

Bureaucratic Reform

The Puzzle.....

1. In a modern polity, government agencies
 - enforce laws,
 - administer programs
 - Health, education, welfare, immigration, environmental enforcement, economic management, management of state run firms, etc.

Consequently,

2. The efficiency and fairness with which these tasks are carried out can have a tremendous impact on the quality of life enjoyed by citizens. And since,
3. Democracies are supposed to be responsive to the needs of “the people”

Q. why is bureaucratic inefficiency and corruption common place in democracies?

Answer:

1. In the absence of binding prohibitions that prevent such behavior, politicians have an incentive to use government agencies for patronage, rather than efficient administration.
2. The politicians have incentives to adopt anti-patronage reforms only under a specific set of circumstances.

What is patronage?

- The use of government agencies for personal or partisan political advantage.
 - Control of government agencies means control over a large amount of resources (jobs, budgets, policy influence, etc.) that can be exchanged for political support (votes, campaign work, campaign contributions, direct action, etc.)

Lets make the following simplifying assumptions about politicians and the way the polity works

1. Politicians want to obtain office
2. They can choose to use their control over government resources
 - a) In a technocratic or meritocratic manner, or
 - b) In a political manner.
3. If they choose 2b, they receive a boost in their electoral probability ($x > 0$) and their opponents receive a drop in their probability of election ($-x$).

Why reform is needed.....

		Politician 2	
		Merit	Patronage
Politician 1	Merit	V_1, V_2	$V_1 - X_2, V_2 + X_2$
	Patronage	$V_1 + X_1, V_2 - X_1$	$V_1 + X_1 - X_2, V_2 + X_2 - X_1$

Which can be simplified....

		Politician 2	
		Merit	Patronage
Politician 1	Merit	0,0	$-X_2, X_2$
	Patronage	$X_1, -X_1$	$X_1 - X_2, X_2 - X_1$

When $x_1 - x_2 > -x_2$ Pol 1 has dominant strategy of (Patronage)

		Politician 2	
		Merit	Patronage
Politician 1	Merit	0,0	$-X_2, X_2$
	Patronage	$X_1, -X_1$	$X_1 - X_2, X_2 - X_1$

(Def.) An actor is said to have a (strictly) dominant strategy if

- a strategy exists such that actor receives its highest pay-off when playing that strategy, no matter what the other actor(s) do.
 - Note: If all players have (strictly) dominant strategies, then the equilibrium in which each player plays their dominant strategies is called a "dominant strategy solution" to the game.
 - All dominant strategy solutions are Nash equilibria, but not all Nash equilibria are dominant strategy solutions.

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And since, $x_1 - x_2 > -x_2$? $x_1 > 0$ and this is true by assumption, Pol 1 has a dominant strategy to play patronage

Given symmetry, when $x_2 - x_1 > -x_1$ Pol 2 has dominant strategy of *Patronage*

		Politician 2	
		Merit	Patronage
Politician 1	Merit	0,0	$-x_2, x_2$
	Patronage	$x_1, -x_1$	$x_1 - x_2, x_2 - x_1$

Given symmetry, when $x_2 - x_1 > -x_1$ Pol 2 has dominant strategy of *Patronage*

		Politician 2	
		Merit	Patronage
Politician 1	Merit	0,0	$-x_2, x_2$
	Patronage	$x_1, -x_1$	$x_1 - x_2, x_2 - x_1$

And since, $x_2 - x_1 > -x_1$? $x_2 > 0$ and this is true by assumption, Pol 1 has a dominant strategy to play patronage

Thus, (Patronage, Patronage)

- Is a dominant strategy solution (and Nash equilibrium) to this game.
 - Thus, in the absence of any penalties for patronage behavior, self-interested, office seeking politicians have incentives to use government resources for private (political) gain.
- So, if you want to stop patronage, you have to adopt laws that punish people who engage in it (recall G. Hardin – moral suasion is counter-productive).

Under what conditions will politicians who stand to benefit from patronage adopt laws that discourage it?

Barbara Geddes argues, the answer is

1. When access to patronage is relatively evenly distributed, AND
2. There are electoral benefits to be had from appearing like “a reformer”
3. When closed list, rather than open list, proportional representation is used.

Assume pay-offs to politicians are as they were in previous game, but

- Game is between Majority Party (1) and Minority Party (2). Majority party benefits more from patronage than Minority party ($x_1 > x_2$).
- Party can vote “for” or “against” reforms that would end patronage.
- patronage ends if and only if Majority votes “for”. And if Reform fails BOTH parties vigorously use patronage
- Parties that vote “for” reforms receive an electoral reward of e . If both parties vote “for” reforms, these electoral rewards cancel out.

The Patronage Reform Game

		Minority Party vote on Reform Proposal	
		for	against
Majority Party vote on Reform Proposal	for	0,0	$e, -e$
	against	$x_1 - x_2 - e, x_2 - x_1 + e$	$x_1 - x_2, x_2 - x_1$

Minority Party has dominant strategy “for” Reform

		Minority Party vote on Reform Proposal	
		for	against
Majority Party vote on Reform Proposal	Reform	0,0	e,-e
	Patronage	x_1-x_2-e, x_2-x_1+e	x_1-x_2, x_2-x_1

If Majority supports reform, the Minority loses Patronage and benefit of appearing like a reformer. If Majority favors patronage, Minority gets to appear “righteous”

		Minority Party vote on Reform Proposal	
		for	against
Majority Party vote on Reform Proposal	for	0,0	e,-e
	against	x_1-x_2-e, x_2-x_1+e	x_1-x_2, x_2-x_1

If Minority supports reform, Majority supports reform iff, $x_1-x_2-e < 0$ or if $x_1-x_2 < e$

		Minority Party vote on Reform Proposal	
		for	against
Majority Party vote on Reform Proposal	for	0,0	e,-e
	against	x_1-x_2-e, x_2-x_1+e	x_1-x_2, x_2-x_1

If Minority resists reform, Majority supports reform iff, $x_1-x_2 < e$

		Minority Party vote on Reform Proposal	
		for	against
Majority Party vote on Reform Proposal	for	0,0	e,-e
	against	x_1-x_2-e, x_2-x_1+e	x_1-x_2, x_2-x_1

Therefore, Majority Party has dominant strategy of “for” Reform if $x_1-x_2 < e$ and a dominant strategy of “against” reform otherwise

		Minority Party Vote on Reform proposal	
		for	against
Majority Party vote on Reform Proposal	for	0,0	e,-e
	against	x_1-x_2-e, x_2-x_1+e	x_1-x_2, x_2-x_1

And Since..

- The minority party has a dominant strategy in favor of reform, $x_1-x_2 < e$ is a necessary and sufficient condition for reform.

In other words, Patronage Reform will take place only when the majority party’s privileged access to patronage must be small compared to the benefits of appearing like a reformer. (for; for) is Nash if $x_1-x_2 < e$; (against; for) is

If access to patronage is function of electoral dominance, this means that patronage reform will only take place when the electoral fortunes of the parties necessary to constitute a majority are roughly equal.

Evidence?

- In 1991, only 5 countries in Latin America had experienced 15 consecutive years of democracy,* of these.
 - Colombia, Uruguay, and Venezuela experience reforms when their 2 largest parties achieved electoral parity.
 - Chile and Brazil never reformed.
 - In Brazil the Workers party and conservative parties formed frequent electoral alliances and divided the lion's share of patronage benefits, the UDN was left high and dry and played the role of the "outside" reformer
 - In Chile the Radicals controlled most of the patronage and a large number of small parties was unable to unit behind reforms because of the open list system.

* Costa Rica was excluded since incumbent legislators can't immediately run for office.

What's an open list and why does it matter?

- In open list systems, voters can indicate their preference among the candidates within a party.
- In closed list systems, the candidate's place on the party list determined by the party and voters can only express their partisan preference

In open lists systems, therefore,

1. Candidates compete with candidates within their own party as well as with candidates in other parties.
2. Party discipline is low.

Open lists, therefore, effect the prospect of bureaucratic reforms in two ways -

1. Patronage is more valuable because candidates need it to compete with actors that they may share common policy positions with.
2. Candidates with localized control over patronage may be difficult to discipline even if the national party would benefit from reforms.

?

How would agenda control effect bureaucratic reform?

- If Majority party controlled the committee system (closed rule), you'd expect it to prevent a reform bill from coming to the floor.
- Under open rule, minority govt would have an incentive to introduce reform legislation all the time, in order to get the majority party's opposition "on record"

How would Presidentialism effect Bureaucratic reform?

- If President does not command a majority in legislature, and the parties had differential access to patronage, you'd expect the "disadvantaged" branch to propose "welfare-enhancing reforms" and the branch controlling patronage to veto it. Producing a type of deadlock that begs for extra constitutional intervention.