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Reflections and A Research Agenda

Sozialwissenschaftliche Erhebungen können verbessert werden, indem das Hauptaugenmerk auf Verhaltensänderungen gerichtet wird, die als Reaktion auf äußere Ereignisse oder Veränderungen auftreten. Es sollte auch deutlich werden, daß nicht jedes Individuum Handlungsalternativen sieht oder überhaupt Wahlmöglichkeiten hat. Im folgenden werden vierzehn erfolgversprechende Forschungsprojekte auf diesem Gebiet vorgestellt, von denen einige Veränderungsmessungen in die Untersuchung aufgenommen haben.

A year to think has meant asking how I wanted to spend the rest of my life, which in turn led to converting past mistakes or omissions into an agenda for future research. It is all survey research, but with some added features.

Since the advantages of surveys are in danger of being forgotten, they need to be restated. A small probability sample can locate and measure nearly anything of major importance to society, i.e. that affects a visible fraction of people. It takes as large a sample to say anything about Cincinnati as to say it about the whole country. And when the overhead costs of sampling, assembling staff of interviewers, coders, computer operators, etc. are spread over many surveys, and the cost of any survey spread over several topics, even such a labor-intensive industry as survey research can be cost-effective.

Interviews combine reports on situations and events with explanations, reasons, attitudes, and intentions, allowing correlational inferences to be confronted with respondents' explanations. And while there may be other sources of information about people in various files, only the individual knows the whole set of connections. Finally, given probability samples and reproducible methods of eliciting and coding information, the potential for studying change, interpreting it as response to changes in the environment in a kind of natural experiment, is great.

Past Failures

There were errors, mostly of omission. We never kept clearly enough in mind that we were studying behavior, which usually means choice among alternatives. So we failed to ask whether people had any choice, and if so what the rejected alternative was. One cannot really assume that when one takes a job or residence or a spouse that the previous job or residence or marital state was the alternative. Nor did we, as economists should, think care-

fully about whether the other side of the market - the supply of jobs or houses - might have dominated the situation and/or its changes. The panel study of income dynamics does ask about prospective changes in job or residence, and about reasons for past changes - a partial way of inferring alternatives. And while we rejected social experiments out of concern for both the treatment of subjects and the potential reality of the results, we failed to notice that a combination of research and field development was possible somewhere in the space between an experimental design and a demonstration.

A Selection of Proposals

A better way to describe the missed opportunities is to present a set of appealing research projects, most of which should have been done long ago. What follows is not just a shopping list, but a set of proposed activities I regard as sufficiently important and promising so that I would do them rather than retire, some of them even after my salary retires. They attempt to guess where the largest payoffs might be both in better understanding of human behavior, and in improved bases for policy. Three of them combine data collection research with some action designed to test the effect of some change (five if you think of inserting ideas and information into an interview as changing someone's environment).

There are other criteria for selection: a belief that the area is one where future change is likely, focus on the effects of changes that can be affected by public policy on behaviors and outcomes of some importance to individuals and society, a conviction that the relevant data can be collected by survey research methods with sufficient reliability, and at least an element of economic behavior involved. Natural experiments result from changes in the environment - economic, legal, social - to which people respond. In the best situation, the change is not the same for everyone, varying by area, or by some other rule not too highly correlated with other explanatory variables. Since we cannot predict just what will change, it helps to have benchmark measures on a variety of things.

Finally, the projects which involve some action or »treatment« reject the rigid design of experiments appropriate for agricultural experiments in favor of a meta-experimental design which uses criteria, measurement, controls, and clear specification, but specification of a system of doing something that has its own learning and adaptation and problem solving mechanisms. Imposing a rigid sophisticated design of inputs without feedback or change on human beings in a changing and confusing world is a formula for failure - for proving what won't work. What should come out of properly designed

field trials is a measure of outcomes (success) along with a clear specification of the procedures and problem solving methods that produced them. Most of the fourteen have been described in greater detail, and seven have been sent to potential sources of funding.

We start with one-time survey research, progress through replications of older studies to analyze change, and through studies which introduce information and insight to study their effect, to the most radical proposal for a quantum change in people's environment seeking a solution to a major societal problem: decreasing the dependence of the growing group of older people.

Fourteen Proposals

1. The Climate for Entrepreneurial Activity

We need a systematic exploration of environmental conditions that have been facilitating or hampering entrepreneurial activity in starting new ventures, producing new products or services, and of course hiring people. Only the entrepreneur knows all the problems he/she faced. And the reports of others may be more biased. Bankers are unlikely to admit ultraconservatism, nor competitors their attempts to stifle competition, nor unions any inflexibility, nor government officials their adherence to inappropriate but hampering regulations. Starting with a sample of ventures started several years back, we can study both successes and failures, the latter perhaps being more informative. The outcome of such a study should be some answers to the question: »What improvements in the environment would help more new ventures to succeed?«

2. The Economics of the Family

We have shown elsewhere that most of the support for currently non-productive members of society is still within the family. We also know that rather little current transfer of resources goes on between members of extended families not living together, and yet rather extensive actual and expected help in emergencies exists. But we need a study of the extended family that gets at their historic, present, and expected future relationships, particularly commitments, obligations, and flows of money, time, advice.

We would start with a sample of households, then seek out all parents, children, and siblings of the members of those households. The final data on extended families would of course require reweighting since the larger number of households with living close relatives, the greater the chance of being in the sample. One could then see whether poor families mostly have poor relatives or what the impact would be of allowing tax-deductible gifts to relatives.

3. Consumer Investments in Depreciating Assets

Much of the volatility in aggregate spending comes not from business investment nor from consumption, but from consumer investment in cars, houses, appliances, and recreational equipment. It also appears as a logical target for stabilization policies since much of the expenditure is for replacements or upgrading that can rather easily be postponed. The purchases are mostly salient and easily remembered, so some retrospective reports on the sequence and timing of major acquisitions, and the surrounding events, would also be revealing.

4. The Acquisition, Management and Disposition of Wealth

Given the vast recent accumulations of private wealth, and the dramatic changes in the laws concerning taxation of income, inheritances, estates, and philanthropic activities, some notion of the intentions, purposes and procedures of wealth-holders would seem essential. What do they plan to do with it, and how have those plans been affected by various changes in the legal or economic environment?

Some comparisons with the one previous study that asked about these issues, in 1965, would be possible and fruitful. People were notably insensitive to tax considerations then, but much has happened both to asset values and to tax laws in the interim. (Barlow, Robin, Harvey Brazer and James Morgan, *The Economic Behavior of the Affluent*, Brookings, 1966).

5. Philanthropy

Related to wealth and its management, since a substantial part of philanthropic contributions come from the most affluent people, is a study of who gives what to what purposes and why. Again there is an earlier study for comparison, but in its concentration on description it failed to devote enough attention to how altruism develops or withers. (Morgan, James, Richard Dye and Judith Hybels, *Two National Studies of Philanthropic Activity*, for the Commission on Private Philanthropy and Public Needs, U.S. Treasury, 1975). Re-doing that philanthropy study would allow us to find which groups in society have changed. Surely the lowering of marginal tax rates, the provision of many other ways of avoiding taxes, the lack of appreciated stocks to give away, and for some people various other legal and institutional changes, must have affected behavior. More important, some of these effects may be working their way slowly through the population, and one might be able to foresee additional effects.

6. Other Replications

There have been a number of studies other than those of philanthropy and wealth where a repetition would allow one to study change, and to infer what changes in the environment might have caused it. Studies of retirement plans and expectations, of new home buyers, of debt use and experience, of auto accident costs and compensation, of injured workers, and of productive use of time and acceptance of innovation all cry for remeasurement. In particular the study reported in *Productive Americans* (Morgan, Sirageldin and Baerwaldt, ISR, 1966) was designed for comparisons across time and space. And the findings on the distribution of well-being and on intergenerational transmission reported in *Income and Welfare in the United States* (Morgan, David, Cohen and Brazer, McGraw Hill, 1962) remain important and need reassessment. Inflation, gyrating asset values, legal changes, unemployment, and a variety of other large and unexpected changes imply that substantial differences in people's situations and behavior should have taken place. And while we don't have the same individuals, we have representative samples of subgroups whose changes we can study.

7. Saving

It is important to know how wealth accumulates, who saves and why. Problems with measurement have discouraged us, but there is a promising approach, never tried because it takes vision and a long time horizon. An interview would be followed 3-4 years later by another interview, asking about current wealth at both ends, and about annual contributions between the interviews to various saving programs. Ideally the same individuals would be reinterviewed several times at 3-4 year intervals, providing a time series that could untangle lags, temporary aberrations, and effects of the aggregate economy. Saving also means provision for retirement, and the growing concern about just when people retire suggests combining information about the accumulation of economic assets and pension rights with expectations about work life and retirement.

8. What People Want, Get, and Pay For in Housing

We did a study of chains of moves precipitated by new housing, but estimating the benefits from those moves requires knowing much more about what people paid for and got. (Clifton, Wade, John Lansing and James Morgan, *New Homes and Poor People*, I.S.R., Ann Arbor, 1964). We would propose starting with a sample of dwellings, then every three or four years revisiting both the dwellings and the people. By asking about plans, expectations, pur-

poses, reasons for past moves, and evaluations of houses and neighborhoods at intervals, we can triangulate in on what people want, get, and pay for. We can correct for the biases in comparisons between two houses, since we have evaluations of the first one at two or more time points. We can study changes in neighborhoods as seen by those who do not move. We can add information about the communities, both from public records, and from incestuous pooled reports of our own respondents in each area. And the actual prices at which places are sold and bought, combined with details of their characteristics and comparisons with the next best alternative in each case, might enable us to estimate the values placed on individual characteristics of house and neighborhood.

9. A Retrospective Study of Economic Socialization

The related sets of decisions by which people decide on finishing school, leaving home, selecting a first residence, a job, a spouse, and a spouse's job, would seem an ideal area where initial reliance might be on recollections, before starting an expensive panel. We would ask about the alternatives in each case, and about relations with other choices which might be affecting, affected, or jointly made. We would ask about, but not place major reliance on, explanations why or other interpretations. But the combination of information about perceived alternatives, about other concurrent events, and about sequences with explanations and interpretations of the respondent would improve our confidence.

We might also ask about the most recent changes in job, residence, spouse, or spouse's job, again to get at alternatives, at related choices, but also in this case to get at the level of economic insights applied of the sort discussed in the next project. In both parts, we would find whether and when people really saw alternatives - had choices to make.

10. Economic Insight and Understanding

We propose, in the guise of an interview, to engage a representative sample of respondents in a Socratic dialogue where we introduce economic insights in discussions of such common decisions as replacing a car, buying a house, taking out insurance. Economists believe people choose among alternatives by selecting the one with the largest »internal rate of return«, the rate of discounting all present and future costs and benefits so that the net present value of the alternative is zero. Estimating the present value even at some trial interest (discount) rate involves a set of translations, converting each cost or benefit to a (a) Present (discounted), (b) Real (price adjusted for inflation), (c) Expected (times its probability of occurring), (d) Money (using

imputation of some opportunity cost, e.g. the foregone interest on money invested), (e) After tax (times one minus the marginal tax rate if the benefit is taxable or the cost deductible), value.

It is clear that complex and not intuitively obvious insights are involved. We would assess people's willingness to think about tax considerations, to impute non-money costs and benefits, and to compare investments with the simple return if the funds are left in some financial asset. When taken step by step through such economic logic, they can reject it, introduce other considerations, fail to understand it, or fail to see how to carry it over to other decisions. We might find systematic departures from what theory deduces as rational-optimizing. We might also learn something about how to teach economics better.

11. Popular Responses to Real Economic Issues

Many policy issues of the day involve complex economic considerations, yet we tend to rely on popular opinion for support. Can the issues be phrased in such a way that informed opinions can be elicited about them? One way to investigate this issue is to devise an interview format in which information and insight is introduced partly in introducing questions and partly by the sequence of questions themselves. We are thinking of both old or current issues and new propositions:

Should we move from taxing income to taxing consumption, which means that the tax on money you save and on any interest on saving is deferred till you spend it? Should taxes depend not just on income (or consumption) but also on time left after work to enjoy the income? That is should there be some kind of tax credit for work, including child care? If money not previously taxed should be taxed at least when it is spent, should we then be taxing all social security benefits beyond the person's actual contributions? This would mean taxing about three fourths of them, since half of what you get is implied interest, and half of the original tax was paid by the employer anyway. Should we allow tax-deductible gifts to anyone, so long as that person also files a tax return, rather than just to organized charities?

These are illustrative, and focus too much on radical new proposals. Each would need to be supplemented by a sequence of questions which introduced information or insight or raised various arguments pro and con.

12. Re-diffusion of Interview Information to the Whole Community: Developing and Testing a Local Consumer Information System

A more extensive action-research combination involves feeding back to a community the pooled results of a continuous polling as to customer satisfaction with the quality/price of local services, vendor by vendor. We would provide a systematic substitute for the unsystematic information usually solicited from friends and neighbors. Two alternative outcomes are possible: such a vast improvement in the correlation between price and quality that no one would feel a need for, or be willing to pay for, ratings of individual vendors, or alternatively, sufficiently slow adjustments so that self-supporting consumer information services could be developed in community after community, benefiting those who bought the information, but also benefiting everyone through the improved relation between price and quality.

Continuous telephone interviews with probability samples would be efficient and protected against any stuffing of the ballot box. They would also allow adjustment of each individual's ratings for his/her response-set, in case highly critical curmudgeons flock to certain vendors. The same continuous poll that provided the unbiased information would also provide information about which consumers use information as well as about the resulting changing market shares and the changing correlation between price and quality, for research into market functioning. We believe that most of the improvements would come from vendor use of the information, rather than from changing customer loyalties. We have pretested enough to know that statistically significant differences among vendors appear with as few as a few hundred interviews, and that people appear interested in paying for such information.

13. Monitoring the Quality of Government and other Monopoly Services

A growing fraction of the services we receive comes from government or other non-competitive (monopoly) providers where the customer does not have the usual market recourse of withdrawing his patronage. But systematic publication of comparative ratings of client satisfaction might well lead to improvements.

There is evidence that most bad practice takes place at lower levels and often without the knowledge of top management. (Decision to Discriminate, Robert Kahn et al, ISR). Hence provision of information to the agencies themselves, at both levels, and eliciting responses from them about interpretations, explanations, and changes that have been made, would provide

research evidence both on the communication failures, and on the process of improvement. The final evidence, of course, is improvement in the client ratings. There is also reason to believe that moral suasion has its place, that people would not like it known that clients of similar agencies felt themselves better treated. Of course, the results would have to be carefully analyzed, corrected for differences in the nature of the clientele. A third path to improvement might well be changes in the budgets of agencies. Many government agencies dealing with less privileged clients are understaffed and underequipped, and can make a case that long waiting times are the result of inadequate funding.

We would want information from clients at three levels of specificity. First we would ask about satisfaction with their treatment on an affective scale ranging from highly satisfied to very dissatisfied. Then we would ask about the existence of each of a list of problems, such as: (a) difficulty or delay in getting a response by phone, or (b) difficulty or delay in getting a response at the office. Finally, we would ask very explicit questions dealing with the last contact with the agency, such as how long it took them to answer the last telephone inquiry. (Pretesting would develop such a list of questions.) We would also use some direct measures of service.

14. New Environments for Older People

At the other extreme from a simple survey is the field trial, combining survey research and other measurement with planned changes in people's environments. We start with two strong beliefs: First, particularly for older people, small or partial changes are unlikely to produce any effect, since real improvement is likely to require solving many problems at once.

Second, what is being investigated is the possibility of new institutions and arrangements - new ways of solving problems - not just some new package of inputs. Insisting on rigid unchangeable arrangements, however sophisticated the experimental design, is a formula for failure, showing only that unchangeable institutions are not viable. What we seek is the meta-experiment, with criteria, measurement, controls, but also with an output that shows how some problem-solving arrangements actually succeeded, and implies how they might carry over into other situations.

There are such powerful forces keeping older people in their isolated, inefficient, single-family homes that only an alternative that deals with their physical, economic and social environment, and improves all three, is likely to be viable. If we are to maintain a focus on encouraging and facilitating productive activity, mostly in the form of doing more things for self and others, only a total design that keeps such a purpose in mind seems likely to succeed.

Hence, we propose to start one or more such communities, with housing

arrangements designed to combine privacy with easy access to one another for helping exchanges, with economic arrangements to provide economic incentives and preserve equity and assure that activities are voluntary, and with social-organizational arrangements that produce mutual support networks. An essential element is self-governance, since a major productive activity, and a known stimulant to mental and physical health, is control over one's own activities and the need to make decisions. A team involving economists, social-psychologists, and architect-planners would combine oversight with research and measurement, and counselling on some of the complex issues of insurance-type arrangements in the community.

Not only would such a new community have to be dramatically different in many ways, it would also have to be large enough so that economies of scale, division of labor, and internal markets to set prices and rewards, would be possible. An even distribution of ages 55 and over would be maintained, and location would assure contacts with all ages. The community would operate without subsidy. Those with a prior home or other assets could purchase condominium-like shares that would reduce their rent and provide the same income-tax advantages as an owned home. And they could move gradually toward less investment, more rent, consuming that equity, if they liked. The mortgage interest rate should be variable; more precisely it should be some low real rate plus the annual inflation rate, so that capital gains would be shared in proportion to equity in the property.

Much of the final design, particularly of the community facilities, would be done by the members who would also provide the social support needed by new members to get over the transition and potential trauma in selling a family home, moving, and making new friends. Assessment of the success of the experiment would involve measuring the productive use of time among the members, and among comparable individuals remaining in their own homes, as well as cruder measures of satisfaction and descriptive measures of the kinds of behavior elicited.

Important Research for Others to Do

This list of research topics tends to exclude a lot of important research that requires other skills or a longer research horizon than mine. As a partial offset to this imbalance, we should mention some topics that need work: Continuation of the measurement of mass economic attitudes (optimism-pessimism) and their effect on consumer behavior, started by George Katona. Extension to measurement of business and government attitudes and related behaviors - again focusing on group changes in attitudes resulting from national events. Research on organizational effectiveness, motivation and

change. Conflict resolution in various settings. Attitudes toward work and leisure, security and change, freedom and order. Changes in family composition - marriage, divorce, fertility, undoubting - an area we might call family economic sociology. Job mobility in the short run and occupational mobility in the long. Residential mobility as one potential response to environmental changes. Allocation of time to activities, and the intrinsic value of those activities to individuals - time use with economic interpretation. Methodological research on improving the surveying process. Improvements in statistical analysis of micro-data, with attention to the issue whether better or different data would be a better solution. Simulation studies to spell out the systematic effects of the behavioral responses found in the research. The real relevance of behavioral parameters is what they imply for the functioning of society, and for the potential impact of policies as the system adapts to them.

Summary

What all these research and research-cum-action projects have in common is a focus on behavioral responses to policy-relevant changes in the environment, and use of survey research and quantification. They also point toward solutions which maximize individual and group initiatives and freedom of choice, and minimize reliance on government and regulation. There are great advantages if private incentives and markets can be made to work better, in both efficiency and freedom. The projects should result in improved basic knowledge about human behavior, but in areas where mass welfare and major questions of social policy are involved. They are thus both basic (generalizable, enduring) and applied (relevant, useful).