

Chapter 13

Democracy and Bureaucracy: Some History

1. INTRODUCTION

Bureaucracy, or bureau for short, refers to a hierarchical organization. We mean by this that it has a number of departments and sub-departments. Except at the lowest and highest levels, each worker is in a specific department which is higher than a lower level department but which itself is lower than a higher-level department. The classic case is the military bureaucracy. We call the people who work in a bureaucracy *bureaucrats*. Except for the *bureau chief* and bureaucrats at the lowest rank, each bureaucrat has a superior and he himself is also a superior.

The bureau chief is the manager of the bureaucracy. She ordinarily decides which resources the bureau will hire and which methods will be used to provide the bureau's service. She is also typically in charge of preparing the bureau's budget.

Bureau: a hierarchical organization.

Bureau Chief: the head of a bureau.

Bureaucrat: a person who works in a bureaucracy.

Sponsor: politicians who hire and oversee the bureau chief.

The bureau chief is not completely free to do as she pleases. The precise details of her job, and therefore the constraints on her behavior, are dictated by the person who hires or appoints her.

Bureaucracies exist in business and in government. We are concerned here with the bureaucracies of a democratic government. In these, the bureau chief is hired and overseen by politicians, who follow a procedure that is specified by law or in the constitution. In addition, the bureau chief is constrained by law.

In Public Choice, we use the term *sponsor* to refer to the politicians who hire and oversee the bureau chief. Thus, we say that the actions

Constraints on a bureau chief's actions:

1. Expected reaction by the sponsor.
2. Laws relating to the bureaucracy.

of the bureau chief are constrained by the actions she expects her sponsor to take in response to her behavior. A second source of constraints on the actions of bureau chiefs are laws regulating the bureaucrat's and/or bureau chief's actions. Although these vary among bureaus, one law that is common to all bureaus is the civil service law. This law limits the ability of the bureau chief and other higher-ranking bureaucrats to hire, fire and promote lower-ranking bureaucrats.

Modern national governments have many large bureaus, or departments. These include the defense department, the department of education, and the transportation department. State or provincial governments and even local governments also have bureaus. In a parliamentary system, the bureaus are called ministries.

The Assumption That Democratic Bureaus Are Efficient

Some people take it for granted that if successful governments today supply certain services, then people must want the services. Moreover, if the government uses bureaus to supply the services, bureaucratic supply must be efficient. For example, people often point to the economic success of democratic countries like the U.S., where the legislature has created large bureaucracies to implement the laws they have passed. If the U.S. people are so wealthy and if the U.S. bureaus supply a number of "public services," the reasoning goes, then the bureaucratic supply of those services must be efficient. A major reason for these presumptions is the lack of historical perspective. People do not realize just how *new* big government and bureaucratic supply is in the U.S. Except for the military, bureaucracy did not exist in the U.S. until about 75 years ago. Around that time, some state and local governments adopted this form.

The formal bureaucratic structure that exists today at the national level became institutionalized only in the last twenty to forty years.

This bureaucratic structure did not emerge because voters demanded it. Instead it appears to have emerged as the result of a political struggle over which branch of the national government should have the right to control government employees. The actual sequence of events is described later in the chapter. The point that we want to make here is that it would be a mistake to think that bureaucratic supply is the outcome of decisions made by competent, knowledgeable, efficiency-conscious politicians. A contrary indication is suggested by the lower rate of economic growth in the U.S. economy that has occurred during the same period. Although it is not easy to judge the relevance of economists' statistics on rates of growth in a complex world, there is at least a hint here that the growth of bureaucratic supply of "public services" may have inhibited the growth of private enterprise.

The fact that bureaucracy is used in the mature democracies of the world today to supply various government services is not necessarily evidence that bureaucracy is efficient in satisfying citizen's wants. To determine its efficiency, we must analyze it by trying to understand bureaucratic supply and its broader environment. We must analyze the bureau in the same way that we have analyzed democracy in general – by assuming that bureau chiefs, bureaucrats, and sponsors act in their self interest under the constraints imposed by laws and constitutional rules.

Why Study Bureaucracy?

We know that bureaucracy is the way that the people of all the democracies in the world today have chosen to cause various goods and services to be supplied. Some of these services, like the police and perhaps the military, are necessary for the continuing survival of a nation's democracy and the market economy. Even if these services are provided inefficiently in terms of some ideal, they are necessary. Others services, however, are not necessary. If we judge that the bureaus that supply them cause more harm than good, we should either improve them or get rid of them. If a service is not yet being supplied through government, our study will help us judge whether it should be. In short, the study of bureaucracy will help us determine the significance of bureaucracy as a source of government failure.