

CHAPTER 4

Social Policy: Mechanism Experiments and Policy Evaluations^a

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Abstract

Policymakers and researchers are increasingly interested in using experimental methods to inform the design of social policy. The most common approach, at least in developed countries, is to carry out large-scale randomized trials of the policies of interest, or what we call here *policy evaluations*. In this chapter, we argue that in some circumstances the best way to generate information about the policy of interest may be to test an intervention that is different from the policy being considered, but which can shed light on one or more key mechanisms through which that policy may operate. What we call *mechanism experiments* can help address the key external validity challenge that confronts all policy-oriented work in two ways. First, mechanism experiments sometimes generate more policy-relevant information per dollar of research funding than can policy evaluations, which in turn makes it more feasible to test how interventions work in different contexts. Second, mechanism experiments can also help improve our ability to forecast effects by learning more about the way in which local context moderates policy effects, or expand the set of policies for which we can forecast effects. We discuss how mechanism experiments and policy evaluations can complement one another, and provide examples from a range of social policy areas including health insurance, education, labor market policy, savings and retirement, housing, criminal justice, redistribution, and tax policy. Examples focus on the US context.

Keywords

Field experiment; Program evaluation; Randomized controlled trial

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1. INTRODUCTION

Randomized experiments have a long tradition of being used in the United States to test social policy interventions in the field, dating back to the social experimentation that began in the 1960s.¹ The use of field experiments to test social policies has accelerated in recent years. For example the US Department of Education in 2002 founded the Institute for Education Sciences with a primary focus on running experiments, with an annual budget that was \$574 million in 2015 (US Department of Education, 2015). This trend has been spurred in part by numerous independent groups that promote policy experimentation.²

This trend toward ever-greater use of randomized field experiments has led to a vigorous debate within economics about the value of experimental methods for informing policy (e.g., Angrist and Pischke, 2009, 2010; Banerjee and Duflo, 2009;

¹ Gueron and Rolston (2013), along with the chapter in this volume by Gueron, provide an account of this early period in the development of randomized demonstration projects for social policy.

² Examples include the Campbell Collaboration, the Jameel Poverty Action Lab at MIT, the University of Chicago Urban Labs, the Lab for Economic Opportunity at Notre Dame University, and the Laura and John Arnold Foundation.

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