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The Journal of Economic Perspectives, Volume 9, Issue 2 (Spring, 1995), 85-110.

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The Journal of Economic Perspectives
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Assessing the Case for Social Experiments

James J. Heckman and Jeffrey A. Smith

Recent academic debates pit two alternative approaches to policy evaluation against one another. The first is the “experimental” approach, based on the random assignment of accepted program applicants to a recipient, or treatment, group and a non-recipient, or control, group. The second is the “nonexperimental,” or “econometric,” approach that uses a variety of microdata sources, statistical methods, and behavioral models to compare the outcomes of participants in social programs with those of nonparticipants. The central question addressed in this paper is whether or not randomized social experiments aid in securing answers to basic questions about the evaluation of social programs.

There are many distinct and complementary approaches to the study of the impact of public policy, including full general equilibrium analysis of policy impacts (Tinbergen, 1956; Auerbach and Kotlikoff, 1987; Shoven and Whalley, 1992; Kydland and Prescott, 1991) and less ambitious partial equilibrium microeconomic structural research programs, such as those designed to estimate the impact of taxes on labor supply. Both approaches offer answers to many interesting counterfactual policy questions, but their credibility rests critically on the quality of the empirical input used to generate their answers

■ *James J. Heckman is Henry Schultz Distinguished Service Professor of Economics and Director of the Center for Social Program Evaluation at the Harris School of Public Policy Studies, University of Chicago, Chicago, Illinois. Jeffrey A. Smith is Assistant Professor of Economics at the University of Western Ontario, London, Ontario, Canada, and an Affiliated Faculty Member of the Center for Social Program Evaluation, University of Chicago, Chicago, Illinois.*

and on the widespread acceptance of crucial identifying assumptions. These are often dubious and controversial. As a result, there remains considerable interest in the answers to much more modest, but still very hard, first questions: do social programs have any impacts on participants and, if so, what are they? These are surely the first questions to answer before more elaborate structural models are fit—or imposed—on the data. They are the questions considered in this paper.

In discussing social experiments, we initially confine our attention to the recent black-box version of the experimental method that aims solely at obtaining reliable estimates of the mean impacts of particular programs or treatments. The earlier view that inspired the negative income tax experiments saw experimentation as a tool for obtaining reliable estimates of the parameters of invariant structural models of behavior (for an example, see Orcutt and Orcutt, 1968). We believe the older approach is more likely to produce long-run knowledge. However, in the public policy community there is a widespread perception that structural models are unable to explain behavior. The new emphasis is on determining whether specific programs “work,” in the sense of having a positive mean impact, rather than on learning about structural parameters (such as labor supply elasticities) that might be used to evaluate a variety of programs, including some that have never been put in operation.

We illustrate our general arguments regarding social experimentation with empirical evidence from the recently completed experimental evaluation of the training programs provided under Title II-A of the Job Training Partnership Act (JTPA). The JTPA program provides classroom training in occupational skills, basic education, subsidized on-the-job training at private firms, and job search assistance to the disadvantaged. The experimental evaluation was funded by the U.S. Department of Labor and conducted by two leading firms in the field of experimental evaluation, the Manpower Demonstration Research Corporation (MDRC) and Abt Associates. Our discussions of the JTPA experiment draw on their reports (Doolittle and Traeger, 1990; Bloom et al., 1993), as well as on our own work cited below.

In the next section, we present the strongest case for experiments—that they provide a simple solution to the problem of selection bias that nonexperimental analyses must overcome by using econometric methods. We then criticize four other arguments commonly advanced in favor of experimentation. The remainder of the paper reviews the theoretical and empirical case against social experiments. We show that experimental data provide no answers to many of the questions of interest to program evaluators, and present empirical evidence on the failure of key assumptions required to justify experimental estimates. We conclude with a summary and a call for rethinking the current emphasis on black-box experimental analyses, whether in place of nonexperimental analyses or of experiments devoted to obtaining estimates of structural economic models.