

# Introduction to the American Political Process

## Class 11: The Bureaucracy

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## 1. Readings

Gailmard and Patty, “Learning While Governing: Expertise and Accountability in the Executive Branch”

McCubbins and Schwartz, “Congressional Oversight Overlooked: Police Patrols versus Fire Alarms”

Potter, “Bending the Rules: Procedural Politicking in the Bureaucracy”

# Readings

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# Basic features of principal-agent models

- A **principal** delegates a task to an **agent**
  - Manager to employee, the President to an executive agency, Congress to the bureaucracy
- The principal cannot perfectly monitor the agent (infeasible or expensive) → **asymmetric information**
- **Moral hazard**: agent taking bad actions after contract
  - Driving recklessly after buying insurance
  - Slacking on the job
- **Adverse selection**: agent takes advantage of asymmetric information
  - Smokers selecting into health insurance
  - Ideologues with extreme views selecting into the bureaucracy/courts

**Mechanism design:** How to design institutions with the right incentives?

- Make the agent work hard
- Make the agent do what the principal wants
- Reduce costly monitoring by aligning incentives

Tools: financial incentives, promotion, policy goals

# The “Slackers and Zealots” Model (Gailmard and Patty)

**Actors:** Principal (e.g. President), agent (e.g. bureaucrat)

**Actions:**

- Principal: how much authority to grant to the agent
- Agent:
  1. Remain in public service or go to private sector
  2. Invest in expertise or mail it in

Gailmard, Sean, and John W. Patty. In *Learning While Governing: Expertise and Accountability in the Executive Branch*. University of Chicago Press, 2012. © University of Chicago Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

# The “Slackers and Zealots” Model (Gailmard and Patty)

## Preferences:

- There are two dimensions to policy outcomes: **quality** and **ideology**
- The principal wants **good policy** that is **close to their ideology**.
  - Good policy is made by people with expertise
- There are two types of agents:
  1. **The slacker**: Doesn't care much about policy outcomes; there for the paycheck
  2. **The zealot**: Cares very much about policy **wherever they are** (government or private sector); needs discretion

# The “Slackers and Zealots” Model (Gailmard and Patty)

How can the principal incentivize bureaucratic expertise?

- By “compensating” civil servants with **discretion**

Logic:

- Assumption: pay is higher in the private sector; ability to compensate with money is limited in government
- Why would a bureaucrat invest in expertise? Knowing that they can use it to get closer to their preferred policy.
  - They can only control policy outcomes from within the bureaucracy, not the private sector
- Who actually cares about policy? **Only the zealots.**

# The “Slackers and Zealots” Model (Gailmard and Patty)

1. **Discretion inducement conclusion:** In the absence of direct monetary incentives, expertise will emerge only if such acquisition is rewarded through increased discretion.
  - And it'll only be the zealots who invest in expertise.
2. **Promotion conclusion:** Agencies will experience lower turnover when promotion leads to increased discretionary authority.
  - This is double-edged: principal trades ideological preference for expertise
3. **Tenure conclusion:** Expertise development is promoted by increased job security.
4. **Expertise promotion conclusion:** Principal will only support expertise development when agent's preferences are not too divergent.

# The “Slackers and Zealots” Model (Gailmard and Patty)

## Conclusions:

- There are only two possible regimes:
  1. **Regime of clerkship:** Bureaucrats do their jobs with low expertise, high turnover
  2. **Politicized competence:** Bureaucrats go the extra mile, but have their own strong preferences
- There is no such thing as **neutral competence**.

Gailmard, Sean, and John W. Patty. In *Learning While Governing: Expertise and Accountability in the Executive Branch*. University of Chicago Press, 2012. © University of Chicago Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

1. **Technological assumption:** There are two different types of oversight Congress can use to monitor administrative agencies.

1. **Police patrol oversight:** centralized, active, and direct; **costly**

- reading documents, commissioning scientific studies, conducting field observations, holding hearings

2. **Fire alarm oversight:** establishing a system that enables citizens and interest groups to monitor agencies for them

- access to information
- standing to challenge administrative decisions in the courts
- facilitating collective action

2. **Motivational assumption:** members of Congress seek to claim credit and minimize blame → seekers of reelection
3. **Institutional assumption:** Executive agencies act as agents of Congress.

McCubbins, Mathew D., and Thomas Schwartz. “Congressional Oversight Overlooked: Police Patrols versus Fire Alarms.” *American Journal of Political Science* 28, no. 1 (1984): 165–79. © Wiley-Blackwell for the Midwest Political Science Association. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

**Consequence 1:** Legislators prefer fire alarms over police patrols.

- Efficiency: examine only those procedures that their constituents care about & maximize credit-claiming
- Outsource the monitoring costs to interest groups

**Consequence 2:** Congress will not neglect its oversight responsibility.

- Monitoring is advantageous & nearly costless

**Conclusion:** The bureaucracy is actually highly accountable to Congress, in the most democratic possible way.

# Potter, “Bending the Rules”

What do McCubbins and Schwartz miss?

- Potter: *“Instead of treating this relationship as rigidly hierarchical, the relationship is likely a more dynamic one wherein principals institute processes and agencies typically respond to those processes.”*
- Agencies staffed by **zealots** in Gailmard and Patty’s terms
- Agencies can set rules to “tie their hands” in favorable ways
- First-mover advantage

Potter, Rachel Augustine. “The Power of Procedure.” Chapter 1 in *Bending the Rules: Procedural Politicking in the Bureaucracy*. University of Chicago Press, 2019. © University of Chicago Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

# Potter, “Bending the Rules”

## Case study: contraception and the Affordable Care Act

- As of 2018, legally considered a “preventative service” that women can obtain without copay or out of pocket fees
- Attributed to Obama’s Affordable Care Act (ACA), but payment status of contraception not covered in over 2,400 pages of legislation
- Actually a rule set by Department of Health and Human Services

Potter, Rachel Augustine. “The Power of Procedure.” Chapter 1 in *Bending the Rules: Procedural Politicking in the Bureaucracy*. University of Chicago Press, 2019. © University of Chicago Press. All rights reserved. This content is excluded from our Creative Commons license. For more information, see <https://ocw.mit.edu/help/faq-fair-use/>.

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17.20 Introduction to the American Political Process  
Fall 2020

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