UNDERSTANDING BUREAUCRATIC BEHAVIOR: IMPLICATIONS FROM THE PUBLIC CHOICE LITERATURE*

by

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Those who see the government as the solution to what often seems to be an ever growing list of perceived problems created by people in their various private undertakings, often fail to recognize the government programs are also implemented by people who have their own concerns, their own interests, and their own views of what is right and wrong. They are concerned about making a living to support their family, about job security, about the perquisites of their job, and so on. And most importantly, like most everyone else, they rationally respond to the incentives and constraints that they face. As a result, government rules, regulations, and programs may not be implemented in the way that their advocates want them to be, and they may not have the impact that advocates expect. In fact, even when it is generally believed that government should do various things, disappointment with what government actually does and the way it does it, is a widespread phenomenon. For instance, in an important recent book focusing on the federal bureaucracy in the United States, Johnson and Libecap (1994: 1) wrote:

Cynicism about the federal bureaucracy is widespread. The general public views federal employees as aloof, uncaring bureaucrats who are unresponsive to their requests. Throughout the country, there is a prevailing sense that government is synonymous with inefficiency and waste and that the federal bureaucracy is essentially out of control. Discussions in both the academic and the popular press have focused on the issue of poor productivity and ways to make the bureaucracy more effective and responsive to voters in the provision of services.

Similar characterizations apply to bureaucracies everywhere. Why? Over the last few decades, a lot has been learned about why bureaucracies behave the way they do. Much of these insights have come from the application of "economic" or "public choice" models to bureaucratic institutions. These models of bureaucratic behavior explicitly or implicitly assume that (1) only individuals act and make decisions; (2) these individuals recognize their alternatives, anticipate potential although uncertain outcomes, and rationally attempt to maximize their well-being in the face of incentives and constraints; and (3) information is scarce and costly to obtain so that the ability of citizens and their representatives to monitor and control bureaucracies is limited. These assumptions, in combinations with an understanding of the incentives and constraints that exist in particular bureaucratic environments, often can explain the characteristics of bureaucrats that people complain about - their apparent aloof, uncaring, unresponsive, wasteful, inefficient, and unproductive behavior. It is not that they are "bad people," after all; indeed, they may be very "good people" who chose their jobs in part because they see an "important" issue that they feel must be addressed. But as Breton and Wintrobe (1982: 152) explained, "One need not assume Machiavellian behavior, deceit, or dishonesty on the part of
bureaucrats, because in all likelihood the pursuit of their own interest will be, as it is for everyone else, veiled in a self-perception of dedication and altruism. Furthermore, bureaucrats are in a relatively unique institutional environment if for no other reason than the fact that, as Mises (1944: 80) explained,

The bureaucrat is not only a government employee. He is ... at the same time a voter and as such a part of the sovereign, his employer. He is in a peculiar position: he is both employer and employee. And his pecuniary interest as an employee towers above his interest as employer, as he gets much more from the public funds than he contributes to them. This double relationship becomes more important as the people on the government's payroll increase. The bureaucrat as voter is more eager to get a raise than to keep the budget balanced.

Thus, for example, the expanding political power of the U.S. federal bureaucracy has produced a system characterized by salaries protected from fluctuating political and economic conditions which compensate rank-and-file bureaucrats more than their private sector counterparts who perform similar tasks, by laws that effectively grant bureaucrats "tenure" because dismissal is extremely difficult and costly, and by rules that weigh seniority over merit in promotion decisions (Johnson and Libecap 1994: 4-5). Incentives to produce efficiently, to be unaloof, caring, responsive, careful, efficient, and productive are virtually impossible to instill under such circumstances, of course.

This presentation is intended to bring together and assess the growing body of economic-based research on bureaucratic behavior. Much of the literature, particularly following the important contributions by Niskanen (1968, 1971, 1975), has treated bureaus as single decision-making entities. The result might best be summarized as modeling the interaction between oversight sponsors (e.g., legislatures) and senior-level career professionals who serve as bureau managers. The theoretical and empirical literature building on Niskanen is discussed in Section I. A related literature, follows Tullock's (1965) suggestion that an understanding of bureaucratic behavior really requires recognition of the different incentives and constraints that are faced by all of the different actors within the bureaucracy. Section II examines this literature, focusing on relationships between political appointees, professional management, mid-level supervisors and the bureaucratic rank-and-file, as they are influenced by the institutional environment (e.g., is the bureaucracy a protected "civil-service" system, does a political-patronage system dominate, etc.). These different actors will also attempt to influence the evolution of both policy and the institutional environment. Thus, the dynamic aspects of bureaucratic policy, growth, and institutional evolution reflect
in part, the role and consequences of bureaucrats as active political interest groups. These dynamic issues are examined in Section III. Finally, potential policies for controlling bureaucratic behavior are briefly discussed in Section IV.

I. Incentives and Constraints for Professional Bureau Managers

Niskanen (1968, 1971) contended that while managers of bureaus may have several goals [e.g., "salary, perquisites of the office, public reputation, power, patronage, output of the bureau, ease of making changes (i.e., discretion), and ease of managing the bureau" (1971: 38)], virtually all of these goals are positively and monotonically related to the size of the bureau. Thus, Niskanen (1968, 1971) simply assumed that a utility-maximizing bureau manager could be characterized as a budget maximizer. Of course, for such budget-maximizing objectives to matter, bureaucrats must have the discretion and power to pursue their interests. Mueller (1989: 248) explained that "Uncertainty creates the potential to exercise power; information provides the capacity to do so." If there is no uncertainty (e.g., if the oversight sponsor has full knowledge of the workings of bureaus) then bureaucrats can have no discretion and no power to pursue their own objectives. Niskanen (1971) recognized this and explicitly assumed that only bureau managers know their bureaus' true production functions. That is, bureau managers know what it really costs to produce their outputs and the oversight sponsor does not. Furthermore, for many bureaus, output is not measurable and it cannot be objectively evaluated (i.e., as in a market by competitively determined prices). Measurement problems create a significant monitoring problem for the sponsor, as Niskanen (1971) recognized [also see Tullock (1965), Breton and Wintrobe (1982), Lindsay (1976) and others]. In light of these considerations, Niskanen (1968, 1971) depicted a bureau manager in a bilateral monopoly bargaining arrangement with strong bargaining power relative to the legislative oversight and budget setting authority. The bureau made an all-or-nothing offer and was able to maximize budget, given the legislature's demand.

Niskanen's critics and his reformulation. Mique and Belanger (1974) explained that budget maximization unduly limits the range of utility maximizing efforts. They proposed that bureaucrats seek discretion reflected by budgets with excess revenues over actual costs. These excess revenues are referred to as a "discretionary budget," "discretionary profit," "fiscal residuum," or "organizational slack" in the subsequent literature. Discretionary budgets may be the sources of many of bureaucratic perquisites, for instance, and perhaps for some of the manager's income as well. Niskanen (1975, 1994: 273-275) was convinced by Mique and Belanger's (1974) argument and in an important reformulation of his model (Niskanen 1975), he assumed that the bureau manager is a utility maximizer with income and non-monetary perquisites (e.g., prestige, staff support, travel, leisure time or shirking, social and physical amenities, discretion to do the job) as arguments in the utility function. Income and perquisites
were in turn assumed to be functions of both bureau output (i.e., the size of the bureau) and the discretionary budget. As a result, maximizing behavior for bureaucrats in Niskanen's (1975) reformulated model depend on the bureaucrats' preferences and the incentive structures that they faces (Toma and Toma 1980). What are the tradeoffs between income and perquisites, between bureau output and discretionary budget, and so on?

Breton and Wintrobe (1975: 199) argued that Niskanen's assumption about bureaucratic bargaining power was also too strong, noting that a bureau's sponsor (e.g., a legislative oversight committee, city council, county commission, or any other individual or group with legislative powers) has a good deal of control over a bureau. Niskanen (1975, 1994: 275-278) also accepted the Breton-Wintrobe (1975) critique, and considered active oversight monitoring in his reformulated model. However, he recognized that such oversight control is limited in its effectiveness. Naturally, if there were no constraints on legislators' time and resources, they would force politically efficient behavior, but constraints do exist (Tullock 1965: 72-73). In fact, much more time and effort apparently ends up being directed at dealing with interest groups than with bureaus, at least in the United States (Neely 1982: 67-80; Johnson and Libecap 1994: 139). Thus, control of a bureau should be "imperfect" in the sense that politically ideal outputs are not likely to be produced and production is not likely to occur at minimum costs (discretionary budgets exist).

Control devices go beyond direct monitoring by the oversight sponsor itself or even by a "political appointee" charged with controlling the bureau. They can include the establishment of competing bureaus that might monitor their competitors and report improprieties in order to expand their share of the political market. Such competition is clearly evident. Frederick Kaiser (1980) reported that in 1980 more than 110 federal agencies in the United States competed in overlapping police, investigation, and law enforcement jurisdictions, for instance. Indeed, Niskanen (1971) recognized that the maintenance of alternative sources of output is an important legislative control device. When the legislature has different bureaus to choose from for any particular output, the bureaucrat's budget requests and outputs are closer to the legislators' politically optimal budget and output. The threat of contracting out with private providers can have a similar effect (Benson 1990). Another potential control device is to encourage lower level civil servants to provide information on bureau operations and manager behavior (Tullock 1965: 190), perhaps by setting up a competition for management positions (Breton and Wintrobe 1982: 96-97).

An oversight sponsor can also break the link between salary and bureau size (Johnson and Libecap 1994: 163). This option was apparently exercised by the U.S. Congress, as the salaries of upper-level career officials are restricted by statute. These salary caps apply to all federal agencies, regardless of size, and
they are relatively inflexible. Thus, Johnson and Libecap (1989) found that doubling the size of a federal bureau increased senior level salaries by 3.3 percent relative to an agency that did not grow. Johnson and Libecap (1989, 1994: 163) concluded that the incentives of senior officials to expand their agencies to obtain higher salaries are largely removed in the federal system in the United States because salaries are largely determined independently of bureaucracy size or growth. They are careful to point out that their conclusions do not necessarily extrapolate to other bureaucratic settings, however, and they only address the salary-size relationship. Indeed, it should be noted that the potential for corruption (illegal income) can increase as bureaucratic discretion increases (Benson 1988, 1990; Thornton 1991; Rasmussen and Benson 1994), and discretion can increase with bureau growth as effective monitoring becomes more difficult, so in some settings at least, income and size may be correlated even if legal salary and size are not.

Tullock (1965: 136) suggested that the way most governments outside modern U.S. and Europe have broken the link between bureau size and bureaucratic manager's self-interest is by giving the bureau a fixed budget and set of functions to perform, without being concerned about the number of employees it takes to perform the functions. Perhaps more significantly, as Tullock (1965: 136) noted, as long as bureau output meets the expectations of the sponsor "no higher official asked ... for an accounting." This tends to make the bureau manager the residual claimant, by allowing him to allocate the discretionary portion of the budget (revenues above expenses) in ways that generate personal benefits. But while this reduces the incentives to maximize size or total-budget, it is likely to lead to a discretionary-budget maximizing effort. Indeed, constraints that limit incentives to maximize bureau size may produce incentives to maximize discretionary budget.

Other control devices are also evident in many bureaucratic processes. For example, rather than the bureau dominated budget negotiations with the "all-or-nothing" offers assumed in Niskanen (1971), the U.S. Congress actually budgets an amount for salaries and expenses, and specifies the number of full-time equivalent employees allowed, thereby limiting a bureaucrat's discretion in allocating funds (Johnson and Libecap 1994: 164). Furthermore, tight administrative rules can limit discretion by requiring public participation in designing new polices, and/or public notice before implementing policy changes (McCubbins, et al. 1987, 1989). And numerous other institutional devices can be effective under some circumstances (Tullock 1965: 142-220). Some writers [e.g., Fiorina and Noll 1978; McCubbins, et al. (1987, 1989); Weingast and Moran (1983)] see these constraints as being quite tight, so that bureaucrats are not able to depart very far from the wishes of their sponsors. Others see political control to be weak [e.g., Tullock (1965); Niskanen (1968, 1971, 1975); Borcherding (1977); Breton and Wintrobe (1975, 1982); Miller
Evidence regarding bureaucratic discretion. Weingast and Moran (1983) examined Federal Trade Commission behavior, and finding evidence of Federal Trade Commission responses to political demands of Congressional oversight constituencies, concluded that bureaucrats are effectively controlled by congress. As Johnson and Libecap (1994: 158) pointed out, however, "Showing that Congress had sufficient power to control a 'runaway' agency does not deny the existence of independent bureaucratic behavior." Indeed, the fact that bureaucracies do respond to political influences on their oversight sponsors simply suggests that the modified Niskanen (1975) type model may apply: bureaucrats rationally respond to the incentives and constraints that they face." Johnson and Libecap (1994: 164) explained, for instance, that while salary caps for U.S. federal government bureaucratic managers may undermine bureaucratic incentives to expand budget and size, they also undermine incentives to respond to political pressures: "In an environment of competition between the president and members of Congress to influence the bureaucracy, salary limits make it more difficult for politicians to reward agency officials who are especially responsive to their demands to adjust policy." Therefore, while the size-maximizing, or budget-maximizing incentives of the early Niskanen (1968, 1971) model might be questionable for federal bureaucracies in the United States (Niskanen 1994: 269-282), and little evidence exists to support a strong relationship between bureau size and bureaucrat's interests (Blais and Dion 1991: 355-361), Niskanen's bureaucratic discretion (e.g., independence) implications may be very strong.

Lindsay's (1976) findings are revealing in this light. He recognized that many bureaus produce numerous outputs, some of which are easily measurable and some of which are not. Therefore, a bureaucrat has incentives to produce the measurable outputs in qualities that correspond to the monitor's desires, while exploiting the uncertainty associated with unmeasurable outputs (e.g., to gain discretionary budget). Lindsay (1976) found that the Veteran's Administration in the United States provided expected levels of easily measured outputs (hospital beds, patient days) while producing relatively low quality services for unmeasurable outputs. On measurable dimensions then, the bureau may look like it is effectively controlled by the monitor, "but if all dimensions cannot be monitored, then some power to scrimp on these attributes rest with those in the bureau, who can use the savings to forward their own interests" (Mueller 1989: 258). Gist and Hill (1981) corroborated Lindsay, finding that the United States Department of Housing and Urban Development used their discretion to allocate funds to less risky investments in order to avoid criticism, even though the goal of the program was supposedly to help "distressed cities" where risks were too high to attract private investment. Thus, bureaucrats appear to be risk averse and to have the discretionary ability to adjust output.
in order to avoid some risk. Clearly, bureaucrats are not totally free to pursue their own goals, but some discretion remains. Indeed, Faith et al., (1982), who examined very similar issues to those explored by Weingast and Moran (1983), concluded that "we would not be so hasty in discarding [either] budget-maximizing or congressional influence hypotheses [arguing against Katzman (1980) who found no evidence of congressional influence on FTC behavior] about regulatory bureau behavior" (1982: 342). Similarly, Romer and Rosenthal (1978, 1979, 1982) found that agenda setting local school boards in Oregon, who offered take-it-or-leave-it referendum proposals, achieved budgets in excess of that preferred by the median voter, but like Faith, et al. (1982), they concluded that both a pure uncontrolled budget-maximizer model and a passive or perfectly-controlled bureaucracy (pure median voter) model "may be inappropriate" (1982: 577). Along these same lines, Gonzalez and Mehay (1985) developed a discretion-maximizing model of local bureaucracies and generated empirical results which were more consistent with that model than were similar results explained by earlier researchers based on competitive median voter models. In general, this literature suggests that an uncontrolled bureaucracy model does not explain bureau behavior, but neither does a model which assumes that the bureaus have no discretion and simply respond to the demands of legislatures and/or voters. Thus, for instance, Giroux (1989), in his examination of the effectiveness of financial and compliance audits as control devices to assist in monitoring local bureaucrats, found that such efforts could be effective to a degree but that their effectiveness could be reduced as bureaucrats used strategic roadblocks to thwart the audits. Similarly, Zardkoohi and Giroux (1990) found that bureaucratic discretion and employment both rise as monitoring costs rise.

The importance of discretionary budgets. Borcherding (1977) concluded that cross-sectional evidence on the demand for government services can explain only about half of the increase in government spending in the United States. Although this is not a direct test of the Niskanen model, the best explanation for Borcherding's findings appears to be that the combination of political and bureaucratic conditions in the United States tends to lead to relatively rapid government growth (Niskanen 1994: 279). A more direct test was performed by Kress (1989), who studied bureaucratic performance by the California Community College (CCC) system in an attempt to see how important bureau size and discretionary budgets might be. She considered a period of time that allowed her to see the response to an important change in constraints. California passed Proposition 13 in 1978.

It had the effect of severely reducing the growth of property tax revenues flowing into the CCC System. Kress examined cost and expenditure data for periods both before and after the passage of Proposition 13. She reported that "Niskanen demand constrained behavior is shown to be consistent with bureaucratic conduct in the CCC's during the period before Proposition 13. This behavior
is characterized by output maximization and budget maximization" (Kress 1989: 138). However, following passage of Proposition 13, the reduced real revenues per unit of output apparently led bureaucrats to "improve the efficiency of operation and begin to reveal minimum costs" (Kress 1989: 138). Kress (1989: 139) suggested that this result means bureaucrats can be controlled and even forced to reveal their true costs, although perhaps not by legislative oversight: proposition 13 constrained the taxing power of the local legislature and this in turn restricted the discretion of bureaucrats. Even this case was not completely successful, however, as "the discretionary budget did not fall to zero...; both real expenditure and real revenue fell, but real expenditure fell more than real revenue, raising the discretionary budget" (Kress 1989: 139). Indeed, it appears that the discretionary budget even rose slightly while the bureaucracy's size was reduced. Thus, CCC managers were actually willing to give up size in order to maintain a discretionary budget.

Additional evidence regarding the importance of discretionary budgets comes from Benson, et al.'s (1995) exploration of the incentives behind local police bureaucracies involvement in the 1984-1989 escalation in the so-called "war on drugs" in the United States. Drug arrests relative to arrests for reported crimes against persons and property (murder, manslaughter, sexual assault, assault, robbery, burglary, larceny, and auto theft) remained fairly constant at one-to-four ratio from 1970 to 1984, but the relative effort against drugs increased by roughly 45 percent over the next five years. By 1989, criminal justice resources were being used to make only about 2.2 arrests for reported crimes to each drug arrest. Benson, et al. (1995) found that the most powerful explanation for the change is that the federal government's Comprehensive Crime Act of 1984 established a system whereby any local police bureau which cooperated with federal drug enforcement authorities in a drug investigation would share in the money and/or property confiscated as part of that investigation. As a result, police in many states whose own laws or constitutions limited confiscation possibilities, began to circumvent state laws by having federal authorities "adopt" their seizures. Thus, these seized properties were returned to the police, even if the state's laws mandated that confiscations go someplace else (e.g., into general funds or school funds). This asset seizure law established a way to increase police discretionary budgets without going through the standard budget negotiations process with local sponsors (state legislatures, local city councils and county commissions). Local government decision-makers could treat confiscations as a substitute for ordinary appropriations, of course, so Benson, et al. (1995) examined the budgetary impact of local police confiscations. The findings, that a one percent increase in confiscations led to approximately a .7 percent increase in discretionary budgets, were consistent with the hypothesis that confiscations legislation creates significant incentives to change the allocation of police
resources. vii

The unanticipated negative consequences of the reallocation of policing resources were significant. For instance, during fiscal year (FY) 1983-84 there were 1,620 admissions to Florida's prisons for drug offenses, accounting for 12.9 percent of all admissions. By 1989-90 this figure had risen by 875 percent to 15,802 admissions, or 36.4 percent of the total. The result of getting tough on drug offenders was leniency for others. Prior to 1984, prisoners in Florida typically served about 50 percent of their sentences; by the end of 1989 the average prisoner served only 33 percent of his or her sentence; in fact, about 37 percent of the prisoners released in December 1989 had served less than 25 percent of their sentences, and some served less than 15 percent. Those released early included violent offenders who were recognized as serious threats to the community. But prison crowding is only part of the consequences of the drug war. As police efforts increased against drugs, police resources were diverted and efforts against property crime fell. Benson, et al. (1992) estimate that a 1 percent increase in drug enforcement in Florida relative to enforcement directed at reported crimes led to an approximately 0.20 percent to 0.34 percent decrease in the probability of arrest for property crime. Drug enforcement relative to property crime enforcement actually increased by about 40 percent in Florida, so the reduction in the probability of arrest for property crimes, and therefore in the expected punishment for such crimes, was dramatic. Thus, the discretionary response to the federal asset seizure laws in an effort to expand police discretionary budgets cannot be described as efficient: it had significant negative consequences for the citizens of the United States.

Bureaucratic inefficiency. Virtually everything that local governments do in the United States is being contracted out by some city somewhere, including fire services, paramedics and ambulance services, road construction and maintenance, water, parks, recreation services, garbage pick-up, tax assessment, police and security services, and jails. State and federal governments also contract for a wide array of services. This has allowed for extensive empirical study of the relative costs and quality of production by public bureaus and private firms under contract. Contracting out produces cost savings of from 10 to 50 percent for all of the traditional publicly-provided services that have been studied (Poole 1978: 27; Logan 1990; Benson 1990; Fisk et, al. 1978). Furthermore, the quality of the services provided almost always increases. Why? As Fitch (1974: 509) explained:

In a market system dominated by private enterprise, the chief guarantor of product quality, the chief incentive to efficient operations, and the chief force operating to hold prices reasonably close to production costs are competition coupled with the profit motive. One of the main objections to the way in which government bureaucracies operate lies in their tendency to disregard and place their own convenience
over the needs and wishes of their clientele, which is attributed in turn to absence of any counterpart to the profit motive.

But while the incentives facing bureaucrats may lead bureau managers to strive for expanded discretionary budgets and power, with relatively little concern for efficiency, as suggested above, the evidence typically suggests that the most important explanation of the difference between a bureaucracy's costs and a contractor's costs actually reflect payments to labor. For instance, a study (quoted in Savas 1974: 492) of public production versus contracting out by New York City's Office of Administration found: "It is clear that municipal enterprises function under handicaps. Labor productivity is influenced by civil service rules and a union-management situation entirely different from that in private industry. A municipal worker costs more per unit of work." The organizational inflexibility inherent in the Civil Service system in the United States prevents management from disciplining inefficient employees unless their behavior is extreme. Lateral movement to adjust manpower needs in the face of changing demands is virtually impossible, as is hiring at any but the lowest grades. The net effect is that the rank-and-file within a bureaucracy are more expensive per unit of output than laborers employed by private firms. Indeed, the frequently noted dysfunctional qualities of civil service systems reflect, at least to a substantial degree, employee demands which tend to emphasize continuity and seniority over competence as qualifications for higher-level positions, and by employee unions which emphasize the traditional union goals of more pay, less work, and job security.

II. Behavior Within the Bureaucratic Organization

Gordon Tullock's (1965) contribution to the literature on bureaucracy preceded Niskanen's, and while Niskanen focused on the interaction between bureau managers and oversight sponsors, Tullock focused on the interaction between people within the bureaucracy. This is a vital consideration if we are to understand bureaucratic behavior. As James Buchanan explained in the "Forward" to Tullock's book (1965: 2): "If we must have bureaucratic bigness, let us, at the least, open our eyes to its inner workings. Man does not simply cease to exist because he is submerged in an administrative hierarchy."

Competition for management positions. Tullock (1965: 29-23) saw a desire for advancement up the bureaucratic hierarchy as an important motivator for rational utility-maximizing individuals (1965: 29-30). Thus, much of the early part of his book (1965: 1-120) focused on the nature of the relationships between someone seeking promotion and others in a position to influence the promotion process (e.g., superiors, sponsors), and on the likely characteristics of individuals who successfully rise through the hierarchy. Tullock (1965: 26) contended that understanding the behavior of higher level bureaucrats requires an understanding
"behavior of an intelligent, ambitious, and somewhat unscrupulous man in an organizational hierarchy." Indeed, he argued quite convincingly that the promotion process has a bias against morality, because someone who conforms strictly to a moral code has fewer options available in competing for the attention of superiors (Tullock 1965: 31): "the man who is a success in most political systems has had to cut corners, to lie, or at least to distort the truth, and to engage in some back stabbing." This description of the upper level bureaucratic managers does not conflict with Niskanen's, of course. Indeed, it reinforces Niskanen's emphasis on income, discretion, and perquisites as the primary motivators of bureau managers.

The rank-and-file. The problem faced by those at one level of the bureaucracy is persuading subordinates to carry out the desires of the superiors (Tullock 1965: 127-128) - the same problem that bureau sponsors have in controlling bureau managers. Since communications of desires, monitoring and other control mechanisms are imperfect and costly, Tullock predicted that the individuals within the bureaucracy are likely to have a significant impact on overall bureau performance. Therefore, in the pyramidal structure that characterizes bureaucracies, an increasing decline in efficiency can be expected as a function of the number of layers in the hierarchy due to the progressive loss of control from the top down and of information from the bottom up.

Efforts by supervisors to control those further down in the bureau support some of the characteristics that outsiders find objectionable. For instance, Tullock (1965: 184-185) discussed methods used to simplify communications within a bureau, stressing the uniformity of orders given to rank-and-file. These instructions tend to be very specific, and often very detailed, in order to limit discretionary interpretation. Furthermore, the uniformity of instructions applies over time, so that tasks tend to be unchanging. Bureaucratic rigidity and unresponsiveness to external demands is often blamed on the rank-and-file's indifference and/or resistance to change, but it arises at least in part because of such internal control efforts. Rank-and-file may also foster such rigidity, of course, in order to lower their personal costs of doing their jobs. A person who responds to every variation in demand will have to work a lot harder than someone who forces demands to conform to standard practices. So the unresponsiveness of bureaucracies probably reflects the complementary interests of both supervisors and rank-and-file.

Building on Tullock. Breton and Wintrobe (1982) also looked at the interactions between individuals within the bureaucracy and their immediate superiors and subordinates, focusing on the institutional setting (e.g., the intensity of inter-bureaucratic competition for budget shares and intra-bureaucratic competition, the existence of barriers to mobility, the ability of superiors and sponsors to monitor performance, etc.) as the determinant of which particular objective will appear to dominate in a particular
bureau. The bureaucratic institutional process is characterized as one dominated by "entrepreneurial competition" (Breton and Wintrobe 1982: 108-131), wherein individual bureaucrats pursue their subjective goals by selectively seeking and implementing policy innovations. The multi-dimensional competition includes the general struggle for budgets, as well as competition for positions and promotions in the formal bureaucratic structure and for membership in the informal bureaucratic networks discussed below. Competitive strategies employed include: "(i) alterations in the flows of information or commands as these move through or across the hierarchical levels of the organization; (ii) variations in the quality or quantity of information leaked to the media, to other bureaus in the organization, to special interest groups, and/or to opposition parties and rival suppliers; and (iii) changes in the speed of implementation of policies as these are put into effect" (Breton and Wintrobe 1982: 37-38). These strategies and selective behavior in general are possible because of the way bureaucratic organizations and hierarchies work, including the fact that monitoring by superiors and sponsors is costly and the measurement of bureaucratic performance is generally difficult or impossible. Indeed, such strategies can increase monitoring costs and make measurement of performance even more difficult.

Informal networks within and across bureaucracies are the non-market institutions of exchange through which individual bureaucrats cooperate in order to obtain information and benefits, and to circumvent various administrative rules (Breton and Wintrobe 1982: 78-87, 99-106). Indeed, while sponsors and superiors may see competition for their attention (e.g., for advancement) within bureaus and competition between bureau departments for budgets, as control devices, Breton and Wintrobe (1982: 128) explained that bureaucrats can and do attempt to avoid or influence such competition through informal cooperative networks, perhaps giving individual bureaucrats greater discretion in the pursuit of their own subjective goals. This means that competition for positions in networks is also a determinant of bureaucratic behavior, however (Breton and Wintrobe 1982: 99).

Informal arrangements have to be built on trust (Tullock 1965: 37) and that in turn requires behaving in ways that others in the network expect. Tullock (1965: 37) emphasized the importance of the almost unconscious influence of "cultural environment" in these networks and suggested that "As a result of his indoctrination in a native cultural pattern, the individual simply will not realize that there may exist alternative ways of doing things. This unconscious cultural indoctrination will tend to be reinforced by rational considerations. In order to be successful, the [bureaucrat] must be trusted.... He must become an organization man." Therefore, while the informal networks may create greater opportunities for discretion, they also constrain that discretion. But importantly, the constraint binds the bureaucrat to behavior expected by others in his network, not to
behavior expected by sponsors or upper management (Tullock 1965: 37).

Bureau managers are also forced to develop and use informal networks within the bureaucracy to make many of the exchanges that are necessary to achieve their objectives. One role of the discretionary budget, in this context, is that it provides a mechanism for bureaucratic managers to enhance their own well being indirectly by rewarding supporters in the managers' networks with various "perks" (and perhaps promotion raises) (Breton and Wintrobe 1982: 137). Therefore, the evidence discussed above regarding the apparent importance of discretionary budgets to bureau managers is quite consistent with the apparent fact that rank-and-file bureaucrats capture a good deal of the excess costs of production (other institutional factors are also relevant, as discussed below). In as much as the bureau manager can allocate discretionary budgets in exchange for support within the bureau, he increases the likelihood that his objectives will be pursued.

Johnson and Libecap (1994: 7, 155) distinguished between political appointees who hold the top positions within most federal bureaucracies in the United States, senior career officials in executive or management positions, and the rank-and-file career work force, pointing out that the incentives and constraints of these key players can differ. Political appointees, chosen by the president and confirmed by the senate, have temporary positions and are chosen because their dominant goals are expected to be the advancement of the president's agenda. Senior management officials often have a role in policy formulation, but are likely to have long-standing ties with Congressional committees and active interest groups, as well as with the rank-and-file of the bureaucracy (e.g., Breton and Wintrobe's networking) rather than with the president. The rank-and-file career employees actually administer policy and often determine the details of policy application. Their tenure guarantees in the United States mean that neither Congress nor the president has much direct control over them. Indeed, since they are most insulated from political control, they may be more likely than senior officials to stray from the wishes of sponsors.

Johnson and Libecap (1994: 4-5) also echoed Tullock (1965) in stressing that the incentives and constraints facing bureaucrats under different institutional arrangements can differ dramatically. For instance, they pointed out that under the patronage system which dominated in the United States until 1883 when it gradually began to be displaced, all bureaucrats were political appointees and "Loyalty and responsiveness to political mentors were the essential attributes of the contracts between patronage workers and politicians" (Johnson and Libecap 1994: 4). However, as government grew and the patronage labor force expanded (e.g., from 36,672 in 1861 to 51,020 in 1971, to 100,020 in 1881), more and more time was required from the president and members of Congress simply in allocating and then monitoring patronage appointments (Johnson and Libecap 1994: 4, 12-47). With
these rising costs, monitoring became less effective, as predicted by Tullock (1965: 142-192), and the patronage labor force became less responsive to political demands made through the president and Congress.\textsuperscript{xii} The short time horizon of political appointees apparently encouraged greater incentives to behave opportunistically while in a position of power, resulting in corruption scandals and inefficiencies that were damaging to politicians, and particularly to the president.

 Patronage began to give way to a "merit-based" system in 1883 when Congress voted to restrict the number of patronage positions and to require that appointments to other positions be chosen on the basis of qualitative evidence of ability (e.g., exam scores).\textsuperscript{xii} By 1904 over half the federal labor force was employed under merit provisions (Johnson and Libecap 1994: 12):

No longer were federal employees to direct their attention primarily to the political needs of their patrons and party. Instead, they were to provide government services competently and efficiently. Merit, not political influence, was to determine employment.

If the federal employees were to be isolated from political influence they had to be protected from removal by politicians for political reasons. Gradually, this protection was extended until, by the mid-1900s, bureaucratic rank-and-file effectively had been granted tenure in their jobs (Johnson and Libecap 1994: 48-75). While job-tenure guarantees and requirements for neutrality developed to constrain political opportunism (Johnson and Libecap 1994: 8), it also radically changed the incentives facing bureaucrats. Under the civil service system, the rank-and-file bureaucracy is much less accountable to political oversight, and much more difficult to motivate and manage.

III. Bureaucrats in a Dynamic Setting

Breton and Wintrobe (1982) saw much of what bureaucrats do to be "policy advocacy" rather than simply policy implementation. Bureaucrats have clearly demonstrated a willingness to "propagate" their own policy agendas.\textsuperscript{xiii} Indeed, they have a relative advantage in interest group competition. They are already organized, and they are naturally well informed about a narrowly focused political issue. Bureau managers also can generally appropriate a portion of their discretionary budget to cover some or all of their lobbying costs while other interest groups generally have to solicit contributions. They also have ready access to elected officials who pass laws and set budgets, as they are virtually always called upon to provide "expert opinions" and evidence when issue that affect them are considered [senior level bureaucrats are frequently also informally networked with their sponsors (Breton and Wintrobe 1982: 41-42)].

Government employees' unions are also likely to play a considerable role in the policy-making process (Wynne 1978; Benson 1990; Johnson and Libecap 1994: 76-153). These unions have a relative advantage because of their ability to: (1) promise to
bring large numbers of narrowly focused voters to the polls (Johnson and Libecap 1994: 126-136), contribute large amounts of funds to campaigns (Johnson and Libecap 1994: 127), and threaten to disrupt services that only they can legally provide or cause other political problems for elected officials (Wynne 1978; Benson 1983, 1990). Furthermore, their primary goals are often not in direct opposition to the goals of any other powerful and well organized group (Johnson and Libecap 1994: 138). General taxpayers lose when government employees are paid more than they need to be, for instance, but the per capita gains for the organized government employee union members are much larger than the per capita losses to individual taxpayers, the unions are organized, and taxpayers are not.

Bureaucrats' power and discretion depend on the degree of uncertainty, and they themselves may be in a position to expand that uncertainty through "selective distortion" (Breton and Wintrobe 1982: 39). Thus, the oversight sponsor faces the duel problem of determining both what the bureaus output should be and how it should be produced, with the potential for bureaucrats misleading them on both counts. Bureaucrats also have incentives to "educate" sponsors, by selectively informing law makers of the strength and wishes of other interest groups. Consequently, interest groups press their demands to bureaucracies as well as (or instead of) to legislatures. Yet another implication is that bureaucrats have incentives to "educate" potential interest group allies and to "propagate" their agenda indirectly through "public information" (or mis-information) campaigns.

Policy advocacy: an example. Lindesmith (1965: 3) explained, the U.S. program for handling the "illicit-drug problem" is one "which, to all intents and purposes, was established by the decisions of administrative officials of the Treasury Department." The 1914 Harrison Act established federal taxes on narcotics and the Treasury Department's Federal Bureau of Narcotics (FBN) was responsible for its enforcement. The FBN instigated a number of raids on morphine treatment clinics in 1919 (Lindesmith 1965), which led to a series of court decisions that reinterpreted the Harrison Act and became the pretext for criminalization of drug use (Reinarman 1983: 21). Furthermore, because of pressure from people in the FBN, the Marijuana Tax Act was passed in 1937 (Dickson 1968; Lindesmith 1965; King 1978). The FBN was in need of a new raison d'etre for continued funding in 1937, after all, as it faced stiff competition for the attention of the public and of Congress (King 1978) which saw crime control to be the domain of the FBI rather than the FBN.

Breton and Wintrobe (1982: 39) emphasized that bureaucratic release of both true and false information can play significant roles in bureaucratic policy advocacy. This has clearly been the case in the evolution of drug policy. For example, the bureaucratic campaigns leading up to the 1937 marijuana legislation "included remarkable distortions of the evidence of harm caused by marijuana, ignoring the findings of empirical
Marijuana was alleged to cause insanity, to incite rape, and to develop delirious rages in users making them irresponsible and prone to commit violent crimes.

The evolution of drug policy since the initial legislation has also been, at least in part, shaped by bureaucratic competition, both between law enforcement and drug treatment bureaucrats over "ownership of the problem"—that is, over shares of federal, state, and local budgets (Morgan 1983)—and between law enforcement bureaucracies themselves. This evolution also reflects another aspect of the bureaucratic process emphasized in Breton and Wintrobe (1982: 149). As the perceived responsibility for some social ill is shifted from outside forces to the government and to the bureaucracy, bureaucrats seek to shift the blame elsewhere. Blaming crime on people crazed by drugs takes advantage of such an opportunity. In fact, police bureaucracies were primary sources of the "information" used to justify the drug war cycles that have occurred over the last several decades. It was chiefly as a result of information promulgated by law enforcement bureaucrats that drug use is believed to be a leading cause of property crime in order to support drug habits. This belief has been propagated to justify an emphasis on control of illicit drug traffic as a means of general crime prevention. Such an emphasis would appear to be justified if drugs truly are the root cause of most other crime, but these causal relationships do not actually hold (Lindesmith 1965; Kaplan 1970, 1983; Richards 1982; Michaels 1987; Bennett and DiLorenzo 1992; and Rasmussen and Benson 1994). Thus, the costs of the war on drugs include the rising crime rates discussed above, as police and prison resources have been diverted. These high costs should not be surprising, given the history of repeated failures of drug and alcohol prohibition policies (Thornton 1991).

Breton and Wintrobe (1982: 150-151) offer two reasons to explain why bureaucrats advocate policies of directly controlling "a source of blame" for a problem such as crime (e.g., alcohol prohibition, criminalization and prohibition of various drugs after 1914 and 1937, increased emphasis on drug control in the mid-1960s, and then again in the mid-1980s), even though such policies have a history of failure. First, there is always opposition to such policies, so when they fail, opponents can be blamed for not allocating sufficient resources to combat the problem. Second, because policy outcomes depend jointly on the inputs of several different groups and bureaus, and the set of possible control methods is very large, when the subset selected fails the bureaucrats can argue that: (1) while they advocated a control policy they favored a different subset of control tools (e.g., more severe punishment of drug offenders, greater spending on supply interdiction efforts) so they are not responsible for the failure, and/or (2) the other groups whose contributions were necessary to make the effort successful (e.g., witnesses, judges, legislators who approve prison budgets, other law enforcement
agencies) did not do their share. Indeed, a policy can fail completely while at the same time entrepreneurial bureaucrats expand their reputations and end up being substantially better off.

The significant reallocation of policing resources in the U.S. that began in 1984 was due to federal confiscations legislation. This legislation reflects active advocacy by federal, state, and local law enforcement officials. For instance, in hearings on the Comprehensive Drug Penalty Act before the Subcommittee on Crime of the Committee on the Judiciary of the U.S. House of Representatives, held June 23 and October 14, 1983, much of the testimony focused exclusively on the confiscations and forfeitures issue (Subcommittee on Crime 1985). Testimony in support of the forfeitures-sharing arrangement came from the U.S. Customs Service, various police departments and sheriffs, the U.S. Attorney's Office from the Southern District of Florida, and the U.S. Drug Enforcement Administration. There was no representation of local government oversight authorities (mayors, city councils, county commissions) either supporting or opposing such legislation. The only group suggesting problems with the legislation was the Criminal Justice Section of the American Bar Association.

Following passage of the 1984 law, it became clear to state and local bureaucrats who compete with the law enforcement sector for budgets that the federal legislation was being used to circumvent state laws and constitutional provisions limiting law enforcement use of seizures. For example, North Carolina's state constitution requires that all proceeds from the sale of confiscated assets go to the County School Fund. Law enforcement agencies in North Carolina, and in other jurisdictions where state law limited their ability to benefit from confiscations, began using the 1984 federal legislation to circumvent the restrictions by routinely arranging for federal "adoption" of forfeitures so the seized assets could be repatriated to the state and local law enforcement agencies. Bureaucrats harmed by this diversion of funds began to advocate a change in the federal law. They were successful, at least initially: Section 6077 of the Anti-Drug Abuse Act of 1988 (passed on November 18, 1988) stated that the attorney general must assure that any seized asset transferred to a state or local law enforcement agency "is not so transferred to circumvent any requirement of state law that prohibits forfeiture or limits the use or disposition of property forfeited to state or local agencies." This provision was designated to go into effect on October 1, 1989, and the Department of Justice interpreted it to mandate an end to all adoptive forfeitures (Subcommittee on Crime 1990: 166), but it was never implemented. State and local law enforcement officials immediately began advocating repeal of Section 6077. Thus, the Subcommittee on Crime heard testimony on April 24, 1989 from such groups as the International Association of Chiefs of Police, the Florida Department of Law Enforcement, the North Carolina Department of Crime Control and Public Safety,
and the U.S. Attorney General's Office. Perhaps the most impassioned plea was made by Joseph W. Dean of the North Carolina Department of Crime Control and Public Safety (Subcommittee on Crime 1990: 20-28), who both admitted that law enforcement bureaucracies were using the federal law to circumvent the state's constitution and that without the benefits of confiscations going to those bureaus, substantially less effort would be made to control drugs. His statement clearly suggests that law enforcement agencies were focusing resources on enforcement of drug laws because of the financial gains for the agencies arising from forfeitures. In fact, a statement by the U.S. Attorney for the Eastern District of North Carolina, in support of repealing Section 6077, actually implied that law enforcement agencies were focusing on confiscations as opposed to criminal convictions (Subcommittee on Crime 1990: 26): "Drug agents would have much less incentive to follow through on the asset potentially held by drug traffickers, since there would be no reward for such efforts and would concentrate their time and resources on the criminal prosecution."

Despite the fact that Section 6077 was repealed, the drug war began winding down in 1990. There was a growing recognition that the war on drugs has not achieved its exaggerated goals, and increasing pressure on police to shift resources to control rising violent and property crime. After all, as Breton and Wintrobe (1982: 149) noted, as time passes the perceived responsibility for the failure of a policy (e.g., crime control through the suppression of drug market activity) shifts from outside forces (e.g., the drug dealers, the recession, etc.) to the government, and within the government, it shifts from politicians to the bureaucracy. Pressure increases for bureaucrats to account for what is going on. Indeed, prison officials blame the war on drugs for the adverse consequences of their early release programs (Associated Press 1994: 5B), so the competition between bureaus for support can involve the generation of truthful information by competitors when such information is useful to them. Such cyclical swings are also a common phenomenon in bureaucratic policy. An uninformed public can be misled for a while, but if the policy does not work it will ultimately have to be retrenched in recognition of its failure.

Bureaucratic interests and the evolution of institutions. Policy advocacy is an important part of what bureaucrats do, and the policies they advocate influence their subsequent behavior, but bureaucrats are more than just policy advocates. Tullock (1965: 126) noted that within a government bureau "the individual member of a hierarchy is likely to feel, although possibly only subconsciously, that one of its major functions is that of supporting him personally." Thus, individuals have strong incentives to influence the institutional environment in an effort to insure that support. The most detailed analysis of bureaucratic institutional evolution, Johnson and Libecap's (1994) study of the United States federal bureaucracy, supports this
prediction. Recall the discussion of the political underpinnings of transformation from a patronage or spoils system to a merit-based civil service system presented above, for instance. The continuing institutional evolution following the establishment of the civil service system reflects, in large part, the growing power of the rank-and-file. As Johnson and Libecap (1994: 68) explained,

The degree of job tenure that now exists [for rank-and-file civil servants in the U.S. federal bureaucracy] appears to go beyond that which would have been sought by the President and Congress to maintain the integrity of the merit system. All that would have been necessary to reduce the temptation to fire and reclassify merit employees for patronage purposes was a provision to prevent arbitrary dismissal, along with a process for appeals and review. The tenure guarantees that exist, however, exceed these requirements. Under civil service rules, it is very costly for supervisors to remove employees... To understand the degree of tenure guarantees that exist today requires consideration of the role of federal employee groups in influencing legislation regarding the civil service system.

The end of patronage and rise of civil service in the United States increased the benefits and lowered the costs of unionizing federal government employees. Politicians interests in supporting and maintaining public employees who had been political allies under patronage was much weaker, so salaries actually declined in real terms and relative to private sector salaries before 1920 (Johnson and Libecap 1994: 79, 82-83), and the incentives to organize for collective bargaining with bureau managers (who had a good deal of discretion at the time) was quite strong. As jobs became more secure these incentives became even stronger. Furthermore, the costs of organizing fell as the federal labor pools' interests became more homogeneous (the end of patronage broke the link between the interests of government employees and their local political patrons and members of Congress, whose interests could vary).

Unions quickly became more than just collective bargaining organizations; they began acting as interest groups, lobbying Congress for legislative adjustments in the civil service system. Bureau managers opposed their demands, and Presidents Theodore Roosevelt and Taft issued gag orders, beginning in 1902. These orders forbade lobbying on pay and related issues, and even forbade responding to Congressional requests for information, but they had limited success [see Johnson and Libecap (1994: 79-8) for details].

As the power of the unions grew, the institutional environment was changed to reflect employee's interests, particularly with regard to compensation systems and personnel rules, rather than being strictly structured to reflect the interests of the president, Congress, bureau managers, and non-
employee interest groups (Johnson and Libecap 1994: 86-153). In 1920, rank-and-file federal employee salaries began to rise relative to the private sector and relative to higher level management. Furthermore, while the president and Congress preferred salaries tied to productivity, and bureau managers preferred the discretion that they needed to determine productivity-based payment schedules, the unions successfully lobbied for automatic pay raises and opposed productivity ratings. Thus, the discretion of bureau managers was reduced, not because of sponsors' desires to control them but because of the political power of the rank-and-file.

Federal employee unions' political efforts to shape the institutional development of the U.S. civil service system during the early part of the century allowed these same employee groups to expand their influence during the rest of the century and "direct the subsequent course of the civil service system" (Johnson and Libecap 1994: 96). Federal unions have had a direct input into the design of the institution that determines compensation, for instance. Congress mandated, with employee prodding, that federal wages must be comparable to wages in the private sector, but federal employee unions have influenced the design of the surveys used to determine relative private sector wages, biasing the results in favor of federal employees. Thus, compensation for federal employees continues to exceed the amount that they would earn in the private sector (Johnson and Libecap 1994: 96, 108-113). In addition to relatively high wages, federal employees have health and retirement benefits that are considerably better than those in the private sector (Johnson and Libecap 1994: 112). The unions have also influenced the structure of their salaries, so that seniority rather than merit determines promotions, and there is also considerable wage compression for upper-level positions. Promotions based on seniority rather than merit, wage compression, job tenure, and strong protection against removal create significant incentives to shirk, reenforcing many of the characteristics of bureaucracies that citizens complain about (Johnson and Libecap 1994: 120-121). This also undermines a potential control device, since the incentives to compete for promotion by monitoring and reporting malfeasance are very weak (Johnson and Libecap 1994: 121).

In political competitions the winners rarely receive all that they want, but Johnson and Libecap (1994: 97) found evidence of "remarkable lobbying success" by the federal employee unions. They concluded, in contrast to those who see strong controls of bureaucratic behavior by Congress through the design of institutions and administrative rules [e.g., McCubbins, et al. (1987, 1989), Weingast and Moran (1983)], that "Although efficiency concerns were an early motivating device for the president and the Congress to begin the process of civil service reform, the dominant facet since perhaps the turn of the century is the active participation of federal unions and professional groups in the design of the institutions in their behalf."
Johnson and Libecap's (1994) examination of the evolution of the federal bureaucracy reveals that there are significant tradeoffs in any attempt to facilitate bureaucratic control. The patronage system tied bureaucrats' interests to politicians' interests, but the short time horizons also created strong incentives for individuals to act opportunistically (e.g., corruption became prevalent), and for politicians to spend a great deal of time and effort competing for control of the bureaucracy. The merit system reduced the incentives to compete for control and the incentives for short-sighted opportunism (e.g., corruption), but increased incentives for bureaucrats to organize and actively pursue their common long-run interests through the political process. The result is a bureaucracy that is much more difficult to control. Their presentation also may suggest why the evidence on budget-maximizing, or discretionary-budget-maximizing behavior is somewhat limited. A career administrator may well recognize that any gains in discretionary budgets will probably be eventually captured by the rank-and-file, at least in a civil service system such as that which dominates in the United States. Administrators may advocate relatively frequent policy changes in order to generate short-run gains in discretion (change is required to generate new quasi rents, after all), but the long-run political competition is going to be won by the rank-and-file. After all, the rank-and-file are much more powerful in the interest group arena than senior level bureau administrators are going to be. They have many more votes, and even more significantly, much larger pools of money to contribute to political campaigns. Thus, Johnson and Libecap's (1989, 1994) finding that high level bureaucrat's salaries are relatively low and rank-and-file salaries are relatively high (salary compression), is not surprising. Is there really any way to control bureaucratic behavior in the long run?

IV: Conclusions: Improving Bureaucratic Performance?

Theoretical analyses of bureaucratic behavior suggest a number of administrative devices to control bureaucratic performance, at least to a degree (Tullock 1965: 120-220). However, political barriers to reform are very high. For instance, after their careful study of the federal bureaucracy in the United States, Johnson and Libecap (1994: 10) suggested that "the major finding ... is that the president and the Congress are unlikely to make sweeping changes in the civil service system." While negative consequences of protecting the rank-and-file are significant, these protections have arisen because of the political power of government employee unions and politicians are rationally reluctant to take on such a powerful interest group (Johnson and Libecap 1994: 9). Change will certainly occur, but bureaucrats will have significant impacts on the process: "Given the presence of transactions costs that are particularly apparent in the political arena, institutions that inhibit economic growth and reduce welfare can and will persist" (Johnson and Libecap 1994: 186-187).
In addition to the political barriers that tend to prevent effective reform, most control devices are likely to have offsetting effects. For instance, with the large number of competing bureaucracies, demand for any one bureau's output is more elastic, and competitors may tend to monitor each other in order to pass information about rivals' inefficiencies or malfeasance on to budget-setting sponsors. Thus, we might predict that the bureaucracies should operate more efficiently (Niskanen 1971). But creating more bureaucratic agencies can also increase the number or size of public sector bureaucratic interest groups. Furthermore, the incentives of the rank-and-file within the different bureaucracies are not to compete but to cooperate in the political process to demand job protection, higher wages, and better benefits. As suggested above, these rank-and-file groups will ultimately dominate.

As another example, consider one of the increasingly popular "solutions" to the bureaucracy problem in the United States: "privatization" or contracting out. Savas (1974: 489) noted that "Under the right conditions, potential contractors will compete vigorously for this [government contract] business." Indeed, the evidence cited above suggests that competitive contracting leads to substantial cost savings. Unfortunately, while contracting out is politically viable under some circumstances, it probably is not be viable in situation where the problems of bureaucracy are greatest. After all, these problems tend to occur where entrenched bureaucracies are politically powerful interest groups, and these groups always raise strong opposition to contracting out. They use all of the tactics alluded to above, including significant mis-information campaigns, threats of violence, disruptions of the political process, and so on (Benson 1990: 331-348). Furthermore, even when contracting does occur, the outcome will be influenced by the bureaucracy. In a study of how Chief Administrative Officers (CAOS - mayors and city managers) gain from decisions to contract, Martin and Stein (1992: 100) explained that CAOS face two distinct political constraints:
The first is a need to promote voter satisfaction by minimizing tax increases. The second is to placate the bureau and agency chiefs and their employees. In this environment, contracting out of services can be a useful stratagem. Contracting can be presented to voter-taxpayers as cost-consciousness evidence by the CAO, and may actually result in a measurable improvement in the quality of services delivered to consumers.... In reality, contracting appears to have little effect on either aggregate government spending levels or the budgets of government agencies charged with the provision of a particular public good.... [An agency] utilizes the contracting gains the CAO allows him to increase the average salary of the remaining employees [and/or the transfer of displaced employees].
Indeed, CAOS apparently allow their bureaus to retain all of the savings from contracting.

Constraining political actions: the only solution. For societies already dominated by large bureaucracies, the only way to dramatically influence bureaucratic performance, at least short of throwing out the entire government and starting over, appears to be through a "taxpayer revolt" such as the one that occurred in California in 1978. A popular referendum (Proposition 13) put constraints on the power of local governments to raise taxes, and therefore, on their ability to pay bureaucracies for services. Kress (1989) found that this change had a significant effect on bureaucratic performance, at least for the short term period that she studied. In this same vein, Tullock (1965: 221-224) recommended "two changes in basic policy which could greatly improve efficiency."

First Tullock proposed decentralization, with greater reliance on local governments where voters have more control over elected officials. Indeed, Johnson and Libecap (1994: 147) emphasized the importance of competition between state and local governments to attract tax base (mobile resources) as an important constraint on local taxes and therefore on the potential power of bureaucracies; they also demonstrated that state and local limits on taxes, such as Proposition 13, are much more likely than similar limits on a central government. Thus, state and local bureaucrats in the United States do not enjoy the high salaries that federal bureaucrats do (Johnson and Libecap 1994: 108-112, 138-139). However, while such decentralization would improve bureaucratic performance, bureaucracies would still not work well (Tullock 1965: 222). Furthermore, trends in most modern countries are toward greater centralization, not decentralization, implying that even this change in direction may require a major political upheaval.

Tullock's (1965: 223) second proposal was a significant reduction in the total amount of activities attempted by the government. After all, as Mises (1944: 122) noted, "Public administration, the handling of the government apparatus of coercion and compulsion, must necessarily be formalistic and bureaucratic." For countries like the United States, this requires radical changes. Tullock (1965: 224) thought that the political climate of 1965 was more favorable toward such reforms than it had been for years, so he ended his book on a relatively positive note, but as Johnson and Libecap (1994) demonstrated, the series of reform movements that have occurred in the United States over the past few decades have done little to improve the performance or reduce the growth of the federal bureaucracy. Indeed, Mises (1944: 122) may have been right when he warned that "No reform can remove the bureaucratic features of the government's bureaus."

Tullock (1965: 193) explained that much of modern bureaucracy is simply a mistake. Various ends have seemed generally desirable. The question as to whether a
bureaucratic hierarchy or organization could be designed to reach these desirable ends or objectives was not even raised. The bureaucracy was simply set up to accomplish things that seemed expedient. The continuous failures of bureaucracies are met in part by continuing reorganizations, the reasoning being that the failure has resulted from organizational details. In part, the failures are met by concealed shifts in the objectives for the organization. As an experiment, if one examines the original arguments for establishment of almost any government bureau and compares these arguments with those that may be currently offered for the retention of the bureau, one is likely to find that a considerable shift has occurred in the specification of the objectives that the bureau is supposed to attain. The governmental bureau becomes a permanent fixture, with the objective continually changing. Over time the vested interests of the bureaucrats themselves become more and more important in justifying the organization, although this can never be the sole argument in discussions with outsiders.

The question that nations overburdened with bureaucracies have failed to ask should be the first question raised whenever a government solution to a problem is proposed, since the answer generally will be "no, a bureaucracy will not produce the desired ends." Failure to ask the question inevitably leads to a permanent and growing bureaucracy. Thus, the real problem of bureaucracy is unquestioned acceptance of the belief that government can solve most perceived problems, which allows bureaus to be established and expanded. Even when a problem is apparent there often are "non-bureaucratic methods for coordinating the activities of human beings" (Tullock 1965: 164), after all.
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Tullock (1965: 21-22) contended that "it appears probable that the higher ranks of most government bureaus are made up of people who are less interested in the ostensible objectives of the organization than in their own well-being" and that the promotion process tends to "select against moral rectitude. A man with no morals will possess a marked advantage over the moral man who is willing to sacrifice career objectives." These points are discussed below. Nonetheless, he stated that "we should not deduce that men are bad because they are not better than they are" (Tullock 1965: 32), after explaining that if we start our analysis by creating an ideal man, then we are always going to find that real men do not stand up under the comparison.

A "public spirited" bureaucrat who is firmly convinced that the output of the bureau is vital to the "public interest" (as he perceives it) is also very likely to believe that more of it should be produced, so a budget- or size-maximizing bureaucratic manager does not have to be a narrowly focused "self-interested" person. Of course, anyone's perception of the public interest is likely to be colored by his own interests.

Others have developed models of bureaucracy based on different dominant objectives. For instance, Chant and Acheson (1972) contended that bureaucrats are driven by a desire for prestige.


Also see McChesney's (1992) examination of the Bureau of Indian Affairs policy developments as they have been influenced by budget considerations.

There is significant variation in drug enforcement activity across states and cities, as well as through time, so Rasmussen, et al. (1995) noted that if the "discretionary-budget-seeking" story in Benson, et al. (1995) actually provides a strong explanation of drug enforcement policy, it should help explain cross-sectional policy variations. Since federally "adopted" seizures are only partially turned back to the local police (the federal authorities extract a 20 percent handling charge), police in states whose own laws were changed to allow them to retain seized assets are able to obtain even greater benefits than police who must involve federal authorities. Thus, a discretionary-budget maximizing model of police behavior suggests that in states whose laws allow the police to retain seizures, police will focus relatively greater efforts against drugs than police in states whose laws remove seized assets from the police department's control. This expectation is supported by the empirical
results in a cross-sectional analysis of cities' drug enforcement policies (Rasmussen, et al. 1995). Indeed, the existence of a state confiscation law favorable to the police raises the drug arrests/total arrests ratio between 35 and 50 percent, depending on model specification.

viii... Tullock (1965: 37) also discussed these informal networks, although he placed much less emphasis on them.

ix... Similarly, a bureaucrat must be loyal to his immediate supervisor even if it means frustrating the desires of someone higher up in the bureaucracy. Tullock (1965: 39-40) explained that such loyalty is valued even by those higher in the bureau, to the degree that when they look for people to promote to positions immediately below them (e.g., to replace someone who has been frustrating their desires) they often promote those who were strongly loyal to a direct supervisor (even if it the person who was frustrating their desires).

x... Johnson and Libecap (1994: 160) recognized that political appointees at the head of a bureaucracy appears to be a uniquely American phenomenon, at least in modern governments, and suggested that it arises because of the rivalry between the president and Congress [also see Wilson (1989: 257)].

xi... The issue was much more complex than what is suggested here, however [see Johnson and Libecap (1994: 25-29)]. For instance, patronage appointees also had very strong ties to local politicians, and as monitoring at the federal level grew more difficult, local political bosses were able to gain more control over the federal labor force.

xii... Johnson and Libecap (1994: 21) suggested that the increasing costs associated with controlling the growing patronage labor force was a primary motivation for its demise, and pointed to similar changes in state and city governments in the United States as their labor forces grew. They also stressed the importance of competition between Congress and the president in shaping the evolution of the civil service system, a factor that may or may not be important in other governments. They contended, in this regard, that "this process of institutional change was the outcome of actions taken by vote-maximizing politicians, the president and the Congress, to place federal employees off limits to costly competition for control. Neither party could unilaterally withdraw from the competitive fray for patronage. Hence, rule changes taken at the behest of both parties were necessary to create an institutional structure that would allow the president and the Congress jointly to withdraw from contention over the federal labor force and to allow federal workers to focus on the delivery of government services." While both members of congress and the president had incentives to restrict the size of the patronage labor force, the president's incentives were the strongest (Johnson and Libecap 1994: 21).

Johnson and Libecap (1994: 128) pointed out that voting power is just one attribute of union power, and that for U.S. federal employees at least, voting power has been overemphasized as an explanation of public employee wage patterns. Other sources of influence (e.g., campaign contributions) are more important influences than voting power. However, Johnson and Libecap (1994: 140) also noted that the Congressional committees dealing with civil service matters tend to be dominated by members from districts with relatively high proportions of federal employees (just as agricultural committees are dominated by members from states with large agricultural sectors, etc.), so they have considerable influence on their own oversight sponsors. And there is an extensive literature contending that public sector employees do use their voting power to support candidates who in turn are likely to support the growth of government: see Downs (1967), Tullock (1974), Buchanan (1977), Bush and Denzau (1977) and Bennett and Orzechowski (1983).

While the Hatch Act has constrained federal employee participation in campaigns in the U.S. [a substantial weakening of these constraints occurred in 1993 following strong lobbying efforts by employee unions (Johnson and Libecap 1994: 143-144)], it did not constrain these employees' spouses and friends, and the employee unions also have some very large "political action committees" (PACs) that contribute to campaigns of Congressional and presidential candidates. Congressmen on committees which are most directly concerned with civil service matters have benefited greatly from these PAC contributions - see Johnson and Libecap (1994: 140-145) for details.

While strikes by government employees are supposedly illegal in the U.S. they have occurred at every level of government (Wynne 1978; Benson 1990; Johnson and Libecap 1994: 144). And government employees have many other tools at their disposal, that can be used to disrupt a political equilibrium and force legislators to pass favorable laws [e.g., see Benson (1983, 1990)].

Furthermore, government employee unions often have powerful allies. Private sector unions give them strong support, in part in order to establish benefits for government employees that can then be used as precedent for similar benefits in the private sector (Johnson and Libecap 1994: 78-81, 86-88, 146).

Benson and Mitchell (1988) and Benson (1989) also explored a potential reason for some interest groups to actively support bureau demands. When an interest group produces a complement to a bureau's output the interest group can set prices for the complement to capture rents as the bureau's output is expanded.

Numerous other examples could be discussed. See for instance, Breton and Wintrobe (1982), Katzman (1980), Benson (1983), McChesney (1992), or Anderson and McChesney (1994).
bureaucracies in the United States tend to cause the agencies to "drift" toward the policy preferences of the president, for instance. However, they also recognized that the tremendous discretion of rank-and-file bureaucrats, and their control over the flow of information, substantially constrain the ability of these political appointees to make major policy changes.

Another important reason for why police have increasingly emphasized non-drug crime since 1989 is that "a growing number of states, such as Texas, Florida, and New Jersey, apply their forfeiture laws to any criminal activity" (Reed 1992: 2). Police learned from their drug forfeiture experiences and have demanded changes in state laws making forfeitures easier for non-drug related criminal activities as well.

Bureaucratic efforts to influence institutional changes have also relied on selective misinformation. For instance, to counter civil service reform efforts, federal unions rely upon myths about patronage. Any effort to reduce rank-and-file employees' privileges and/or to strengthen political control of the bureaucracy is cast as a return to patronage (Johnson and Libecap 1994: 171; also see 181-182).

"Privatization" is often used as a synonym for "contracting out" with a private firm for the production of some good or service which had previously been exclusively produced by a public-sector agency or bureau. But contracting out is, at most, only partial or incomplete privatization (Benson 1994). The determination of what is going to be produced by the firms under contract remains in the hands of public officials rather than private citizens.