



Gordon Tullock

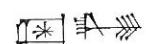
THE SELECTED WORKS
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Bureaucracy

GORDON TULLOCK

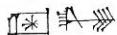
Edited and with an Introduction by

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INTRODUCTION

The sixth volume in this series, *Bureaucracy* brings together two books by Gordon Tullock, namely, *The Politics of Bureaucracy* and *Economic Hierarchies, Organization and the Structure of Production*. It is important to note that these contributions deal with economic relationships that extend beyond bureaucracy in its narrow definition.¹

THE INTELLECTUAL ENVIRONMENT IN 1965

In 1965, when Gordon Tullock published *The Politics of Bureaucracy*, the intellectual climate in all western countries was extremely favorable to bureaucracy. Bureaucrats were widely viewed as impartial, even omniscient, servants of the public good, and they were accorded the respect that such an inference demanded, at least among members of the intellectual elite.

Following William Niskanen, bureaus are defined as organizations endowed with the following characteristics: (1) The owners and employees of these organizations do not appropriate any part of the difference between revenues and costs as personal income. (2) Some part of the recurring revenues of the organization derives from other than the sale of output as a per-unit rate.² In this sense, bureaus are nonprofit organizations that are financed, at least in part, by a periodic appropriation or grant. This includes most government agencies, most educational institutions, some hospitals, and many forms of social, charitable, and religious organizations. It extends to some component units in profit-seeking organizations, most especially staff units providing such services as advertising, public relations, and research.

The term *bureaucracy* comes with a pejorative flavor, defined as "government by a central administrative group, especially one not accountable to the public." In this sense, as Mancur Olson notes, the study of bureaucracy has to deal with an elemental paradox: the role of bureaucracy has increased dramatically throughout the western democracies in modern times but with-

1. Gordon Tullock, *The Politics of Bureaucracy* (Washington, D.C.: Public Affairs Press, 1965); Gordon Tullock, *Economic Hierarchies, Organization and the Structure of Production* (Boston/Dordrecht/London: Kluwer Academic Publishers, 1992).

2. William A. Niskanen, *Bureaucracy and Representative Government* (Chicago: Aldine-Atherton Press, 1971).

CHAPTER II

SUBORDINATES AND INFERIORS

Except for the few pages at the end, Part 2 was devoted to analyzing the behavior of the politician seeking to rise in an administrative hierarchy. In this part of the book, we shall analyze the behavior of the politician "looking downward." We shall examine the bureaucratic structure through the eyes of a man whose main task is that of trying to get inferiors to do what he wants. These two points of view are not necessarily opposed; they are, rather, complementary approaches in the analysis of bureaucratic structures. In both cases, the politician is seeking to maximize the satisfaction that he gets from his environment. In both cases, he will make use of his relationships within the hierarchy to achieve his goals. In a broad sense, the situation in each case is also analogous to the individual who operates in an economic rather than a political context.

Nevertheless, if we move to more specific levels of analysis, the outlook of the politician in our two cases becomes quite different. To state the matter in overly simplified terms, the politician within the hierarchy seeks power which will permit him to achieve his ultimate goals. By comparison, the man at the top of the hierarchy has the power, but he is confronted with the organizational problem of using that power in the most effective way. In the normal case, the politician will find himself superior to some persons in the hierarchy and inferior to others. The result is that he behaves both as the man whom we have discussed in Part 2 and as the man whom we shall discuss in Part 3. Almost all politicians face some problem of dealing with inferiors. Above the very lowest tier, the politician will have supervisory functions, and his own prospects for promotion will depend partly on the efficiency with which he makes use of his own subordinates.

Consider, then, the problem facing the politician within a hierarchy who is of sufficient rank to carry supervisory functions, but who is not high enough to have become disinterested in further promotions. What he seeks from his followers may be classified in two categories. First, the politician will supervise the carrying out of some assigned function. He may head a bureau charged with collecting crop statistics in Illinois; he may be responsible for supervising the singing of perpetual novenas before the Emerald Buddha; or he may be entrusted with the command of an army. Regardless of the

nature of his command, the efficiency with which his subdivision of the hierarchy performs will affect his own position. He will have a distinct interest in improving that efficiency. And insofar as his actions are directed toward improving the efficiency of his particular subdivision, he is, in effect, acting as a proxy for his own superiors and carrying out their will.

Secondly he will also be interested in the efficiency of his followers in another sense. In his competition with his peers for the favor of their mutual sovereign(s), his subordinates can be very useful. The efficiency with which they are organized for this purpose is important to him in his own power struggle, but this sort of efficiency may not contribute to the performance of the assigned function of the bureau. In the ideally efficient organization, the politician would, however, realize that the only way of pleasing his superiors was to organize his subdivision of the grand enterprise to carry out its organizational objectives most effectively. As we have suggested, the degree of approximation to this ideal may be taken as a good measure for the efficiency of an organizational structure. At the opposite extreme from this ideal lies the organization in which the wise and ambitious politician is relatively unconcerned with whether his own subdivision carries out broad organizational tasks. Instead, he is primarily interested in his subordinates as an entourage to assist him in his conflict with his peers for advancement. To the individual politician, these two types of "efficiency" are more or less indistinguishable. He is interested, like the ultimate sovereign, in getting his own wishes carried out. He wants his subordinates to do those things that will most advance him in the organization, and he is not particularly interested in whether or not these activities coincide with his ostensible responsibilities.

THE "IDEAL" SOVEREIGN

We may imagine a man who has nothing to fear from his subordinates, while at the same time possessing less than godlike control over their activities. We are unlikely to encounter any politician with this degree of security, but an analysis of this "ideal type" will be of considerable assistance in understanding the problems of real supervisors. The central problem of this "ideal" sovereign is organizing subordinate politicians so that they, to the greatest degree possible, will behave as their superiors want them to behave. This, in essence, is the principal problem of the sovereign at the apex of the pyramid. It may also be considered, in the more general sense, as the basic problem for social organization. Normally, it must be accepted that it is desirable that organizations work efficiently in the carrying out of the functions for which they are constituted. In one sense, the position of the analyst here

is somewhat akin to that of the political economist. We shall try to discover those types of social institutions that will be most efficient in attaining desirable ends with given expenditures of resources. The theory developed will thus be a general normative theory, but, as in all such cases, the theory, to be useful, must be applied to each particular organization separately.

THE GROUP SOVEREIGN IN A DEMOCRACY

The analysis has a special relevance and importance in democratic countries. Here, as we have seen, the ultimate sovereign is the voter. Each and every voter is a member of a large group sovereign, or, more precisely, a number of group sovereigns. Those politicians who obtain their positions through the (collective) favor of the voters will follow the "will of the people" with almost slavish devotion. This basic fact is often obscured. We sometimes speak of politicians as leaders, not as followers. But we must recognize that the slogan: "The mob is in the streets. I must find out where it is going, for I am its leader," is a good one for any democratic politician.

A second factor that obscures the underlying reality of the situation lies in the "official theory" of democracy. It is sometimes assumed that there exists some "volonté générale," and that the duty of the democratic process is to locate this will. Any reasonably careful examination of actual democratic process will, of course, quickly dispel this illusion.

From the point of view taken here, the problem vanishes. A democracy is merely a political system in which ultimate power rests with a special type of group sovereign. The politicians court this group sovereign in much the same manner that they would court any sovereign. They are interested in the "will of the people" only in the sense that they are interested in determining those types of behavior that will be rewarded at the next election. We have, in Part 2, discussed this reaction of the politician to the electorate, and there was no implication that the electorate does not possess power over the politician. But it should be emphasized that the conduct that the electorate will reward in the politician is not likely to be identical with that which would please the professor of political science.

The political leaders thus owe their positions to the favor of the voters. In terms of the relationships herein discussed, the people are the superiors of the politicians. If we wish the politicians to act in specific ways, they must be rewarded for so doing. If, by contrast, we wish to prevent specific types of governmental action, such action must be made unprofitable for the politicians. The democratic electorate will be confronted with much the same problem as the ideal sovereign at the apex of an administrative pyramid. The analysis of

this part of the book, therefore, deals with the problem that confronts the voting population.

LIMITATIONS ON HIERARCHICAL TASKS

We shall now discuss briefly the limitations on the tasks that can reasonably be assigned to any given organization of human individuals. This concept of limitation has not to my knowledge been fully explored. No one would, presumably, believe that the tasks assigned to a bureaucracy could be expanded without limits, yet there does not appear to be any serious discussion of that point. Occasional reference will be found to tasks that are "administratively impossible," but this term usually refers to the impossibility of accomplishment due to limitations on manpower available or due to the existence of mutually conflicting sets of instructions. The hypothesis that there might exist tasks which, although free of internal contradictions, might simply be too large for performance by any bureaucracy does not seem to have been examined. Yet once the hypothesis is advanced, no one is likely to contest its validity, although great differences of opinion may arise as to its relevance.

The tendency for scholars to ignore the possible limits on tasks that may be performed through bureaucratic structures suggests that such limits, if they exist, are so high as to prevent the problem from having practical real-world application. Organizations have been set up or projected that imply extremely high limits. Certain socialist scholars of the 1930's and 1940's dream of a world state as a planned society. The Nazis had essentially the same organizational dream, although the objectives were, of course, different. Similar illusions seem to have been fairly common historically. Most regimes of which we have knowledge have incorporated governmentally controlled economies with totalitarian political structures. The limited state of Western society with which we are familiar is a distinct oddity in the totality of human experience.¹ The progress of the West under this abnormal political system can be taken as some indication of its efficiency, but its unusual aspects, historically, should not be overlooked.

Numerous objections have been raised to the various proposals for changing the political order that has been characteristic of the West in the last century or two toward an order conforming more closely to the world norm. But the suggestion that it would be impossible to organize a governmental

1. It was not the Webbs but Mencius who first said, "The government should own the important industries and closely control the rest."

structure that could actually carry out (as opposed to appearing to do so) the task of centralized totalitarian control of the activities of a whole nation does not seem to have been among the more important of these objections. Economists, it is true, have argued that economic planning could be highly inefficient as a means of organizing an economy and that such planning would tend to lower living standards; but this argument has usually been based on strictly economic considerations. There are, however, two important exceptions to this widespread failure to recognize the general limitation of bureaucratic tasks. F. A. Hayek has argued convincingly that the problem of running a planned economy efficiently could not be solved by the planning authority, because it would be impossible for the authority to possess all of the knowledge which would be necessary for the required decisions. Although Hayek uses this objection only with reference to the planned economy, it clearly has wider applications. Administrative problems in other fields could also be of such complexity that the centralization of information necessary to make decisions effectively in a bureaucracy might not be possible.²

Michael Polanyi also has offered an interesting mathematical argument against a centrally planned economy, an argument based on problems of control. Although his main interest is economic, his arguments apply to other types of organization.³ Both Hayek and Polanyi are obviously opposed to the centrally planned economy for reasons other than that mentioned here, but it is interesting to note that no proponent of such an economic order has, to my knowledge, attempted to refute either of them on this particular argument. It is also somewhat curious that no political scientist, again to my knowledge, has recognized the relevance of these studies to the whole subject of political theory. The arguments seem to have made so little impression that even those who are, on other grounds, opposed to totalitarian controls have often implicitly assumed that the centrally planned society is possible.⁴

2. Hayek's article "The Use of Knowledge in Society" first appeared in the September 1945 issue of the *American Economic Review* (519-30), and has been reprinted in his *Individualism and the Economic Order* (77-91).

3. Polanyi's arguments may be found in the last three essays of his *The Logic of Liberty*. I have given no details on either Hayek's or Polanyi's position largely because I see no point in duplicating material which is already in print in a highly elegant form. I will shortly present my own arguments on this point, and as they are somewhat similar to those of Polanyi and Hayek, a separate presentation of their position would result in simple waste of wood pulp.

4. I am, of course, aware of the existence of many historic regimes, which in theory were centrally planned. To anticipate arguments which will be made in more detail later, I believe

A more formal discussion of this whole problem of the effective limits on the size of the task a bureaucracy can perform must be postponed, but a brief introduction may be given here. In later chapters, the nature of these limits will be discussed more thoroughly, and we shall try to determine their general order of magnitude. We shall also find that these limits vary with the nature of the task to be performed and that some types of operations permit the adoption of procedures that materially raise the limits on the size of the tasks that may be accomplished through a single organizational structure. The basic problem is that the degree of internal coordination which is necessary to accomplish a given task effectively may be greater than can be achieved by a hierarchic structure that is large enough to perform the task. If this should be true, the task is organizationally impossible.

To this point, I have used the word "task" largely in the singular. If we think of "tasks" in terms of the multiplicity of things undertaken by large organizations, the concept of limits does not apply with the same force. Different people in any large organization will normally be doing a large number of different things. If these different things are intended as coordinate parts of a single larger function, the limits on the size of the organization which is possible may be severe. If, on the other hand, the organization carries out a collection of unrelated and separate activities, the conception of limit that we mention here need not apply. This becomes obviously true when it is recognized that the carrying out of unrelated and uncoordinated functions is equivalent to converting the single organization into several organizations, united only by the accidental fact that each unit involves some of the same personnel. The center of attention here, however, is organizational structures that exist for the purpose of performing some *coordinated* task, even if this task be the abstractly simple one of carrying out the will of a man or a group. The limits on the size of organizations of this type are much lower than those upon merely formal organizations which exist without effective intrahierarchic coordination.

THE PURPOSES OF BUREAUCRACY

Why do extremely large organizations exist? Most persons would have little difficulty in answering this question. The stockholder in the General

that such regimes are, in a sense, optical illusions. Everyone is fitted into a gigantic hierarchy, but most of the actions taken by the vast numbers of people on the lower levels of the hierarchy are not planned by the central authority.

Motors Corporation, for example, understands that the purpose of this particular hierarchic organization is that of making money (of which he hopes to secure a portion), primarily through the manufacture and sale of automotive vehicles. Similarly, most citizens of the United States, if asked the question as to why the national government exists, would reply in terms of various functions such as defense, foreign affairs, etc., all of which are carried out by the governmental bureaucracy. Thus, to the average man the obvious justification for any hierarchical organization lies in its ability to carry out some task. This commonsense understanding of organizational purpose is that which is adopted in this book. Organizations are established, or should be if they are not, as a means of getting certain things done.

There are, however, less obvious justifications for bureaucratic structures. The individual member of a hierarchy is likely to feel, although possibly only subconsciously, that one of its major functions is that of supporting him personally. The attitude is, surprisingly, not confined to members of the bureaucracy itself. In every congressional debate discussing governmental economies, some remarks will be introduced about the "threat" to the livelihood of the bureaucrats employed in the hierarchies threatened with extinction. A proposal to abolish a certain bureau or agency will always raise questions about the dismissal of its employees. Both in Congress and among the voting public this is widely accepted as a valid, although not necessarily conclusive, argument. The same argument applies on the positive side. New organizations are sometimes proposed, not in terms of the functions that they will perform, but in terms of the persons that will be hired, as if their basic function was that of hiring employees.

Still another, and more complex, justification for the existence of an hierarchy is one that I shall call the ceremonial. The hierarchy is conceived of, essentially, as an end in itself. This attitude, seldom conscious, is of considerable importance.

Some people feel that society should be monolithic, or at least that it should have that appearance, and they are apt to feel personally somewhat more secure when they are enabled to occupy a niche in an established hierarchy than they would be in an "open society." As we have already noted, any hierarchy operates largely through personal relationships. By contrast, the free economy, in its ideal form, operates largely through the mechanism of impersonal relationships. Some persons simply feel happier when they can depend on other individuals to decide upon their destiny than when they feel this is determined by impersonal forces. In America, we talk of a government

of laws, not of men, but subconsciously many persons really long for the apparent security of the older system.

Our later analysis will deal, almost exclusively, with the first, and commonsense, objective or purpose of organizational structures. If supporting its employees is the primary function of bureaucracy, then obviously the concept of efficiency has little meaning, and almost any structure is as good as another. The desire to "belong" to a monolithic structure represents grasping at a shadow at best. Large organizations are never genuinely monolithic. Nevertheless, the illusion in this respect may be maintained, and a large bureaucracy may be indispensable for its continuation. But this sort of bureaucracy also will not command our attention in the analysis that follows. Essentially, such a bureaucracy would be an experiment in social suggestion. The objective would be that of concealing from the members the real fact that monolithicity is not attained.

The discussion of bureaucracy that follows is based on the simple premise that organizations are established to accomplish an objective. A function is to be performed, and this function is directed toward the world outside the hierarchy. The one exception to this generalization is the all-embracing bureaucracy; the social system in which every member of society belongs to the gigantic organization (such as the ideal state of the pre-1945 socialists or the Inca Empire). This system must, by definition, be concerned with the welfare of its members, or at least some of them. But even here, the system can be analyzed in terms of the well-being of members as individuals and not in terms of the psychic benefits that they may secure through membership in the organization as such.

THE ARTS OF PERSUASION

One additional point requires consideration briefly in this introductory chapter. We shall be largely concerned with getting subordinates in a bureaucracy to carry out the desires of superiors by the devices of rewards and punishments. There are, however, other methods. These methods are extremely various. Hypnotism is theoretically possible, but it probably has been rarely used. Deliberate drug addiction followed by control of drug supplies is also possible and may have been used by the sect of the assassins.

The more normal methods of getting persons to do as one desires, without resort of direct rewards and punishments, can be summarized in the word "persuasion." This covers many and varied techniques, from advertising to fraud to logical discussion. It includes, by extension, what Weber calls

"charisma" and also religious influence. Any man who desires to get his subordinates to do things without "paying" them, or who wishes to obtain more from them than he does "pay for," must resort to such techniques as these. In some cases these techniques have the major advantage of being less costly than other methods.

A warning should be inserted for presumptive superiors against an overdependence on methods of persuasion. Due to the ubiquitousness of advertising in modern life, we sometimes overestimate its importance. It may be forgotten that the method is important to business firms only when products advertised are almost identical in quality. "There ain't no difference in soap," and hence the soap company with the best campaign sells the most soap. But shortly after World War II there was a difference in soaps; the detergents were introduced. At that time none of the old companies, experienced and skilled in advertising techniques, tried for long to sell old-fashioned soap in competition with the new detergents.

This phenomenon carries over into political life as well. Normally, individuals know what is, in fact, to their own interest, and are capable of deciding what action will be best. Trying to get persons to do something against their own interests is, of necessity, a difficult job, and it should not be depended on as a principal method of securing efficiency. The simple procedure of utilizing rewards and punishments with the aim of making the person's own interest correspond with the objectives of the superior is far better as a method. This conclusion is, of course, in almost direct contradiction with one of our most powerful current myths.

The view that "psychological methods" and indoctrination can accomplish almost anything seems to be firmly believed by many people. Actually, such methods are always of limited utility, and the myth should be recognized for what it is. Conditioning in childhood makes us what we are to some extent; this much is surely true. But this will be of little assistance to the politician who must deal with adults and tries to get them to do things against their interests. This is particularly the case when he must deal with those politicians who have risen to high positions in a system of social mobility that incorporates some merit selection. Two of the important reasons why these politicians have risen, as we have shown in Part 2, are their greater than normal ability to understand those actions that would, in fact, advance their own interests and their willingness to take such actions. These politicians are particularly poor subjects of psychological manipulation or persuasion of any sort.