

Chapter 14

Inefficiency of Bureaucracy

Modern discussions of bureaucracy in Public Choice begin with a model proposed by William Niskanen in 1971. This model assumes that government bureaus are the suppliers and that elected politicians are demanders of some good or service. A bureau is headed by a bureau chief just as a business is headed by an entrepreneur. However, whereas the entrepreneur tries to maximize profit, the bureau chief tries to maximize the size of her budget. The purpose of this chapter is to present the basic Niskanen model and some variations of it. A secondary purpose is to describe some other recent approaches to bureaucracy. Parts one to three present the model in its simplest form. Part four identifies several reasons why politicians would demand budgets that are higher than what the bureau chief would regard as the optimal size. Part five presents a simple framework that helps to capture the essential features of the interaction between bureau chiefs and politicians.

Part six contrasts the assumption that the bureau chief is self interested with the common view that the bureau chief, other workers in the bureau, and politicians, ought to act in the public interest. Part seven describes some other models and approaches to bureaucracy, particularly those that seem to have some application to the parliamentary system.