1. Readings
   Gailmard and Patty, “Learning While Governing: Expertise and Accountability in the Executive Branch”
   McCubbins and Schwartz, “Congressional Oversight Overlooked: Police Patrols versus Fire Alarms”
Readings
Basic features of principal-agent models

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

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

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

Tools: financial incentives, promotion, policy goals
The “Slackers and Zealots” Model (Gailmard and Patty)

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

**Actions:**

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

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

Preferences:

• There are two dimensions to policy outcomes: **quality** and **ideology**

• The principal wants **good policy** that is **close to their ideology**.
  
  • Good policy is made by people with expertise

• There are two types of agents:

  1. **The slacker**: Doesn’t care much about policy outcomes; there for the paycheck

  2. **The zealot**: Cares very much about policy **wherever they are** (government or private sector); needs discretion
The “Slackers and Zealots” Model (Gailmard and Patty)

How can the principal incentivize bureaucratic expertise?

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

Logic:

- Assumption: pay is higher in the private sector; ability to compensate with money is limited in government

- Why would a bureaucrat invest in expertise? Knowing that they can use it to get closer to their preferred policy.

  - They can only control policy outcomes from within the bureaucracy, not the private sector

- Who actually cares about policy? **Only the zealots.**
The “Slackers and Zealots” Model (Gailmard and Patty)

1. **Discretion inducement conclusion**: In the absence of direct monetary incentives, expertise will emerge only if such acquisition is rewarded through increased discretion.
   - And it’ll only be the zealots who invest in expertise.

2. **Promotion conclusion**: Agencies will experience lower turnover when promotion leads to increased discretionary authority.
   - This is double-edged: principal trades ideological preference for expertise

3. **Tenure conclusion**: Expertise development is promoted by increased job security.

4. **Expertise promotion conclusion**: Principal will only support expertise development when agent’s preferences are not too divergent.
Conclusions:

- There are only two possible regimes:
  
  1. **Regime of clerkship**: Bureaucrats do their jobs with low expertise, high turnover
  
  2. **Politicized competence**: Bureaucrats go the extra mile, but have their own strong preferences

- There is no such thing as **neutral competence**.
1. Technological assumption: There are two different types of oversight Congress can use to monitor administrative agencies.

1. Police patrol oversight: centralized, active, and direct; costly
   - reading documents, commissioning scientific studies, conducting field observations, holding hearings

2. Fire alarm oversight: establishing a system that enables citizens and interest groups to monitor agencies for them
   - access to information
   - standing to challenge administrative decisions in the courts
   - facilitating collective action
2. **Motivational assumption**: members of Congress seek to claim credit and minimize blame → seekers of reelection

3. **Institutional assumption**: Executive agencies act as agents of Congress.
McCubbins and Schwartz, “Congressional Oversight Overlooked”

Consequence 1: Legislators prefer fire alarms over police patrols.

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

Consequence 2: Congress will not neglect its oversight responsibility.

- Monitoring is advantageous & nearly costless

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

What do McCubbins and Schwartz miss?

- Potter: “Instead of treating this relationship as rigidly hierarchical, the relationship is likely a more dynamic one wherein principals institute processes and agencies typically respond to those processes.”

- Agencies staffed by zealots in Gailmard and Patty’s terms

- Agencies can set rules to “tie their hands” in favorable ways

- First-mover advantage
Case study: contraception and the Affordable Care Act

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