Chapter 15

Improvements and Reforms

The aim of this chapter is to consider ways to improve a bureau, *assuming that the bureau is worth keeping.* We shall consider two possible means of improvement: producing information about bureaus and charging user fees. In part one, we discuss a number of ways to increase citizens' and legislators' information so that they can more adequately judge efficiency. In part two, we explore the efficiency gains that can often be achieved by requiring bureaus to charge user fees when possible. Before we begin, however, it is worth reminding the reader that we often have good reasons for concluding that a bureau is not worth keeping.

We have learned that many services probably should not be provided by national governments. National governments should not ordinarily provide local public goods and governments are not ordinarily needed or desirable in supplying club goods. If a national bureau exists to supply these goods, we should consider shutting it down. There are better alternatives to the national bureau, no matter how much it is improved and reformed. In other cases, there may be cheaper ways than bureaucracy for the service to be provided. Allowing private firms to bid for contracts may be more efficient than maintaining a government bureau. In addition, a subsidy to demanders, perhaps in the form of a voucher, may be more efficient than a decision to finance a government bureau. We discuss these possibilities in Chapter Eighteen.

We also learned that there are inherent inefficiencies with bureau supply. Because bureau chiefs depend on politicians for their appointments, they may use their budgets to help the politicians or political parties in their election efforts. In addition, due to information asymmetry, they are in a position to achieve personal goals, whether they benefit members of the collective or not. We saw that they have an incentive to try to maximize their budgets, causing bureaus to grow beyond their efficient size. A bureau may even get so large that citizens would be better off without it.

To decide whether a bureau should be improved or reformed, it is best to begin by asking whether bureau supply is the best alternative. Only after we decide that it is will it be worthwhile for us to go on to consider the possibility for improvement. There are, of course, some cases in which government supply is necessary. Examples are national defense, some police services, and tax administration. Bureau supply in these cases seems superior to the system of class and privilege and the spoils system, which characterized much of U.S. administrative history. The supply of other services, however, is less necessary and serious consideration should be given to alternatives.

People who have not studied Public Choice are often predisposed to believe that bureaucratic supply is efficient. It is easy to understand why such a view is common in the new democracies. Prior to democratization, dictators or ruling parties controlled education and the media. To avoid discontent, these rulers commanded public speakers, schools and news organizations to extol the virtues of their regimes. They aimed to control the people by indoctrinating them and systematically distorting facts. After the shift to democracy, dictators were replaced by elected leaders. However, instead of abolishing these tools of dictatorship, the leaders retained their education systems and ministries of information (or some such agency) for the purpose of "protecting" the people against unspecified, "undesired influences."

In many of the new democracies, the evidence of bureaucratic inefficiency is everywhere. Moreover, everyone knows about it. But they blame it on the incompetent or corrupt bureaucrats. "Democracy is in transition," they say. "With the proper guidance of good leaders, our nation will, in time, have competent and honest bureaucrats and our bureaus will be just as efficient as those of the more mature democracies." This, of course, is the benevolent despot view, which we described in Chapter One. Many citizens in the more mature democracies have similar views. They believe optimistically that the problems of bureaucratic inefficiency can be solved by hiring more competent, and perhaps more honest, bureau chiefs and bureaucrats.

Our discussions in Chapters Thirteen and Fourteen suggest that this view is ordinarily unwarranted. In this chapter, however, we are not concerned with the undue optimism of people who have not studied Public Choice. Our goal is to consider some possible reforms in those cases where practically everyone can agree that bureaucratic supply is appropriate.