

THE EVOLUTION OF THE CONCEPT OF BUREAUCRACY

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Abstract: *The first half of the paper defines the concept of bureaucracy, its evolution over the time and the current academic debates. A short review of the most debatable theories written by Lowi, Niskanen, Dunleavy and Choudhury is included. The second half focuses on the three concepts of power put forward by Russel and the non-paid goals bureaucratic offices pursue on a daily basis. The paper also analyses the issue of monitoring the output of bureaucratic offices.*

Key words: *government regulations, institution control, political power, non-paid goals.*

1. The Definition of the Concept

Bureaucracy is a major sub-field of Public Choice. Bureaucracy is the set of regulations drawn by governments to control activity, usually in large organizations and governments. It is represented by a standardized procedure that dictates the execution of all processes within an institution, division of power, hierarchy and relationships. In every-day practice the interpretation and execution of policy leads to informal influence.

Bureaucracy is a concept in sociology and political science referring to the way in which the administrative execution of legal rules is socially organized. Four main concepts lie at the core of any definition of "bureaucracy":

- a well defined division of administrative labour among personnel and offices,
- a personnel system with consistent patterns of recruitment and linear careers,

- a hierarchy among offices, so that the authority and status be differentially distributed among personnel
- formal and informal networks that connect the organizational personnel to one another through flows of information and patterns of cooperation. Examples of everyday bureaucracies include governments, armed forces, corporations, some non-governmental organizations (NGOs), hospitals, courts, ministries and schools.

The term "bureaucracy" was introduced by the French philosopher, Vincent de Gourmay, in 1765 and has had a negative connotation since its introduction. While the term "laissez faire", also introduced by de Gourmay, builds up an image of freedom of action and efficiency, the term "bureaucracy" suggests routines, constrained behaviour and inefficiency.

Modern bureaucracies arose as the government of states grew larger during the modern period and especially following the Industrial Revolution. Tax collectors became necessary as states

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began to take in more and more revenue, while the role of administrators increased as the functions of government multiplied. Along with this expansion, came the recognition of corruption and nepotism within the managerial system. All these led to a civil service reform on a large scale in many countries towards the end of the 19th century.

2. Modern Debates on Bureaucracy

Modern academics asked themselves to which extent elected officials do control their bureaucratic agents. Because bureaucrats have more information than elected officials about what they are doing and what they should be doing, bureaucrats might have the ability to implement policies or regulations that are against public interest. These concerns led to the "Congressional abdication" hypotheses, a claim that the American Congress had left its authority over public policy to appointed bureaucrats.

Theodore Lowi initiated this debate by concluding in a 1979 book that the U.S. Congress does not exercise effective control over bureaucratic agencies. He argues that policies are made by "iron triangles", consisting of interest groups appointed bureaucrats and Congressional subcommittees. It is thought that since 1979, interest groups have taken a large role and now do not only effect bureaucracy, but also the budgets. The idea of "iron triangles" has evolved to "iron hexagons" and then to a "hollow sphere."

The relationships between the government, interest groups, bureaucrats and the general public, all have an effect on each other. Without one of these pieces the entire structure would completely change. This relationship is considered a network so that not one single piece can describe or control the entire process.

The public votes in the government and the interest groups provide information,

but the government and bureaucrats have an effect on the interest groups and the public. The entire system is codependent on each other.

William Niskanen's 1971 budget-maximizing model completed Lowi's claims: Lowi claimed that governments failed to exercise oversight, Niskanen argued that rational bureaucrats will always and everywhere seek to increase their budgets, thereby contributing strongly to state growth. Niskanen went on to serve on the U.S. Council of Economic Advisors under President Reagan and his model provided a strong underpinning for the worldwide move towards the reduction of public spending and the introduction of privatization in the 1980s and 1990s.

Two branches of theories have arisen in response to these claims. The first focuses on bureaucratic motivations: Niskanen's general approach was criticised by a range of authors who argued that officials' motivations are more public interest-orientated than Niskanen allowed. The bureau-shaping model, made by Patrick Dunleavy, also argues against Niskanen's that rational bureaucrats should only maximize the part of their budget that they spend on their own agency's operations or give to contractors or powerful interest groups, that are able to organize a flow-back of benefits to senior officials. For example, rational officials will get no benefit from paying out larger welfare checks to millions of poor people, since the bureaucrats' own utilities are not improved. It should be expected that bureaucracies maximize budgets in areas like police forces and defence, but not in areas like welfare state spending.

A second branch of responses has focused more on Lowi's claims, asking whether governments can control bureaucrats. This research is motivated by the following concern: if we wish to believe that we live in a democracy, then it

must be true that appointed bureaucrats cannot act contrary to elected officials' interests. But this claim is itself debatable: if we fully trust elected officials, we would not spend so much time implementing constitutional checks and budget balances.

Within this second branch, authors have published numerous studies debating the circumstances under which elected officials can control bureaucratic outputs. Most of these studies examine the American case, though their findings have been generalized elsewhere as well. These studies argue that governments have a variety of oversight means at their disposal and they use many of them regularly. These oversight mechanisms have been classified into two types: "Police patrols" - actively auditing agencies and looking for misbehaviour and "fire alarms" - imposing open administrative procedures on bureaucrats to make it easier for adversely affected groups to detect bureaucratic malpractice and bring it to the government's attention.

A third concept of self-interested bureaucracy and its effect on the production of public goods was written by Faizul Latif Chowdhury. In contrast to Niskanen and Dunleavy, who primarily focused on the self-interested behaviour of only the top-level bureaucrats involved in policy making, Chowdhury in his thesis submitted to the London School of Economics in 1997 drew attention to the impact of the low level civil servants whose rent-seeking behaviour pushes up the cost of production of public goods. Particularly, it was shown with reference to the tax officials that rent-seeking causes loss in government revenue. Chowdhury's model of rent-seeking bureaucracy draws attention to administrative corruption where public money is directly expropriated by public servants in general.

3. The Power of Bureaucrats

The bureaucrat, like everyone else, can be assumed to be a selfish utility maximiser. But what is it that he maximizes? In 1947, Max Weber assumed that the bureaucrat's natural objective was power. "Power" is a concept frequently used by political scientists and sociologists and totally ignored by economists and practitioners of Public Choice. There is an interpretation of political power that is used not only in the political science and sociology literature, but also in the analysis of government and bureaucracy in Public Choice.

At intuitive level, the word "power" means the ability or capacity to do something. But "something" can stand for a variety of objects, each of which leads to a different kind of power. Physical power is the ability to apply force. Economic power is the capacity to purchase goods. Political power can be defined as the ability to achieve certain ends through a political process. To observe the exercise of political power, some actors must have conflicting goals. If all members of a group, including citizen X favours action A over action B and action A is chosen, we cannot say that citizen X has exercised power. If only citizen X favours action A and action A is chosen then, citizen X has political power.

In 1938, Russell defined three ways in which an individual can have influence in a political context: by exercising direct physical power, for example, by imprisonment or death; by offering rewards and punishments; by exerting influence on opinion through the use of propaganda. The first two are closely related to a more general type of political power, which is called "procedural power". A citizen will achieve his choice of an action because the rules of an institution make him dictator, or grant him

the right to set the agenda by which the institution will choose that action.

It is the third source of influence Russell listed that is most closely related to the general notion of political power. Education, propaganda and persuasion are all forms of information. Information has value, or grants power, only if there is uncertainty. Uncertainty creates the potential to exercise power and information provides the capacity to do it. Political power means inducing someone to do something that he/she did not want to do, as when citizen X gets an institution to choose action A when all but citizen X favour an alternative action B.

The uncertainty of all institution members gives citizen X the power to induce the institution to choose action B over C, action C over D and so on until action A is reached. But if all institution members vote action B over A, they could impose action B by not voting for action C against B.

Returning to Russell's list of sources of power, it is easy to see that it is the uncertainty that surrounds a dictator's use of physical power or a supervisor's list of rewards and punishments that allows these people to control their subordinates. If citizen Y knows with certainty that citizen X will give him a reward if he does action A, then citizen Y, in carrying out action A, exercises as much power over citizen X as X does over Y. In a bureaucracy in which no uncertainty exists, authority might exist, but no real power will accompany authority.

All employees of an institution would know all of the possible events that might happen and all could predict the outcomes or decisions that would follow. Employee procedures would be completely codified and both the supervisor's and the employee's reaction to any situation would be very predictable. In a world of complete certainty, all individuals are essentially

acting out a part and those at the top of the bureaucracies are as full of power as those at the bottom. All power is purely procedural.

4. The Goals of Bureaucrats

The bureaucratic clerk pursues power. The economic entrepreneur pursues profit. In Knight's (1921) theory of profit, profit exists because of uncertainty and is earned by those who possess the daring and information to allow them to make correct decisions under uncertainty. So, there is a close link between the economic theory of profit and the political theory of power. Both profit and power exist because of uncertainty and both accrue to the possessors of information.

In the modern corporation, the information gatherers and processors of information are the managers. They are the possessors of power. A major difference between the business corporation and the public institution is that the power of managers can be paid off. The business of corporations is making profits and managers as information gatherers are its main beneficiaries.

Legally, corporations belong to the stockholders and the custom is that they are the rightful beneficiaries of corporate profits. So, managers are unable to pay themselves all the profits they create. They are forced to claim corporate profits in less conspicuous ways than simply salaries and cash bonuses. Numerous substitute goals have appeared: on-the-job consumption, excess staff and emoluments, security and a range of non-paid goals.

Many of the non-paid goals of managers are correlated with the size or growth in size of the corporation. Large size corporations can also be used as a justification for higher compensation packages and thus can allow managers to justify greater direct cash payments to themselves.

The bigger and more complex the firm is, the more difficult it is for stockholders to monitor the activities of managers and the more power managers have. Size and growth in size are possible goals, along with profits, of corporate managers.

The pursuit of profits is not the legitimate goal of public institution and so, it is even more difficult for public bureaucrats to convert the power they have into income. The non-paid goals of management become the logical objectives of the public bureaucrat. Among these, size and risk aversion have received the most attention. The first systematic effort to study bureaucracies within a public choice framework was made by William Niskanen.

One of the key characteristics of a government institution is the nonmarket nature of its output. An institution does not typically supply a number of units of output as such, but levels of activities from which output levels must be inferred. The Ministry of Defence maintains numbers of combat personnel and weapon systems, although it supplies various units of defensive and offensive capabilities. Its budget is defined over the activities it maintains, even though the purchasers, the taxpayers and their representatives, are ultimately interested only in the final outputs of combat capabilities that these activities produce. The reason for this is obvious: it is easier to count soldiers and airplanes than it is units of protection. This measurement problem, inherent in all of the goods and services that public bureaus provide, creates a monitoring problem for the funding and control agencies. Given the immeasurable nature of a bureau's outputs, how can the purchaser monitor the efficiency of its production?

The monitoring problem is intensified by the bilateral monopoly nature of the bureau-sponsor relationship, which states that the buyer of a bureau's output would

be a monopsonist. A public good is by definition consumed by all the people and the agent of all the people is a monopsonist buyer on their behalf. It is known that the government may not engage in the supply of only pure public goods, but it remains the sole agent of whatever interest group it represents in dealing with public bureaucracies. Even if the government acts as the sole agent for the population, or an interest group, it does not necessarily have to buy from a single source, even though it often does.

The usual reason for granting a bureau a monopoly on the provision of a given service is to avoid wasteful duplication. There is some validity in this justification, but the monopoly nature of most bureaus frees them from competitive pressure to be efficient and denies the funding agency an alternative source of information by which to gauge the efficiency of the monopolist bureaus.

The inefficient production of a bureau's services is also affected by the scheme of compensation of bureaucrats. While managers in a private corporation can usually claim a share of the savings/profits generated by an increase in efficiency, public bureaucrats' salaries are either unrelated or indirectly related to improved efficiency. So, the public bureau is characterized by weak external control on efficiency and weak internal incentives.

If the bureaucrat has no financial incentive to pursue greater efficiency, what are his goals, and how are they related to efficiency? Niskanen listed the following possible goals of a bureaucrat: salary, perquisites of the office, public reputation, power, patronage, output of the bureau, ease of making changes and ease of managing the bureau. He then asserts that all but the last two are positively related to the size of the budget.

5. Conclusions

The concept of bureaucracy has come a long way since the 18th century. Nowadays, bureaucratic institutions are to be found, I dare to say, in every state in the world, regardless of the form of government: from the young democracies of Eastern Europe to the post industrial capitalist countries on both sides of the North Atlantic or Japan, from the emerging giants of BRIC (Brazil, Russia, India and China) to the sunny fiscal paradises wherever.

As long as there is money to be made, interest groups will never give up trying to impose corporate wishes, as long as there is more power to be earned, elected politicians will constantly change, as long as there are promises taxpayers are willing to dream. A handful of bureaucrats want it all: the money of corporations, the power of elected officials and the dreams of a better life as all taxpayers want.

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