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BUREAUCRATIC (?) FAILURES: CAUSES AND CURES

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ABSTRACT

Bureaucracy is a traditional object of disparaging commentary, but in recent years it has received more than a proportionate share of popular and political criticism. Perceived problems of wasteful, unresponsive, power-hungry, and out-of-control bureaucracy have generated calls for across the board cut-backs in bureaucratic size and authority, as well as for various structural reforms designed to limit the activities of what is left after the pruning. This paper argues that much criticism of American bureaucracy is misplaced, and that attempts at structural tinkering are therefore doomed to fail. Too many critics of contemporary bureaucracy fail to understand that deeper political (usually Congressional) failures are the basic causes and bureaucratic failures often only symptoms. The single-member district electoral system, re-election seeking Congressmen, and the Congressional division of labor combine to produce a system in which apparent bureaucratic failures emerge as a by-product of efforts to generate political support. Structural reforms may be useful to contemplate, but they should address electoral and Congressional structures as well as if not more so than bureaucratic structures.

INTRODUCTION

Only a decade ago flagellating the federal bureaucracy was primarily a conservative Republican solidarity rite. Today representatives of every political persuasion are fighting over the whip. In the mid-60's the country elected a Democratic president committed to a federally built Great Society. In the mid-1970's the country elected a Democratic president who claimed that he was not then nor had ever been a part of the federal establishment. In 1980 the citizenry rejected that Democratic president in favor of a Republican who explicitly promised to get government off their backs.

Political leadership in the United States usually reduces to the ability to discern which way the tide is flowing and avoid inundation by it. The Republican party in 1980 found itself well-situated to catch the wave, though we may debate whether this reflects Republican acumen -- even persuasion -- or merely forty-odd years of political habit. Meanwhile, some Democrats paddle furiously to overtake the crest (e.g. Sen. Tsongas), while others tread the backwater in the hope that the tide will soon reverse (e.g. Sen. Kennedy).¹ The waves have been forming for some time, but we should be cautious in attempting to pinpoint their source. For every rightward trend in public opinion data there exists seemingly related data which show no trend or even a touch of leftward movement.² There is little evidence of any general

conservative mandate -- the American people are not in the habit of granting mandates, they lean more towards probation.³ And a realigning election? Oh, there have been two or three in American history, but those who dwell on such things should reread ``The Boy Who Cried Wolf.''

What public opinion data over the past two decades do show is a rather steady and large-scale disillusionment with the operation of American government. There is little or no desire to eliminate major federal commitments (with the exception of foreign aid).⁴ Nor does the public massively reject government regulation.⁵ What the public has increasingly come to reject is the manner in which programs are designed, implemented and administered. For example, since 1958 the Center for Political Studies of the University of Michigan has asked repeatedly in its election studies ``Do you think people in the government waste a lot of money we pay in taxes, waste some of it, or don't waste very much of it?'' Between 1958 and 1978 the proportion of the population giving the answer ``waste a lot of it'' increased from a minority of 43 percent to an overwhelming majority of 77 percent. During the same period CPS has asked ``Do you feel that almost all of the people running the government are smart people who usually know what they are doing?'' Over the twenty year period the proportion of the population choosing the ``don't know what they're doing'' response increased from 37 percent to 51 percent. The literature abounds with similar indications of loss of confidence in government institutions and their operation, though not with the basic idea of a significant government role in the economy and society.

The growing unhappiness with the operation of government should come as no surprise. By any standard government's impact on the citizen has

increased significantly during the past generation. Not only does the public sector now take a considerably larger share of national income and employ a larger fraction of the work force, but the regulatory process impinges on a much broader range of ordinary activities. Other things equal the average citizen now has a much higher probability of experiencing a real or perceived infringement of his or her activities than was the case a generation ago. Moreover, over and above their personal experiences citizens are deluged with information about government failures, chiefly those involving the bureaucracy. Senator Proxmire bestows his Golden Fleece amid much fanfare, Ralph Nader and other watchdogs level their charges in press releases and at public hearings, investigative reporters publish their exposés of government wrongdoing and/or incompetence. And all of this eventually finds its way into the media. In recent years the informed citizen would have come across the following disturbing examples of bureaucratic irresponsibility and/or excess, as well as innumerable others similar to them.

Exhibit 1: Wasteful Bureaucrats

If Ronald Reagan becomes President and wants to curtail waste in government spending, he would probably do well to dampen the Christmas spirit that seems to sweep the federal bureaucracy each September -- the last month of Uncle Sam's fiscal year. On September 29, 1978, for example, the Pentagon spread \$187,631 worth of holiday cheer when it contacted for construction work on a base that the Army had already decided to close. About the same time, civil servants at the Youth Conservation Corps were on a last-minute spending spree to obtain 1,000 pairs of riding chaps, 4,000 pairs of glove and 181 chain saws for a YCC camp with only 300 enrollees....

In July a Senate subcommittee completed an eleven-month study of eleventh-hour spending and concluded that wasteful purchases total at least \$2 billion a year. The panel found that the last-minute spending rush resulted in "the purchase of millions of dollars of goods and services for which there is not current need."

Although Federal purchasing agents are well aware that haste makes waste, they often face intense pressure from their bosses to accelerate spending. Joseph Pate, a former procurement officer of the Law Enforcement Assistance Administration, says that efforts to halt two especially wasteful year-end contracts were actively discouraged.... Following his testimony, Pate found his staff cut and his office moved three times.

(Excerpted from Harry Anderson, "Again, a Federal Splurge, Newsweek September 22, 1980, p. 71).

Exhibit 2: Deceptive Bureaucrats

Despite official statistics that place its civilian work force at nearly 2.9 million people, the number of people who are paid with federal funds actually is more than 7 million....

Not only are hundreds of thousands of workers employed by government-created agencies and programs excluded from the Civil Service Commission's monthly statistics, but so are millions of "outside" workers who labor full time and part time for the government under a variety of contracts and grants.

"The pressure is to keep the number as low as possible," one top commission official said....

The Department of Health, Education and Welfare employs about 145,000 people inside its agencies. But on the outside, HEW pays the salaries of 980,000 other people in state and local governments, universities, research institutions and private contractors.

During a Senate appropriations subcommittee hearing at which Califano presented his figures, a surprised Chairman Warren Magnuson (D. Wash.) blurted out, "This is the best public service job program I have ever heard of. That is more than we've given them for public service jobs." Senator Ernest F. Hollings (D. S.C.), adding HEW's counted 146,000 employees to Califano's figures, exclaimed, "My God, we are over 1 million."

In recent years officials have responded to critics of big government by maintaining that the federal work force has remained largely stable despite the rapid growth of the federal budget....

However, in this same period the number of state and local employees tripled... as a result of the growth in federal programs.

(Excerpted from Los Angeles Times, March 23, 1979, Part VII, p. 8)

Exhibit 3: Disingenuous Bureaucrats

New bonus programs for federal employees are helping some top-level bureaucrats get pay increases far above the ceiling imposed by Congress (\$50,112--MF)....

About 50 of those bureaucrats ... received almost \$70,000 each in compensation from the taxpayers this year. Hundreds more received in excess of \$60,000, thanks to the programs established in the Civil Service Reform Act of 1978, now starting to take effect.

At NASA, one of the first agencies to start its bonus program, more than half of its 427 career senior executives were pushed over the pay cap by awards ranging from \$2,000 to \$20,000 each....

It was all done in accordance with the law and with governmental personnel regulations. Congress clearly authorized the largess in the 1978 legislation, hoping to promote government productivity.... NASA personnel director Carl Grant said he feels the agency has been unfairly criticized by Congress.

``NASA fully complied with the law... What [Congress] intended, apparently, was that only the creme de la creme would receive bonuses, but that is not what the law says''....

Asked whether its hefty bonus system was viewed as a way around the Congressional cap, NASA's Grant said ``of course not.``

Rep. Gladys Spellman, D-Md., disagreed. ``There is no question in my mind that a good many of [the bonuses] are being used to get around the pay cap,`` said the Congresswoman....

Spellman said some bonuses are being used by high level ``cliques`` that plan to distribute the annual awards among themselves on a rotating basis.

(Excerpted from Alan Murray ``Top Level Federal Workers Get Raises Despite Pay Cap,`` Congressional Quarterly Weekly Report, October 19, 1980, pp. 3164-3165).

Exhibit 4: Crooked Bureaucrats

Evidence of massive fraud and abuse in the operations of the General Services Administration (GSA) continued to unfold during hearings September 18-19 held by the Senate Governmental Affairs Federal Spending Practices Subcommittee.

Elmer B. Staats, comptroller general and head of the General Accounting Office (GAO), presented the results of a GAO study suggesting that similar problems existed in other federal agencies....

Investigators have discovered a wide variety of fraud and abuse in GSA, including false claims for benefits and services, collusion among contractors and bribery of officials....

Investigators are also looking at possible abuses in the awarding of large contracts and large-scale employee misuse of gasoline credit cards....

Staats cited Justice Department estimates that up to \$25 billion of the \$250 billion the government spends annually in federal assistance programs may be lost through fraud or abuse.

(Excerpted from Bob Livernash, ``GSA Corruption Outlined at Senate Hearing,`` Congressional Quarterly Weekly Report, September 23, 1978, p. 2578.)

Exhibit 5: Paternalistic Bureaucrats

On October 1 a new regulation of the Environmental Protection Agency came into effect. It mandates a certain level of permissible noise on the part of compacting garbage trucks. The regulation arises from the Noise Control Act of 1972, as amended by the Quiet Communities Act of 1978....

In retrospect, the two pieces of legislation may be seen as classic examples of federal expansion at the expense of state and local responsibilities. The 1972 law had a grand purpose and a large verb. The act was to free people from noise that ``jeopardizes health and welfare''.... The act gave the EPA broad powers to regulate ``major sources'' of noise.

Now, it would seem to many of us, perhaps, that a garbage truck does not truly jeopardize or imperil public health....

Nevertheless, the EPA conjured up some impressive statistics. The agency solemnly found that 19,650,000 persons are regularly exposed to excessive noise levels because of the refuse vehicles. Federal regulation, it was concluded, would reduce that number to 6 million persons by 1991. Cities could not be trusted to deal with this peril by local ordinance. After all, the sleep of 13.8 million persons was being disturbed nightly. Only the federal government could protect our repose....

Costs and benefits to one side, this petty, stupid, nit-picking regulation based almost entirely on gauzy conjecture as to ``sleep and activity interference'' offers one more instance of a bureaucracy that has gone beserk.

(Excerpted from James Kilpatrick, ``80-Decibel Bureaucracy: Pages and Pages of Garbage,''' Los Angeles Times, November 19, 1980.

Exhibit 6: Crazy(?) Perverse(?) Captive(?) Bureaucrats, or What Are Those People Doing?

Most travelers who want to go between Olympia and Chehalis, two towns in western Washington, drive 21 miles along Interstate 5.

Truck drivers for Puget Sound Truck Lines do, too -- but the Interstate Commerce Commission contends they are violating the law.

The ICC, which maintains rules regulating what truckers carry and what routes they follow, has told Puget Sound Truck Lines that its drivers may travel between Olympia and Chehalis only through Aberdeen, another city on Washington's coast.

That is 120 miles -- 99 more than the direct route....

The route problem originated in the late 1960's, after Puget Sound Truck Lines purchased another company, South Bend Transfer.

Puget Sound had ICC authority to carry goods between Seattle, Olympia and Aberdeen. South Bend had been licensed to haul between Aberdeen, Chehalis, and Portland. The company ``tacked,''' or joined, the two routes.

Puget Sound now had a potentially lucrative route between two major markets -- Seattle and Portland, Oregon -- and it set out to reduce gasoline consumption and to save time and money by using the direct route -- 180 miles entirely along Interstate 5. Competing truckers, who would have an advantage over Puget Sound if that company had to drive along the wayward route, complained to the ICC. The case went to court -- 5 years ago.

(Excerpted from Bruce Johansen, ``Keep on Truckin','' Heavy Duty Trucking Magazine)

After persistent exposure to reports like the preceding, is it any wonder that the average citizen decides that ``a lot`` of his tax money is wasted by officials who ``don't know what they're doing?`` (Or worse yet, by officials who know exactly what they're doing -- robbing him!) I think not, but I also think that a critical question of our time is whether that average citizen eventually comes to believe that a lot of his tax money is wasted in government activities which are in principle doomed to failure. Such an eventuality becomes more probable the longer the stream of government failures to which the citizen is exposed. And while libertarians may gleefully anticipate a future era in which citizens have lost all belief in the efficacy of government action,⁶ they should consider that the alternative to the social democratic state is not necessarily the exchange economy of the optimistic individualist philosophers. Rather, the alternative instruments of resource allocation might just as well be the club and the gun of pessimistic Hobbesians.

The point of view in this paper is reformist rather than revolutionary. Exhibits like the six presented should arouse curiosity, not outrage. Why do so many bureaucratic failures exist, and what can be done about them? The jumping off point for the discussion is the observation that the exhibits presented and the myriad others which could be cited are not simply specific manifestations of a single general phenomenon called bureaucratic failure. It is important to recognize that there are numerous varieties of bureaucratic failure, that they have different primary sources, and that they require different remedies. In particular, while the varieties illustrated in Exhibits (1) and (4) -- wasteful and crooked bureaucrats -- undoubtedly cost billions of dollars and are perhaps the most visible and

outrageous to the citizenry, they are probably the most straightforward to diagnose and cure. Bureaucratic failures such as those illustrated in Exhibits (2), (3), (5) and (6) are undoubtedly more costly, more complex, and more difficult to deal with. For these failures are not primarily bureaucratic failures; rather, they are aspects of more general political failures. And it is these which most threaten the well-being of the country.

BUREAUCRATIC FAILURE: AN OVERVIEW

The concept of bureaucratic failure presumes a particular viewpoint on the part of the analyst -- a public interest, or general interest viewpoint. Since these terms submit to no very precise formulation, I will propose a simple working definition of bureaucratic failure. If an ideologically mixed bag of observers consensually reject or condemn a bureaucratic rule, practice, decision, or other behavior when the latter is described in the abstract (i.e. without identifying whether the bureaucracy is HHS or DOD), then we have a good candidate for the category of bureaucratic failure.

Varieties of Bureaucratic Failure

Most instances of bureaucratic failure fall into two broad classes. The first class includes those practices which conflict with widely accepted notions of good government. Exhibit (1) which illustrates waste and extravagance falls into this category, as does Exhibit (4) which illustrates good old-fashioned graft. Generally speaking this class of bureaucratic failures contains those more easily and non-controversially identified, and more remediable than those of the second class. Graft eventually will out, and indictments will result. Waste is frequently exposed, and while

procedural tinkering is no panacea it can alleviate the worst cases.⁷ In addition, the bright light of public exposure and the resulting political pressure usually has at least a temporary salutary effect.

The second class of bureaucratic failures consists of those practices and activities which conflict with the explicit goals of the authorizing legislation and/or the legislative intent behind the legislation. Exhibit (2) details a widely used means of evading explicit employment ceilings. Exhibit (3) reports an apparent deflection of the intent of Congress: The NASA official admits that his department has not administered the program as intended, but maintains that no law has been violated. And Exhibit (6) describes an apparent bureaucratic perversion of the intent of the authorizing legislation.

Some instances of the second class are as easily identified and non-controversial as those of the first. Congress took action to alter the executive bonus situation (Exhibit 3) which clearly violated the intent of the original law. Other instances create greater difficulty. The goals of the authorizing legislation may be rather vaguely stated, an important element in Lowi's indictment of American government.⁸ If so, inconsistency with the authorizing legislation is something that lies in the eye of the beholder. Mr. Kilpatrick most emphatically rejects the finding that the noise of garbage compactors ``jeopardizes health and welfare.'' Others may disagree and offer plausible reasons why the matter should not be left to local ordinance. Sometimes legislative goals may actually be contradictory, in which case the bureaucracy is condemned to act in a manner partially inconsistent with legislative intent. This has been a charge commonly leveled at legislation in the area of economic regulation.⁹ Perhaps most seriously, we may observe

bureaucratic activity openly acknowledged as inconsistent with the intent of Congress as a whole, but activity consistent with the desire of a segment of Congress holding particular importance for the relevant agency. Such cases move us out of the area of bureaucratic failure and into the area of more broadly defined political failure.

Sources of Bureaucratic Failure

As the preceding discussion suggests, different types of bureaucratic failure draw sustenance from different sources. Any exploration of the wide-ranging ``literature'' on bureaucracy will uncover at least three general explanations for the failures bureaucracies exhibit. The first, the Imperfect Bureaucrat explanation, focuses on the personal qualities and characteristics of bureaucrats. This explanation has two variants. The more extreme, or Evil Bureaucrat variant crops up frequently in popular commentary and in material published by various citizen's groups. Nader's organization, for example, often seems to suggest that government is rife with material corruption. In addition to outright bribery charges (e.g. Exhibit 4) there are numerous intimations of technically legal but morally corrupt behavior -- acceptance of material favors, incestuous ties among present government employees, previous government employees, and future private employers, and conflicts of interest (e.g. Exhibit 3). This variant holds that bureaucrats are too often not as good as the rest of us.

The less extreme variant of the Imperfect Bureaucrat explanation might be termed the Insufficiently Dedicated Bureaucrat. I associate this position with the late Senator Hubert Humphrey. According to this variant bureaucrats lead harder lives than most. Material rewards are poor, public opprobrium is

common, and even private satisfaction in a job well done is problematic since the nature of the enterprise makes one's individual contribution hard to trace. If the Evil Bureaucrat variant holds that bureaucrats are not as good as the rest of us, the Insufficiently Dedicated variant holds that they must be better than the rest of us, but they aren't.

Imperfect Bureaucrat views seldom appear in the academic literature, for social science favors explanations which treat political actors as no better or worse than anyone else. Thus, the roots of bureaucratic failure are not sought in human imperfection, but in more general conditions which lead ordinary humans to behave "imperfectly". A now dated explanation might be called the "Structural" view. This view focuses on badly designed governmental organizations. In the older literature in public administration one finds condemnations of duplications of effort, overlapping jurisdictions, blurred lines of responsibility, lack of central control, and so forth. In essence, if the bureaucracy, were organized according to what were perceived as sound business principles, bureaucratic failure could largely be overcome. This view, however, is now passé, and has given way to more sophisticated views which place incentives in the forefront.

The third view of bureaucratic failure is an umbrella explanation, variants of which appear in the literatures of the several disciplines which address the subject of bureaucracy. I can think of no completely satisfactory term, but for lack of anything better let us call the third view the Discrepant Incentives explanation. In general this explanation focuses on the slippage between how the ideal bureaucracy functions in the ideal and how real bureaucracies function in the here and now. The source of the slippage is located in the discrepant incentives faced by those who people the

bureaucracy. These individuals often face little or no incentive to behave in a manner consistent with the ideal account. Thus, economists assume that bureaucrats are no worse than the rest of us, but in fact, just like the rest of us -- self-serving. Outright illegality is no great (theoretical) problem; when uncovered it is punished in the private and public sector alike. But whereas the private sector turns self-serving behavior to societal advantage through the hidden hand of the market, the public sector produces no such happy outcome. The bureaucrats' personal rewards are only remotely connected to the public costs and benefits of the bureau's activities. Only if public sector actors were to behave in an other-serving manner would they produce favorable societal outcomes (if then), and they have no more incentive to behave in such fashion than the rest of us.

While at first glance the preceding formulation might seem worlds away from sociological formulations, the difference is more one of detail than of fundamental perspective. According to sociologists and other organization theorists, continuing formal organizations have "organizational goals" chief among which is survival. Thus, bureaus develop practices and procedures designed to maintain organizational health. Unfortunately, these procedures and practices may not contribute to and may even detract from the accomplishment of the formal missions bestowed upon the bureau by the law. Again the discrepancy: individual bureaucrats can personally lose a good deal by neglecting standard operating procedures in pursuit of public policy mandates whose costs and benefits are far removed from them personally. The literatures in modern political science and public administration which deals with policy failure draw heavily on this basic sociological formulation.¹⁰

Thus, scholars as disparate as economists and sociologists are in general agreement on the root cause of bureaucratic failures: individual bureaucrats face incentives which are unrelated to if not incompatible with the efficient and faithful implementation and administration of the law. To be sure major differences appear once we move beyond this general position. Sociologists place more weight on intangible goals (e.g. status, peer approval) relative to material rewards than do economists. The literatures differ too on the subject of intentionality. Sociologists speak of the "internal dynamics of organizations" as if these had an existence at least partially independent of the individuals in the organization. Happenstance and history also play a nontrivial role in sociological analysis. In contrast, economists emphasize the conscious pursuit of goals (if not conspiracy). To take an extreme example, George Stigler says in essence that only naïve academics believe that the general interest ideal should bear any relation to the special interest reality of economic regulation, that the regulatory process is of, by, and for the regulatees, and that the high-minded sentiments of the authorizing legislation were purely symbolic and were known to be at the time.¹¹ The literatures also differ greatly in their treatment of institutions. Much of the economic literature models the pursuit of private interests through a relatively undifferentiated political process. The sociological literature places greater emphasis on institutional forms. The political science literature and to some extent the public choice literature also pay heed to institutions.¹² The latter can shape incentives, or at least the behavior by which individuals pursue their ends, though the public choice literature, in particular, recognizes that institutions themselves, especially informal ones such as "norms" and "standard

operating procedures" are the reflections of incentives faced by those who originated them.¹³ In this view, private incentives affect both the structure and activity of the bureaucratic process.

Insofar as we are concerned with the redress of bureaucratic failures, differences like the preceding are of major importance. From the standpoint of the institutionally sparse model of Stigler, one type of proposal for reform of the regulatory process might naturally arise. From the standpoint of the institutionally richer model of a William Niskanen, another type of reform might seem more obvious. And from the standpoint of the socially rich model of the sociologists yet another variety of reform might appear appropriate.

In order to make any claims about the likely efficacy of structural reforms now in the air, let alone propose any new ones, we must ascertain whether such reforms will get at the root of the problem -- the inconsistent incentives facing those involved in bureaucratic failures. Thus, in the next section I consider in greater depth the incentive problems thought to underlay the kinds of bureaucratic failures illustrated in Exhibits (1) to (6). My principle theme is that many of these incentive problems originate in Congress, or more broadly, the American electoral system. Thus, properly speaking, they are not bureaucratic failures at all, but Congressional failures. In the last section of the paper I will discuss the poor prospects for structural reform in light of the discussion of Congressional failures.

BUREAUCRATIC FAILURE: A CLOSER LOOK

Some pages ago I proposed a working definition of bureaucratic failure as the consensual judgment that a bureau or agency is not accomplishing its

manifest goals as efficiently as possible. After considering possible explanations for bureaucratic failure I settled on that which identifies insufficient incentives for bureaucrats to carry out efficiently the manifest goals of the bureau, and/or the existence of strong incentives to behave in a manner inconsistent with the efficient pursuit of the bureau's manifest goals. Let us now take a closer look at these various and sundry incentives.

The Standard Analysis

Economists long ago pointed out the differences between the incentive structure faced by private sector providers of private goods and public sector providers of public goods. Bureaus and agencies are not profit making entities. Thus, their performance is not judged by the usual private sector standards. Indeed, for many agencies it is difficult to make even rough estimates of the overall benefits and costs of their activities. How are public goods like national security and wilderness preservation to be valued? And while the direct costs of bureaucracy might be tabulated fairly easily, the indirect costs are another matter.¹⁴

As a result of the preceding fundamental differences the standard analysis continues, bureaucratic managers' rewards are not based on the "bottom line." Their remuneration consists of a fixed salary which is for all practical purposes guaranteed regardless of the performance -- however roughly evaluated -- of their agency or bureau. These managers have little personal material incentive to avoid inefficient operations since they can not appropriate any of the savings more efficient operations might produce. In fact, the standard analysis continues, matters are probably worse. Public sector managers' rewards (tangible such as salary and perks and intangible

such as status and power) covary with the size (employment and budget) and importance (i.e. power) of the agencies. Thus, there are positive incentives to increase agency work forces, budgets and missions. Not only is there no incentive to operate efficiently, there are compelling incentives to operate inefficiently.

The standard analysis regards other "bureaucratic" characteristics as derivatives of the perverse incentive structure just described. Buckpassing? Why stick your neck out? A bold decision which proves well-advised will gain little more than a pat on the back, whereas one which proves ill-advised may have real costs in terms of promotion prospects (and occasionally in terms of perks). Similarly, detailed rules and excessive adherence thereto reflect the determination to cover one's flanks. In general the "conservatism" of bureaucracy is attributed to the lack of positive incentive for initiative vis-a-vis the lack of negative incentive for risk-minimization and avoidance of responsibility. And, of course, the standard analysis recognizes that self-selection may reinforce the asymmetry of incentives. Those individuals who lack initiative and thrive in highly structured settings may be disproportionately attracted to and successful in bureaucracies.

The standard analysis undoubtedly captures a part of the explanation of bureaucratic failure in the U.S. federal government (e.g. parts of Exhibits 1-4). But there are certain questions it fails to illuminate. Most obviously, why do bureaucrats ever take bold, controversial actions? Why did the FTC provoke the 96th Congress into legislative retaliation? Even if such cases are dismissed as deviant, other questions remain. If internal bureaucratic incentives are all wrong, why not change them? It is not

sufficient to mention Civil Service; the law could be changed. And even if it were not, why should the federal government rely so heavily on service-providing and regulatory bureaucracy as public policy instruments? There are others; why are they not used more often?

Augmenting the Standard Analysis: Bilateral Exchange

Niskanen begins with the standard analysis, but appends to it a second major consideration.¹⁵ Not only is a bureaucrat's personal remuneration not directly linked to the benefit-cost ratio of his agency's programs and activities, in addition, a bureau's revenues are similarly unlinked. The typical government bureau receives a large part if not all of its revenues in the form of an appropriation or grant from the legislature. Thus, bureaus and their political sponsors engage in a bilateral exchange relationship. The sponsor is not satisfied with the private market outcome else there would be no program. The agency is prepared to design and administer a program -- for a price. The sponsor wishes to buy cheap, the agency wishes to sell dear, and the game begins. Various asymmetries characterize the game. The bureau has much more accurate knowledge of its production function than the sponsor, and based on past experience can estimate what price the legislative market will bear. Thus, the typical bureau's position is that of a monopoly supplier with some degree of ability to exploit a passive sponsor (e.g. Exhibit 2). Niskanen models this situation insightfully. His general conclusion is that the bilateral exchange between legislature and bureaucracy results in an oversupply of publicly-provided goods and services.

Niskanen's seminal analysis has spawned a fairly extensive literature, most of which has appeared in the journal, Public Choice. These derivative

analyses typically modify some part or another of the original structure of the model, and report specific conclusions somewhat different from those in the original. For our purposes, the basic finding of the model is what matters, and that finding is common to the many variations on the main theme. Even when we presume nothing in the way of internal bureaucratic dynamics, bureaucratic politics, the nature of bureaucratic personalities, or whatever, we still find an important variety of bureaucratic failure -- inefficient supply of public services -- which arises purely from the interaction between bureaucratic and legislative institutions. The finding is simple, stark, and discouraging.

The Political Science View: Trilateral Exchange

The literature stimulated by Niskanen's work is almost completely theoretical. Part of the reason for its generally positive reception lies in the existence of an extensive empirical literature in political science which is consistent with the outlines of Niskanen's conclusions. As mentioned earlier, the political science literature on bureaucracy draws heavily from sociological formulations which emphasize organizational dynamics and bureaucratic politics. But there is another large literature which treats the bureaucracy as a component of larger policy processes, a literature which contains numerous case studies consistent with, though more complex than the simple model of bilateral exchange. The central concept in this latter literature is that of the "policy subsystem," also called "subgovernment," or "iron triangle." The three elements of such triangles are a government bureau, its constituency (i.e. the "consumers" of its services or activities), and the congressional committees or subcommittees with

jurisdiction over the bureau.¹⁶ These three components of a policy subsystem engage in trilateral exchange: Congressmen nurture the bureau, the bureau services its constituencies, and the constituencies provide political support for the congressmen.¹⁷ Much of this literature focuses on public policy failure, but given the perspective just advanced, such failures are not hung solely on the bureaucracy. In fact, upon considering the legally subordinate position of the bureaucracy and the politically supplicant position of the bureau's constituency, the "subgovernment" literature attributes a large part of policy failure to the Congress.

After reading accounts like those presented in Exhibits (1) to (6) the outraged citizen asks "Why doesn't Congress do something besides publicize and recommend!" The student of Congress replies "Because there's no such thing as Congress; there are only two Houses, four party caucuses, 300 odd committees and subcommittees, and ultimately 535 members. Congress generally does little besides investigate and recommend because in the end one congressman's bureaucratic failure comes too close to another Congressman's bread and butter. That this argument should need further repeating at this stage in our history continually surprises me, but evidence to the contrary abounds, so let us consider it one more time.

Representatives and Senators are elected from geographically defined districts which only by chance are microcosms of the nation as a whole. Our representatives are no worse than the rest of us, but no better either. Thus, they regard themselves as principally responsible to those who control their personal fates, namely subgroups in their geographically defined districts. Congressmen comprehend the national interest only when it is translated into local dialects.

As David Mayhew has persuasively argued, the complicated formal and informal structure of Congress facilitates the typical member's efforts to please his district and thus win re-election.¹⁸ For our purposes the most important element of the congressional structure is the committee system and the practices which surround it. In a society like ours there is much to be said for a division of labor. If members separate into small groups, specialize in a particular program area, and respect each other's areas of expertise, will we not get better law than if the entire Congress tries to participate on an equal footing in all policy areas? Certainly that is the belief underlying traditional justifications of the committee system and its supporting structure of informal norms like apprenticeship, specialization, and reciprocity.¹⁹ The justification would be more persuasive if congressmen were elected at large, or if committees were selected randomly from the membership of the full body. In either case there would be little reason to believe that small specialized committees would make decisions greatly different from those the entire chamber would make if equally well-informed.²⁰

Obviously, however, such conditions do not hold. Not only does each member have a locally-colored perception of the national interest, but the committee assignment process generally allows members to join those committees whose subject matter is of greatest interest (i.e. political importance) to them.²¹ If these "interested" members then develop programs and oversee agencies in a relatively autonomous fashion, should we really expect a government which unequivocally serves the general interest? Or should we expect a government which generously subsidizes commercial agriculture, the Teamsters, government employees, defense contractors, or whatever one's favorite special interest? The relevant committee may be well aware that

money is being wasted, but at least its being wasted by their people, on their people. Cynical? Think about it.

Are we to believe that the purportedly expert Chairman of the Senate Appropriations Subcommittee (Exhibit 2) really was unaware of the submerged iceberg of HSS payroll? (If so, why?) Is it unduly cynical to suggest that the distinguished chairman tacitly approved a means of evading employment ceilings imposed by his colleagues?

Are we to believe that EPA promulgated regulations (Exhibit 5) which were really beyond its Congressional overseers' wildest dreams? Is it not likely that the Democratic members of the Senate Environment and Public Works committee had a broader concept of ``jeopardy to health and welfare'' than does Mr. Kilpatrick?

Are we to believe that members of the Commerce Committees and the relevant Appropriations subcommittees really were unaware of the economic impact of ICC regulation of the trucking industry (Exhibit 6)? Is it unduly cynical to agree with Mayhew that ``... there is every reason to believe that the regulatory agencies do what Congress wants them to do.--22

Even when an agency clearly does violate the intent of its congressional masters, the reactions are illuminating. In Exhibit 3, for example, it sounds as if Representative Spellman, who then chaired the Compensation and Employee Benefits Subcommittee of the Post Office and Civil Service Committee, might go howling for bureaucratic scalps. Not so. The article goes on to report that Representative Spellman, a vigorous defender of federal employees favored elimination of the federal pay cap, rather than enforcement: ``I think it's a silly way to deal with the problem.''

In the end, many of our bureaucratic failures seem to have a large element of congressional failure underlying them. Wasteful, deceptive, disingenuous, paternalistic, and captive bureaucrats work in harmony with wasteful, deceptive, disingenuous, paternalistic and captive congressmen. To a considerable extent the former reflect the latter. The bureaucrats catch a disproportionate share of the public relations flak, while the congressmen appropriate a disproportionate share of the political credit, in return for which they shelter the bureaucrats. Various special interests provide the motive force and are paid handsomely for their labors, but the more general interests of American citizens get short shrift under such a system.

STRUCTURAL REFORM AS A CURE FOR BUREAUCRATIC(?) FAILURE

Political science professors are by nature cautious about structural reform. To some extent their caution reflects knowledge of numerous reforms whose unintended and unanticipated consequences were fully as bad as the objects of reforms. And to some extent their caution simply reflects the old saw, ``If it ain't broke, don't fix it.'' Why dissipate resources on structural reform campaigns which will not solve the targeted problems even if successful? Reformers should recognize that the day to day processes of the government reflect equilibria of political forces. If all the politically significant actors in a given program or policy area are reasonably happy with the state of that area, then structural reform is not likely to succeed, and if it does, it is not likely to make much difference. There simply are not that many cases of devilishly deceptive bureaucrats pulling the wool over congressional eyes, though some congressmen would like us to believe that. There are, however, many cases where congressmen voluntarily don wool

blindness.

The brutal fact is that only a small minority of our 535 congressmen would trade the present bureaucratic structure for one which was an efficient, effective agent of the general interest -- the political payoffs of the latter are lower than those of the former. Congressional talk of inefficient, irresponsible, out-of-control bureaucracy is typically just that -- talk -- and when it isn't, it usually refers to agencies under the jurisdiction of other congressmen's committees.²³ Why do reformers continually ignore the fact that Congress has all the power necessary to enforce the "people's will" on the bureaucracy? The Congress can abolish or reorganize an agency. The Congress can limit or expand an agency's jurisdiction, or allow its authority to lapse entirely. The Congress can slash an agency's appropriations. The Congress can investigate. The Congress can do all of these things, but individual congressmen generally find reasons not to do so.

Congressmen themselves are increasingly aware of the contradictions between their individual interests and their constitutional responsibilities. Not surprisingly, structural reform in Congress itself has been their preferred solution. In an attempt to increase Congressional oversight of the bureaucracy special oversight subcommittees have been established, but while the sheer volume of oversight activity has increased (why be a subcommittee chairman if you don't hold a hearing now and then), we await research showing that the quality or effectiveness of the oversight has improved. Skepticism is justified because the structural reform does not touch the problem Seymour Scher identified long ago: insufficient incentives to oversee in the systematic way desired by reformers.²⁴ Not only are other uses of congressional time more politically profitable, but as Scher points out,

oversight can be dangerous. A subcommittee might blunder onto a smoothly functioning subgovernment and thereby provoke the ire of colleagues and interest groups. And, of course, in one's own bailiwick congressmen feel that oversight can best be done in an informal, personal, and confidential manner.

Another structural reform which has attracted much attention in Congress is the class of proposals labeled "sunset." Recent reports indicate that this is an idea whose time has come and gone. Even so, notice that sunset is an attempt to force Congress to exercise powers it already has. If Congressmen had any compelling incentive to scrutinize the operations of agencies and the impacts of programs, they would do so without sunset and/or special oversight subcommittees. The incentive is not there, and sunset will not change that.

I hesitate to conclude with an uninterrupted stream of negative judgments about structural reform. But I am equally hesitant to offer suggestions about structural reforms which would make a difference, for these are so radical as to horrify the average citizen. To have an impact a structural reform must change incentives. What kind of reform, then, would change the incentives which underlie the congressional-bureaucratic failures I have discussed? The most obvious one would involve a change in the electoral system. Proportional representation would break the link between geographic district and congressmen, and thus allow the latter to hear the general interest a bit more clearly. So would single-member district elections with districts composed of randomly-selected social security numbers rather than geographic areas. One can say a great deal for and against such proposals, but in view of their total infeasibility, let's not bother.

Another structural reform would establish closer ties between the electoral fates of individual congressmen and the public's perception of the collective performance of the Congress (and the Administration when applicable). At one time political party loyalty (in the electorate) and cohesion (in the government) did this, but in the contemporary U.S. the typical congressman answers for no one's performance or record but his own, the 1980 election notwithstanding.²⁵ An institutional means of recreating this broken link has recently been suggested by Lloyd Cutler.²⁶ He proposes that the election laws be changed to require the citizenry to choose between candidate packages which include president, vice-president, and House candidates. Of course, the Senate remains untouchable, and Cutler's proposal is no more feasible than those mentioned above.

Creative intellects can propose structural reforms from now to doomsday, but those reforms which would significantly change the incentives facing congressmen and bureaucrats will stand little chance of adoption, even if political analysts can marshal no major negative arguments against them.²⁷ The political forces underlying existing equilibria will understandably block any structural reform capable of destroying these equilibria. Unfortunately, such equilibria arise from fundamental features of our constitutional system; only structural reforms aimed at that level can make much of a difference.

FOOTNOTES

1. In a widely reported speech before the ADA, Senator Paul Tsongas (D. Mass.) sounded a call for liberals to shed an outdated New Deal philosophy and develop a new one suitable for dealing with contemporary problems and consistent with contemporary constraints. In contrast, his colleague, Sen. Kennedy has merely hunkered down.
2. See for example, AEI's Public Opinion, September/October 1978, pp. 33-35, and in the same issue "Is American Moving Right? Ought It?", pp. 8-12.
3. See my Retrospective Voting in American National Elections New Haven: Yale University Press, 1981.
4. Robert Novak, "What's Happening out There?" Public Opinion September/October 1978, pp. 2-7, especially Table 3.
5. Seymour Martin Lipset and William Schneider, "The Public View of Regulation," Public Opinion, January/February 1979, pp. 6-13.
6. I address this observation to libertarians for the simple reason that contemporary conservative Republicans are no less statist than liberal Democrats. They only wish to use the power of the state against different individuals for different ends.
7. A case in point, various states have statutes governing the rate of expenditure of agency budgets as a means of limiting the "hurry-up spending" described in Exhibit 1. Rep. Herbert Harris (D., Va.) pushed such a proposal in the 96th Congress. Ironically he was defeated in the

- 1980 election.
8. Theodore Lowi, The End of Liberalism (New York: Norton, 2nd ed., 1979).
 9. Roger Noll, Reforming Regulation (Washington: Brookings, 1971), p. 101.
 10. To cite just one example, the wide-ranging literature on implementation accords an important though not exclusive role to the difficulties inherent in executing public policies through federal, state, and local bureaucracies, all of which have their own mission and their own ways of doing things. The seminal work is Jeffrey Pressman's and Aaron Wildavsky's Implementation (Berkeley: University of California Press, 1973).
 11. George Stigler, "The Theory of Economic Regulation," Bell Journal of Economics and Management Science 2 (1971):3-21.
 12. See William Niskanen, Bureaucracy and Representative Government (Chicago: Aldine-Atherton 1971), and Gordon Tullock, The Politics of Bureaucracy (Washington: Public Affairs Press, 1965).
 13. Barry Weingast, "A Rational Choice Perspective on Congressional Norms," American Journal of Political Science 23 (1979):245-262.
 14. For an attempt to measure the total costs of federal regulation, see Murray Weidenbaum, "Costs of Regulation and Benefits of Reform," Formal Publication #25, Center for the Study of American Business, Washington University, November 1980.
 15. Bureaucracy and Representative Government, chapter 2.

16. For a work which relies heavily on the subgovernment notion and draws on much of the case study literature, see Randall Ripley and Grace Franklin, Congress, the Bureaucracy, and Public Policy (Homewood, Ill.: Dorsey Press, rev. ed.), 1980.
17. Niskanen does not ignore the third pair, though he concentrates on the first two. In his chapter 14, he gives the passive sponsor (committee) a passive constituency, with interesting consequences.
18. "... if a group of planners sat down and tried to design a pair of American national assemblies with the goal of serving members' electoral needs year in and year out, they would be hard pressed to improve on what exists." Congress: The Electoral Connection (New Haven: Yale University Press, 1974), pp. 81-82.
19. Specialization and apprenticeship are self-explanatory. Reciprocity is the notion that members not on a committee should refrain from interfering in the business of another committee. The classic discussion appears in Richard Fenno, The Power of the Purse (Boston: Little, Brown, 1966), chapter 4. In the aftermath of the 1970s assaults on the seniority system and the (related) influx of new members, it appears that informal norms are no longer so important in the House as they were in say, the mid-60s. In the Senate the norm system probably eroded somewhat earlier. Nevertheless, power in Congress is now so fragmented that a newcomer with the will to interfere still finds it difficult or impossible to do so.
20. On the other hand even these conditions might not induce committees to

take a general interest view. The increased importance of campaign funds and their geographic mobility might quickly induce a congressman to understand the ``special`` viewpoint of interests subject to his committee's jurisdiction even when those interests are not important in his geographic district.

21. Kenneth Shepsle, The Giant Jigsaw Puzzle: Democratic Committee Assignments in the Modern House (Chicago: University of Chicago Press, 1978).
22. Congress: The Electoral Connection, p. 135.
23. I have argued against the notion of ``out of control`` bureaucracy in an earlier article, ``Congressional Control of the Bureaucracy: A Mismatch of Incentives and Capabilities,`` in Laurence Dodd and Bruce Oppenheimer (eds.), Congress Reconsidered (Washington D.C., Congressional Quarterly Press, 1981), pp. 332-348.
24. Seymour Scher, ``Conditions for Legislative Control,`` Journal of Politics 25 (1963):526-551.
25. This argument is developed at length in my ``The Decline of Collective Responsibility in American Politics,`` Daedalus (Summer, 1980) p.24-45.
26. Lloyd Cutler, ``To Form a Government,`` Foreign Affairs, 59 (1980): 126-144.
27. The most imaginative proposed reform I have heard lately is the suggestion of Baden and Fort that a ``bureaucratic predator`` be allowed to run amok in the federal bureaucracy. The agency would be assigned the

responsibility of rooting out waste, inefficiency, and ineffectiveness, and as a reward for its hunting would receive a portion of the useless expenditures it discovered. The proposal is delightful, but congressmen would no more create such an agency than sheep ranchers would import coyotes into the sheep pens. See John Baden and Rodney Fort, ``Natural Resources and Bureaucratic Predators,`` Policy Review 11 (1980):69-82.