Three Ideas

A Hierarchy

1. Political control of the bureaucracy
   ▶ The classic question

2. Experts vs. politicians
   ▶ Who decides?

3. Endogenous expertise
   ▶ How do we get experts?

Omissions?
   ▶ Yes
Fundamental Issue in Democratic Societies

- Bureaucrats:
  - have significant powers
  - are not elected
  - have advantages over principals

- Early example: Niskanen (1971)
  - How do legislatures control agency budgets?
  - Answer: not very well

Standard Technique

- Embed *unitary* bureaucratic actor within models of political institutions

- For example, Congress, president, Supreme Court and a bureaucracy (Ferejohn and Shipan 1990)
Political Control: Principals and Agents

Natural Analogy: Principal-Agent Models

- Bounded rationality
  - Simon tradition
  - *e.g.*, Bendor, Taylor and Van Gaalen (1985) on Congressional control

- Moral hazard and adverse selection
  - Banks (1989): budgeting again, agency tries to hide project cost from legislature

- Delegation
  - To better-informed friends, not to enemies
  - Widely studied (*e.g.*, Epstein and O’Halloran 1994, Aghion and Tirole 1997, Huber and Shipan 2002)
Administrative Procedures

▶ Why is U.S. rulemaking so elaborate?
  ▶ *e.g.*, “notice and comment” procedures

▶ Normative defense: transparency, democracy, etc.
▶ McCubbins, Noll and Weingast (1987): improves monitoring

Insulation

▶ Moe (1989): procedures can “insulate” programs from electoral risk
  ▶ *e.g.*, independent commissions, minimizing political appointees

▶ Not managerially efficient
  ▶ But, politically efficient
Political Control: Agency Structure II

Redundancy

- Principal can reduce organizational failure rates with redundant systems, if units operate sufficiently independently
- Heimann (1998): drugs and space shuttles
  - Organizational tradeoff between Type I, Type II errors

Comparative Systems

- Presidential systems and common agency (Wilson 1989, Dixit 1998)
Political Control: Hierarchy

Why Unitary Actors?
- Median voter theorem not obviously applicable
- Hierarchy and organizational economics

Three Tier Models
- Tirole (1986): collusion between agents and supervisors
- Che (1995): revolving doors in government
- Prendergast (2003): monitoring and agent capitulation
  - Why are bureaucracies so “bureaucratic”?
Political Control: Whistleblowing

Ting (2008): whistleblowing as a three-tier model

- How might whistleblowing distort managerial incentives?
Who Decides?
- A variant on delegation problem
- Previously, politicians had “policy” motivations
- Here, electoral and pork motivations

Conventional Wisdom
- Separate “policy” from “administration” (Wilson 1889)
  - Policy is for elected leaders; e.g., what is the tax rate?
  - Administration is for bureaucrats; e.g., how do we collect taxes?
- No one fully believes this any more
Experts vs. Politicians: Electoral Motives

Alesina and Tabellini (2007): optimal allocation of tasks between politicians and bureaucrats

- Bureaucrat cares about career concerns
  - Specifically, the perception of her talent
- Politician cares about re-election

A Model

- Output: \( y = \theta + a + \epsilon \)
  - \( \theta \sim N(0, \sigma_\theta^2) \) is policy-maker’s ability
  - \( a \) is policy-maker’s effort
  - \( \epsilon \sim N(0, \sigma_\epsilon^2) \) is noise, independent of \( \theta \)

- Policy-maker receives \( R(a) - C(a) \)
- Policy-maker chooses \( a \) before \( \theta \) realized; \( y \) not contractible
Experts vs. Politicians: Electoral Motives, continued

Motivations

- Bureaucrat wants to maximize \textit{ex post} assessment of $\theta$
- Politician wants output to hit performance threshold $W$
  - A retrospective voting rule

Who Works Harder?

- Comparison is ambiguous
- Effort increasing in wages/value of office
- Higher noise ($\sigma_{\epsilon}$) reduces effort of both types
- Higher uncertainty about skill ($\sigma_{\theta}$) reduces effort of politician, increases effort of bureaucrat
  - $y$ becomes a better signal of $\theta$, so incentive for bureaucrat to pretend to be good
  - Hitting re-election threshold $W$ becomes more random for politician, so effort less important
Experts vs. Politicians: Another Take

Maskin and Tirole (2004)

- “Politician” faces re-election, “judge” does not
- Two actions $\{a, b\}$
  - Probability that $a$ is better for voter is $p > 1/2$
  - Official knows which is better

- Two periods
- Uncertainty over whether official shares voter’s preferences
  - Probability $\pi > 1/2$ of “congruence”

Which is Better?

- If politician values office highly, then chooses $a$ even when it’s the wrong policy (pandering)
- Politician better than judge:
  - only if office-holding motive is weak
  - $p$ low, so voter uncertainty high
Experts vs. Politicians: Bureaucracy Meets the Pork Barrel

Earmarks vs. Criteria-based selection
- NSF/NIH peer review
- Highway bills, academic earmarks . . .

The Tension
- *Distributive* politics central to legislative politics
- Bureaucratic expertise matters

A Model (Ting 2011)
- When are programs “professionalized” or “politicized”?
  - Professionalization: bureaucracy not just a conduit
  - Politicization: divide-the-dollar legislative bargaining
- Implications for distribution of public spending, quality of government
Bureaucracy and Pork: Environment

Districts and Projects
- In each, project of uncertain quality \((\theta, \bar{\theta})\)
- Type \(\tau \in \{h, l\}\): probability \(p_\tau\) of quality \(\bar{\theta}\) \((p_h > p_l)\)
- \(n \geq 5\) (odd) districts, \(n_\tau\) of type \(\tau\)
- Approved projects financed by uniform tax

Legislators
- One per district
- Care only about pork (bias against “good government”)

Bureaucrat
- Can investigate (at a cost) and approve/reject projects
- Cares about implementing exogenous standard \(s\) (career concerns)
Bureaucracy and Pork: Three Easy Pieces

1  Bureaucratic Decision-Making
   ▶  If given authority, chooses whether to investigate and whether to approve projects in every district

2  Politicized Allocation
   ▶  Finite-horizon Baron-Ferejohn (majority rule, closed rule)
   ▶  Offers can discriminate among districts
   ▶  A workhorse model for distributive politics
   ▶  Skips #1

3  Professionalized Allocation
   ▶  Same bargaining game, but bargain only over uniform project budget
   ▶  Then goes to #1
Let $\rho_{\tau,s}$ denote the bureau’s probability of accepting a type $\tau$ project under standard $s$.

**Proposition 1 (Project Quality):** There exists a cutoff probability $\rho^*_{\tau,s}$ such that a type $\tau$ majority politicizes if and only if $\rho_{\tau,s} < \rho^*_{\tau,s}$.

So, picky bureaucrats $\rightarrow$ politicization

**Intuition**

- Allocating money directly can be nice
- But, competition for votes in coalition building introduces uncertainty
- So, legislators may prefer “expert” scrutiny instead
- NB: type $l$ majority can professionalize, type $h$ can politicize
Legislative Composition. Politicization is more attractive as $n_h$ increases for type $h$ majority, and less attractive as $n_l$ increases for type $l$ majority.

- Bigger type $h$ majorities raise taxes
- Bigger type $l$ majorities reduce taxes

Budgets. Total spending under politicization is strictly higher than under professionalization.

- Politicization generates inefficiently large allocation to proposer, which spreads costs across districts

Quality of Bureaucrats. Better investigators result in more politicization if project quality is low.

- Follows from Proposition 1
Experts vs. Politicians: When Do Experts Decide?

1. Ideological differences are small
2. Variability in skill levels is high
3. Office motivation is high
4. Project quality is high
Idea 3 — Endogenous Experts

Literature *assumes* that bureaucrats are experts

“Spoils System”
- Patronage, party dues

Main Vehicle for Expertise: Civil Service
- At U.S. federal level, key components:
  - Merit selection (Pendleton Act, 1883)
  - Protection from dismissal (Lloyd-La Follette Act, 1912)
  - Central classification of jobs (Classification Act, 1923)
  - Restrictions of political activity (Hatch Act, 1939)
- A central component of good government
  - Improved performance, corruption control in developing countries (Rauch and Evans 2000)
  - Increased long-term investment in U.S. cities (Rauch 1995)
Endogenous Experts: Explanations

Interest group politics (e.g., Knott and Miller 1987)
  ▶ Progressive anti-machine constituencies for good government

Transaction costs (Johnson and Libecap 1994)
  ▶ As government grows, managing patronage machine becomes too difficult

Wages (e.g., Sorauf 1960)
  ▶ Rising private sector wages made patronage jobs undesirable

Theoretical accounts
  ▶ Reduce pre-election shirking (Horn 1995)
  ▶ Investment in expertise (Gailmard and Patty 2007)
Endogenous Experts: the Investment Argument

Gailmard and Patty (2007): tenure protection as a means to improve policy choice

- Overlapping generations model, bureaucrats live two periods
- Suppose there are two types of bureaucrats
  - Slackers care only about income
  - Zealots also care about policy
- Slackers leave for private sector
- To prevent losing zealots, can concede some policy
  - Back to delegation problem: only if zealot is better informed
  - Zealot will only invest in becoming informed if she has job protection

Other Rationales for Tenure Exist

- But this one is grounded in a model of politics
Endogenous Experts: Another Approach

Electoral Incentives for Reform

- Government institutions can be used for electoral advantage
  - Civil service is a prominent way to de-politicize government
  - ANES data: pre-civil service, voters more likely to vote for incumbent party
- So, elections should produce incentives to insulate or de-insulate institutions
- U.S. states are a laboratory for examining this

Our Project (Folke, Hirano, Snyder and Ting, n.d.)

- A model of reform and elections
- Empirical findings on state civil service reform
Civil service reform (year 0 = 1939) occurs in transition from Republican to Democratic dominance
Endogenous Experts: A Model

Partisan elections in one district over an infinite horizon

Two parties, L and R
  ▶ Fixed policy platforms $p_L$, $p_R$
  ▶ Three overlapping generations
    ▶ Oldest = current incumbent/election loser
    ▶ Middle, youngest = next two elections’ candidates
  ▶ Each generation cares about election prospects of both lower generations

Outcomes (in each period $t$)
  ▶ Policy ($p_L$ or $p_R$)
  ▶ Distribution of resources (goodies) $g > 0$
  ▶ Personnel system ($c$, $s$)
    ▶ $c$ is civil service
    ▶ $s$ is spoils system (belonging to one party)
Endogenous Experts: Why Voters Care

Voters
- Continuum with uniform distribution of ideal points
- Care about:
  - Policy
  - Goodies: total of $kg$ delivered ($k \approx$ efficiency)
  - Valence: two additive shocks per period; $v^1 \sim U[-\omega, \omega]$ “early,” $v^2 \sim U[-1, 1]$ “late”

Why does personnel system matter?
- More experienced system yields higher expected benefits (i.e., higher $k$)
- Spoils system targets goodies to supporters (uniformly)
- Civil service distributes neutrally
  - No assumption that civil service more productive
Endogenous Experts: Sequence

Within each period $t$:

1. Government benefits are allocated by incumbent
2. Valence shock $v^1$ is realized
3. Incumbent politician chooses personnel system
   - Affects personnel system of period $t+1$
4. Valence shock $v^2$ is realized
5. Citizens vote

Key Features

- Personnel system can change in response to early information about election prospects
- Changing to/from civil service, or changing partisanship of spoils system, results in low human capital in next period
Personnel and Partisan Matchups

- Civil service: goodies not a factor for voters (for any $k$)
- New spoils system: also not a factor for voters
  - Both parties offer same expected benefit
- “Up and running” spoils system: advantages incumbent party

Easy to derive “cutpoint” on $v^1$ that determines election victor
Endogenous Experts: Main Result

Focus on party $L$ incumbents; party $R$ symmetric

**Proposition.** There exists a unique cutpoint equilibrium characterized by $(\theta^s, \theta^c)$, where party $L$ adopts civil service iff $\nu^1 < \theta^s (\theta^c)$ under spoils (civil service).

Translation

- When things look bad for incumbent ($\nu^1$ is bad), choose civil service reform
- Implies reducing the incumbent’s successor’s election prospects
  - Driven by the fact that incumbent cares about more than just her immediate successor
- When things look good, impose spoils system
  - Transitions both into and out of civil service
Endogenous Experts: Preliminary Evidence

Not a test (yet)

Look at some state-wide variables around time of civil service reform
  ▶ Winning margin for statewide offices
    ▶ Predict adoption of reform when party loses dominance
  ▶ Relative employment changes
    ▶ Hypothesis of Johnson and Libecap (1994)
    ▶ Does employment growth cause reform?

Sources: *Civil Service Agencies in the United States: A 1940 Census, Book of the States, Aronson (1979), ICPSR*
Civil service reform (year 0) coincides with increased competitiveness across all statewide offices

Similar figure if we calculate “normal vote,” lower house votes
Civil service reform (year 0) does not seem to correspond to outsized increases in patronage rolls (cf. Johnson and Libecap 1994)

Reform seems to happen when growth is relatively slow
Summary: Climbing Back Up

Endogenous Experts
- Rationales for tenure protections, including investment in expertise
- Electorally induced reform
  - Other reforms, such as contracting laws?

More Broadly
- Interactions between expertise and elections, legislatures
- Role of experts remains an important topic

Even More Broadly
- Much progress made on control of the bureaucracy
- But, coverage is uneven
  - One growth area: courts and administrative law
- Needed: more integration with empirical work