The Bureaucracy
Lecture 9 (March 7, 2013)
1. The Bureaucracy: Function and Development

2. Agency Models of the Bureaucracy

3. Beyond Agency: Bureaucrats as Political Actors
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Why a Bureaucracy?

Bureaucracy: Units of the executive branch in charge of implementing policy.

- Cabinet departments > agencies
  - Ex.: Homeland Security > U.S. Customs & Border Protection
- Independent agencies (e.g., NASA)
- Independent commissions (e.g., FDA, NLRB, SEC)
- Government corporations (e.g., U.S. Postal Service)

Bureaucracy exists not only to enforce the law (e.g., FBI arresting drug kingpin) but also to fill in the details left unspecified by legislation. It is part of the political process.
Development of the Bureaucracy in the U.S.

Eras in U.S. Bureaucracy:

1. First Congress (1789–90) creates cabinet departments
2. Early Republic (1789–1829): bureaucracy of gentlemen
3. Spoils System (1829–1870s): partisan patronage
4. Merit + Politics (1870s–present): mix of (unionized) career civil servants and appointees of varying independence
Bureaucracy and the Financial Crisis

- U.S. Securities and Exchange Commission (SEC) created after 1929 stock market crash to regulate financial markets (prohibit fraud, insider trading, etc.)
- Post-1970: Deregulation, growing financial complexity
- 2008 Financial Crisis
  - Trouble Assets Relief Program (TARP) bailout of Wall Street
  - Wall Street Reform and Consumer Protection Act (Dodd-Frank) created several new agencies and enhanced the authority of existing agencies (passed narrowly)
  - Dodd-Frank, though long and complicated, delegated the details of new rules to agencies (required studies, reports)
  - Post-passage lobbying by financial industry
  - Insufficient expertise?
Outline

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Agency Models

- **Principal–agent relationship**: A principal delegates authority to an agent to act on her behalf
  - Stockholder–CEO
  - Citizen–legislator
  - Congress–committee

- **Problem**: Agents do not want what principals want
  → **Agency loss** (lazy, incompetent, policy divergence)

- **Solutions**: (a) Select “good types”; (b) incentives

- Bureaucratic agents are delegated authority to implement the law, but they have multiple principals (Congress, president, voters, interest groups).
Factors Influencing Terms of Delegation

Policy Uncertainty

- Complex, unpredictable $\rightarrow$ discretion to expert bureaucrat
- Experts (e.g., EPA scientists) may want different policies

Political Uncertainty

- Who has power today might not have power tomorrow $\rightarrow$ Entrench policy in bureaucracy (auto-pilot)

Political Compromise

- Pivotal voter may not want very effective policy (e.g., Republicans on employment discrimination in 1960s)
Mechanisms of Control

Type vs. incentives:
- **Type**: Appoint professionals with similar policy goals to long terms (e.g., Federal Reserve)
- **Incentives**: Tie tenure, budgets to performance

Monitoring:
- **Police patrols**: require reports, investigate, hold hearings
- **Fire alarms**: require notification, public meetings, etc. so that allied groups and citizens can “pull fire alarm”

President:
- Judicious use of political appointees
- Can’t fire civil servants, but can make life miserable
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Bureaucratic Autonomy

- Bureaucrats are political actors in their own right—can create their own political alliances with interest groups, committees, etc.
- This can give bureaucrats substantial autonomy from the elected branches (e.g., J. Edgar Hoover at FBI)
- Even political allies of president can be problematic (e.g., Department of Education under Reagan)
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