific standards and ethical principles and not be driven by personal opinion. The numerous knowledge transfer channels through which scientific experts can influence policymakers and their political decisions include hearings in committees, expert reports, contributions to journals (like *Intereconomics*), interviews, conferences, personal discussions, television appearances or contributions on social media.

In this context, the importance of evidence-based policy advice has long been recognised. Furthermore, counterfactual analyses are of great importance, as they can illustrate what would happen if politicians do not implement a certain political reform. In addition to the appropriate methodological approach, data availability is essential to enabling academics to provide the best possible advice (Zimmermann, 2014). But the availability of data varies considerably across topics and countries. While some countries offer a rich selection of data for scientific purposes (e.g. the UK, Denmark or Austria), others, such as Germany, are reluctant to do so. Data availability also depends on the research area. Therefore, collecting and preparing the relevant data can sometimes be difficult and time-consuming. In some cases, there may be no data available at all.

The establishment of research data centres is a positive development that can significantly facilitate work with data. However, access to these research data centres is still limited in some countries. The European Union is very active in the area of data sharing and availability and has recently passed several laws to facilitate and expand data use. These include the Data Governance Act and the European Data Act. In particular, the Data Governance Act offers the opportunity to revise existing structures, thereby making the data accessible to science, business and society (Riphahn, 2023).

Evidence-based policy advice is not solely characterised by empirical methods and large amounts of data. Its purpose is to demonstrate how conclusions are backed by empirical evidence: political advisors deal openly with the data used, the assumptions made as well as any form of uncertainty related to this, and explain these points transparently (Schmidt, 2015). Although König et al. (2010) show that the clearer the recommendations of experts to policymakers are, the greater their influence is on the implementation of political reforms, advice has to find a balance between clarity and assessment of relevant uncertainty.

A policy measure can also be evaluated *ex post* in an evidence-based manner. For this purpose, the objectives of a policy initiative have to be defined, indicators for the achievement of

the objectives have to be set and the impacts of the measures have to be monitored. Finally, the policy measures can be evaluated and adjusted – or cancelled accordingly. Evidence-based policy is like a continuous learning exercise in which scientific analyses accompany and support the policy process. One example is the evaluation of the G20 financial market reforms after the global financial crisis. In 2017, the Financial Stability Board established a framework for *ex post* evaluation and subsequently conducted evaluation projects (Deutsche Bundesbank, 2018). In the UK and the Netherlands, evidence-based policy evaluation already plays an important role. In other countries, such as Germany, it still needs to be implemented to a greater extent in the political decision-making process (Buch et al., 2018).

Overall, the framework conditions on both sides of the counselling process make policy advice a complicated endeavour. Political decision-makers are forced to find compromises with representatives of opposing parties; therefore, in order to push a sensible measure through, policymakers may have to accept that less sensible regulations will also be introduced. Often, the effects of their decisions are difficult to assess. Furthermore, the political agenda increasingly includes solutions to problems that offer only short-term success. Politicians are always focussed on the continuous election cycle and securing their own position. Policy measures often need to be implemented as quickly as possible, making detailed consultation and subsequent evaluation difficult. Finally, lobby groups strongly influence political decisions by pushing for the legislation that they favour.

Economists, on the other hand, with any given economic policy problem, attempt to prove causalities with the data. The results depend on the data availability, the assumptions made and the methods used, and can vary greatly. Basically, it is very unlikely that clear statements will emerge. Therefore, it is not surprising that complaints are heard from both sides in the counselling process. Economists often complain that policymakers do not accept their advice or that their proposals are even rejected. Sometimes experts will withdraw from the advisory process in frustration. Politicians are also often unsatisfied with the advice they receive from economists. They may complain that economists' statements are too ambiguous or criticise unambiguous statements for not being sufficiently differentiated. In addition, economic models are criticised for being too distant from reality, so that no clear policy recommendations can be made based on their results. The legal framework and requirements also play an important role in determining to what extent and in what way policy measures can actually be implemented. Scientific advisors are obliged to familiarise themselves with these legal frameworks prior to making recommendations.

Policy advice from academics is very important and should always be a central component in the policymaking process. However, successful policy advice depends on appropriate framework conditions: data availability and access, independence and scientific excellence of the advisors as well as the willingness of policymakers and advisors to engage in dialogue.

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