

# Bureaucrats or politicians? Part II: Multiple policy tasks<sup>☆</sup>

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## Abstract

Policies are typically chosen by politicians and bureaucrats. This paper investigates first the normative criteria with which to allocate policy tasks to elected policymakers (politicians) or non-elected bureaucrats. Politicians are preferable if there is uncertainty about social preferences and flexibility is valuable, or if policy complementarities and compensation of losers is important. Bureaucrats are preferable if time inconsistency and short-termism is an issue, or if vested interests have large stakes in the policy outcome. We then compare this normative benchmark with the case in which politicians choose when to delegate and show that the two generally differ.

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## 1. Introduction

What is the socially optimal allocation of policy responsibilities between elected representatives (politicians) and independent bureaucrats? And how does this optimal task allocation differ from what would be chosen by the politicians themselves?

Advanced democracies delegate some key policy areas, such as monetary policy and regulation, to independent bureaucrats who make policy decisions with little political interference. A similar tendency emerged in Latin America in response to the high inflation of the eighties and nineties and even in some new democracies in Asia and Africa (e.g., Khemani, 2005). Independent bureaucrats also have important policy prerogatives in super-national organizations, and

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in particular in the European Union. Yet, other policy areas, such as foreign policy or fiscal policy, generally remain under direct political control. Is this division of tasks appropriate? More generally, what normative criteria should guide the allocation of responsibilities amongst politicians and bureaucrats? And, if politicians choose whether or not to delegate policy tasks to independent bureaucrats, should we expect systematic deviations from optimality, and if so in which direction?

To address these questions, we study a principal–agent model of policy choice, where the voters are the principals and the policymakers (the agents) are motivated by a “career concern”. But the career concern differs for politicians and bureaucrats. The former wants to win elections, by pleasing the voters. Top bureaucrats want to fulfill the goals of their organization, so as to appear competent in the eyes of their professional peers.<sup>1</sup> Throughout, we focus the attention on the individuals at the top, neglecting the internal organization of different policymaking institutions. Thus we ignore the internal organization of governments and parliaments and that of bureaucracies.

In a companion paper, [Alesina and Tabellini \(2007\)](#), we use this same analytical framework to study how bureaucrats and politicians differ in their performance of a single policy task. There we show that bureaucrats are preferable to politicians in technical tasks for which ability is more important than effort, and in purely redistributive tasks provided that the bureaucrat can be instructed to be “fair”, i.e. to fulfill some social goals specified ex ante behind a “veil of ignorance”.

In the present paper we make progress in three dimensions. First, we study multiple policy tasks and therefore how to allocate costly effort amongst several of them. We show that, from a normative perspective, politicians are preferable for tasks that have the following features: i) flexibility is valuable, because social preferences are unstable and uncertain, or because the policy environment can rapidly change; or, ii) side payments to compensate the losers are desirable and relevant, or bundling of different aspects of policy management and a comprehensive approach is important. Bureaucrats instead are preferred if iii) time inconsistency is a relevant issue and intertemporal trade-offs are important; or iv) the stakes for organized interest groups are large, and law enforcement is strong so that corruption is not widespread. Second, we address the positive question; that is we allow elected politicians, rather than citizens at the constitutional table, to choose whether or not to delegate a task to a bureaucrat. Since they do not maximize social welfare in an ex ante sense, the pattern of delegation chosen by elected politicians is different from that preferred by voters behind a veil of ignorance: politicians delegate tasks so as to increase the probability of electoral victory, net of costs of executing the task (or of the rents they grab). Third, we develop an explicitly dynamic model, which extends the simplified static setting of our previous paper.

This paper is related to a rapidly growing literature on principal–agent models of policymaking. One of the first contributions is [Rogoff \(1985\)](#), who pointed out that strategic delegation of monetary policy to an independent and inflation averse central banker could remedy a time inconsistency.<sup>2</sup> But time inconsistency cannot be the only relevant criterion for delegation. For a start fiscal policy too is marred with a host of time inconsistency problems, but societies seem reluctant to allocate this policy prerogative to independent bureaucrats.<sup>3</sup> An ability to commit to a course of action may even be desirable in foreign policy, which however is always the prerogative of appointed politicians, at least in the more relevant phase of choosing the general strategy. The career-concern model used in this paper was originally formulated by [Holmstrom \(1982\)](#). [Dewatripont, Jewitt and Tirole \(1999a,b\)](#) have used it to study the behavior of government agencies, while [Persson and Tabellini \(2000\)](#) have adapted it to describe the behavior of an incumbent politician, but none of these contributions contrasts bureaucratic vs political performance. This comparison is instead the focus of three recent papers. In [Maskin and Tirole \(2001\)](#), bureaucrats (judges) have intrinsic motivations, while political incumbents seek to please the voters. In [Besley and Coate \(2003\)](#) and [Schultz \(2003\)](#), both bureaucrats and politicians have intrinsic motivations. In our set up, instead, we neglect the role of intrinsic motivations: both bureaucrats and politicians need to be kept accountable with implicit incentives, but the incentive schemes differ for the two types of policymaker.

<sup>1</sup> For a discussion of how bureaucrats are motivated by prospects of career enhancement and this leads them to internalize the goals of the organization, see the classic treatment in [Wilson \(1989\)](#), especially Chapter 9. In addition, by appearing competent, the bureaucrat can guarantee his autonomy and independence ([Carpenter, 2001](#)).

<sup>2</sup> Note that the benefits of strategic delegation could be achieved even without bureaucratic control, by electing a “conservative” politician — see for instance [Persson and Tabellini \(1994\)](#).

<sup>3</sup> [Blinder \(1997\)](#), [Calmfors \(2005\)](#) and the [Business Council of Australia \(1999\)](#) have all advocated expanding the scope of independent agencies in the formulation of fiscal policy.

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