



**Social, Behavioral, and Economic Science Research: The Need  
for Federal Investments and Priorities for Funding**

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of the Committee on Science, Space, and Technology**

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Mr. Chairman, members of the Committee, I am honored to be invited to testify before you today on the subject of National Science Foundation funding for social, behavioral, and economic science research. I have been a senior fellow at the Hudson Institute since 2005. From 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2002 I served at the Council of Economic Advisers as chief of staff. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush and as an economist on the staff of President Reagan's Council of Economic Advisers.

Social, behavioral, and economic science research includes anthropology, archaeology, economics, geography, linguistics, history, neuroscience, political science, psychology, sociology, criminology and law. I am most familiar with economic research, having published books and articles in the area and having served as chief economist of the Department of Labor.

There is much outstanding work produced every year in the social, behavioral, and economic sciences. It fills journals and working papers and is presented at conferences. The question at issue is not the quality of this research, but whether

the federal government should fund it. When research is funded by the government, should it be funded by the National Science Foundation, or by individual government agencies?

Economists have devoted much thought to the concept of public goods. Public goods are those for which the incentive to produce them is lacking because consumption is nonexcludable, and the producer cannot capture the returns.

The most common example of a public good is national defense. No individual would have an incentive to set up a national defense system, because everyone would benefit. Another frequently-used example is street lighting. With street lighting, everyone driving on the street would benefit, and the person who put in the street lights would not be able to collect revenue.

It is generally accepted that the government has to provide public goods, raising the revenues through taxation.

The question is, does research in the social and behavioral sciences meet the definition of a public good? Then, if so, is the National Science Foundation the preferred mechanism for distributing the funding?

Social, behavioral, and economic sciences research does not fit the conditions that define it as a "public good." Social and behavioral scientists abound in the universities and in private businesses; their research products, often interesting and valuable, can be sold to journals and corporations. Successful SBE research

is well-supported by think tanks, private corporations, law firms, and foundations that can use the results.

There are many private foundations that provide grants for social science research. The Kauffman Foundation, the Smith Richardson Foundation, the Ford Foundation, the MacArthur Foundation, the Gates Foundation, the Pew Foundation, the Bradley Foundation, and many others fund research in the social and behavioral sciences. Just to give two examples: the MacArthur Foundation gave out almost \$300 million in total grants in 2009, and the Kauffman Foundation spends \$8 million per year on research into innovation and growth.

Even if one believes that the United States has an interest in producing social, behavioral, and economic research, it is not clear that the National Science Foundation is always the appropriate entity. In fiscal year 2010, NSF spent \$255 million on social, behavioral and economic research. Billions more are spent by the Departments of Education, Defense, Justice, Labor, Homeland Security, Energy, Housing and Urban Development, and Health and Human Services, particularly the National Institutes of Health. NSF estimates that almost \$3 billion was spent on federal basic and applied SBE research in fiscal year 2009, and individual agencies provide other grants for research in specific fields.

I was asked to comment on whether basic research in the social and behavioral sciences advances the physical and life sciences. In my opinion, it does not do so.

Research in the physical and life sciences is separate from that in the social sciences and should be evaluated using different criteria.

There are many organizations doing research at government expense, and there does not appear to be coordination between them to avoid duplication of effort. One useful role for NSF might be to take a coordinating role in the funding of government research.

I was also asked to comment on whether research in the social, behavioral, and economic sciences serves the federal government. Such research does help the federal government make decisions about a wide range of issues ranging from capture of terrorists to the right level of energy taxes to preservation of archaeological artifacts.

Within the economics field, the federal government is constantly faced with questions about the allocation of scarce resources, the distributional effects of social programs, and the optimal system of taxation. Currently Congress and the administration are discussing corporate and individual tax reform, the housing market, energy policy, immigration reform, among others, and economics research can shed light on such policy questions.

However, it does not mean that the federal government or the National Science Foundation has to fund the research. The government could examine the existing body of research, and invite researchers for consultation. If this is not sufficient,

individual agencies could commission new research. If the government is interested in how to organize housing assistance, the Department of Housing and Urban Development could structure a grant.

The general population is undoubtedly better off with an efficient system of government with low taxes and efficient provision of entitlements. It is not clear how NSF funding of social, behavioral, and economic sciences contributes to that goal.

Having a grant-making agency such as the NSF in charge of government research funding leads to a greater possibility of politicization and concentration in certain areas. This is true even under the merit review system, where researchers have to show the scientific and broader effects of their work. For example, global warming might receive priority funding one year, electric cars another. There is temptation for politics to enter into the allocation of funds, and for research projects to be allocated with non-scientific criteria – including gender, ethnic, and geographic – in mind, rather than the merit of the research.

Of course, politics enters in other government agencies as well, but the bias of politics is less likely to be all in the same direction. Private foundations and corporations are not immune from politics either, but in the private sector these political biases are more likely to cancel each other out, and they would not directly affect the taxpayers' dollars.

It is in American taxpayers' interest for federal government spending to be as low and as efficient as possible, including research on social, economic, and behavioral sciences. If an individual government agency needs an answer on a particular social or economic question, that agency can issue a request for a research proposal and can hire appropriate researchers. In the field of economics, agencies have a chief economist with a staff which can recommend researchers. In other fields, such as archaeology, linguistics, and neuroscience, where a federal agency might have no capability, it could consult with the NSF for recommendations as to experts.

For the NSF to argue persuasively that it should continue funding research on social, economic, and behavioral sciences, NSF should demonstrate that the research is important, and that it will not be funded by other sources. Perhaps those arguments are articulated somewhere, but they are hard to find. They are not on the NSF Web site. They are not in annual reports prepared by NSF.

Unless the agency can clearly make these arguments, and I am skeptical that it can, there is little if any need for the National Science Foundation to fund much if any social, economic, and behavioral research.

During this time of shrinking federal dollars, when our debt is over \$14 trillion and our deficit this year is projected at \$1.6 trillion, the NSF should focus on basic physical and life sciences research rather than research in the social, economic and behavioral science.

One exception might be longitudinal studies such as the University of Michigan Panel Study on Income Dynamics, a survey funded by the NSF, which has followed 5,000 families since 1968. Perhaps these should receive government funding, because there is a public interest in having a continuous series of data. But this could be funded by the Labor Department, as is the National Longitudinal Survey, which began in the 1960s.

Congress could facilitate SBE research without direct funding by making it easier for researchers to use federal and state government data bases, after removing personal identifiers. Governments data collection includes administrative data on educational records, tax returns, injuries associated with different occupations, and earnings. Currently, it is difficult for researchers to use these data due to privacy considerations, even though such data are a treasure trove of information. If Congress were to modify some of the privacy regulations it would be easier for researchers to work with these large databases, saving time and cutting costs.

Thank you for giving me the opportunity of testifying today. I would be glad to answer any questions you might have.