Why Some Problems Seem Never to be Solved

by Richard W. Rahn

"Public choice theory" in economics, in part, explains the way self-interest of those in government and other institutions motivates them to avoid solving problems in order to keep their jobs and perks. Now, a new series of studies by researchers at Harvard and other universities shows "that as the prevalence of a problem is reduced, humans are naturally inclined to redefine the problem itself."

Last week in Science Daily, Daniel Gilbert, professor of psychology at Harvard University, described a series of studies that he and several other colleagues had conducted which concludes that "as a problem becomes smaller, people's conceptualizations of that problem become larger, which can lead them to miss the fact that they've solved it."

Public choice economists have long understood that there is a tendency to endlessly move the goal posts in order to avoid "solving" a problem. For instance, according to government statistics, very little progress has been made in the "fight" against poverty in that the number of poor as a percentage of the population has changed little in the last four decades despite the fact that the amount spent on anti-poverty programs has grown far faster than the rate of inflation or population growth.

The lack of "progress" is largely a result of endless redefinitions of what poverty is. The average U.S. "poor" family now has a large flat-screen color TV, air-conditioned living quarters and a dishwasher. Middle-class families did not have such luxuries 50 years ago.

There are hundreds of thousands employed in the anti-poverty industry. If the problem of "poverty" were solved, there would be no need for most of these people; hence, the enormous incentive to redefine the problem. Public choice economists recognize that most people have some concern for others, but their main motive — whether they are voters, politicians, lobbyists or bureaucrats — is self-interest.

The new studies of "prevalence-induced concept change" go well beyond the conclusions of economic incentive focused studies by public choice economists. Mr. Gilbert described experiments in which participants were asked to look for blue dots. "We had volunteers look at thousands of dots on a computer screen one at a time and decide if each was or was not blue. When we lowered the prevalence of blue dots, and what we found was that our participants began to classify as blue dots they had previously classified as purple."

Mr. Gilbert notes: "When problems become rare, we count more things as problems. Our studies suggest that when the world gets better, we become harsher critics of it, and this can cause us to mistakenly conclude that it hasn't actually gotten better at all. Progress, it seems, tends to mask itself."

Racial discrimination is a case in point. By any objective measure, there was far more discrimination a half-century ago, but the amount of media time given to the discussion of racism appears to have grown substantially. Great progress has been made in reducing illiteracy, violence, infant mortality, etc. — yet many believe the world is getting worse, which leads to pessimism. The misinformation spread by the media indirectly causes the people and the political class to misallocate taxpayer dollars to "problems" that have been or are being solved when those resources should be more productively spent on real or more pressing problems.

Public choice economists should examine the "prevalence-induced concept change" studies carefully as to how they may affect their conclusions. An initial review suggests that the public choice arguments pertaining to the misallocation of government spending are strengthened.

Increased recognition of the idea of "prevalence-induced concept change" reinforcing the problem of bureaucratic self-interest dealing is the first step in bringing about corrective action. Increasing the amount of competition between "problem solving" entities is likely to lead to better outcomes. Establishing more specific standards of what is success before a problem is tackled by government would be helpful.

For instance — how clean should the water be? This is a reasonable question to ask before embarking on a water clean-up program, along with a justification for the definition based on solid cost-benefit analysis. The Environmental Protection Agency has had roughly the same number of employees for the last several decades. Yet, there has been great progress in cleaning up the air and water, so why do they need the same number of employees as when the problem was far worse?

Why does the government spend roughly twice as much money per poor person on anti-poverty programs instead of just granting each poor person the amount of money the government says he or she needs to no longer be poor?

How can we use our increased understanding of "prevalence-induced concept change" and public choice theory to reduce the problems identified by the studies from these two disciplines?

Richard W. Rahn is chairman of Improbable Success Productions and on the board of the American Council for Capital Formation

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