

REFORMING BUREAUCRACY

THE POLITICS OF INSTITUTIONAL CHOICE

JACK H. KNOTT
GARY J. MILLER

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Preface

This book had its origins in the realization by the two authors that, although they came from quite different political science backgrounds, they shared similar instincts about what was important in explaining the behavior of government bureaucracies. We were also convinced, after teaching an undergraduate course in the politics of bureaucracy, that no book captured what we saw as central: Executive-branch politics, like legislative politics, operates under quite distinct “rules of the game.” While students of legislative politics have studied the rules of the legislative game extensively, no one had similarly examined the rules of the game in executive-branch politics.

The rules of executive-branch decision making are important for the same reason that the rules of legislative decision making are important: They in large part determine the governmental decisions that are of concern to all of us as citizens. No one doubts that the agricultural policies of Congress would be different if the rules determining the influence and recruitment patterns of the Senate Agriculture Committee were changed. Similarly, we feel, the Department of Agriculture’s policy decisions were shaped by the rules determining its internal organization, its staffing, and its budgeting procedures.

In studying police bureaucracies, we realized that the rules of police decision making were no accident—they have been self-consciously chosen by police reformers since shortly after the turn of the century. Since that time, the rules of bureaucratic decision making have been made more hierarchical, more routinized, more insulated from party politics, more subject to the professional norms of a new profession known as police administration. The preferences of party politicians were made to count less; the preferences of professionally trained police administrators were made to count more. Branching out from police to education, medicine, engineering, the military, the foreign service, financial administration, personnel, we kept running across the same kinds of arguments. The reform era after the turn of the century had resulted in the same kinds of institutional choices.

Furthermore, we began to see that the same kinds of institutional choices are being reinforced by contemporary political actors. When the Post Office was re-

formed into the Postal Service in the Nixon administration, the same institutional model was selected that has informed the creation of countless new bureaucratic agencies since 1900. When the State Department was criticized as being inefficient and stodgy, the orthodox principles of institutional design from the Progressive era were not abandoned, but reinforced. While concern about the size of federal budgets grew, the search for the ideal institutional manifestation of the orthodox principles of rationality and control simply grew more intense.

The reformers repeatedly believed that they could establish a nonpolitical and expert administration. This new rational administration was not supposed to be unduly influenced by parties or congressional politics, but would serve the public interest as the reformers saw it.

While the rhetoric of reform emphasized a nonpolitical administration, this book is an attempt to explain the rules of executive-branch decision making as the result of self-conscious, political choices by legislators, interest group leaders, presidents, and bureaucrats themselves. We argue that these political actors recognize the importance of executive-branch rules, just as they recognize the importance of legislative rules, in determining the policy decisions that they are concerned about. They therefore fight just as hard to reform or maintain executive-branch institutions that shape favorable decisions as they do to reform or maintain a favorable committee structure or election rules for Congress. A move to reorganize the Department of Agriculture will get just as careful a scrutiny from farm groups as would a move to reorganize the subcommittee structure of the House Agriculture Committee. A move to change the personnel procedures for the police department is liable to be just as controversial for local minorities as a move to change the election procedure for the city council.

This book is premised on the belief that rules count and are taken very seriously by political actors. Consequently, the authors made a serious effort to include as many illustrations as possible of emotionally charged political battles in which the rules of bureaucratic structure either determined the outcome of a policy dispute or were themselves the object of political conflict. Due to space limits, we had to leave out as many examples as we put in; however, we hope the reader, especially the student with little background in public administration or political science, will realize that learning about bureaucracy is more than learning about dry procedures and dull people.

Our greatest debt is to Jonathan Bendor, who provided a careful and extensive analysis of our manuscript which changed our thinking and our mode of presentation in more than a few places. Our colleague Thomas Hammond challenged our thinking at an early stage; we hope Tom finds the latest version more to his liking. An anonymous reviewer for Prentice-Hall provided numerous helpful criticisms. The remaining deficiencies are our own responsibility.

We also would like to express our appreciation to the Russell Sage Foundation, which supported Jack Knott for a year in which he was increasingly caught up in the subject matter of this book. We are grateful to Anne Khademanian for her help with the index, and to Linda Zuk for an excellent job of getting the manuscript into print. We also owe a large debt of gratitude to David Rohde and the Michigan State University Department of Political Science, who made this book possible both by their warm encouragement and by grants of released time from teaching.

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CHAPTER 1

Introduction

In politics as in everything else it makes a great difference whose game we play. The rules of the game determine the requirements for success.

E. E. Schattschneider, *The Semi-Sovereign People*¹

The Defense Department's organization and management, according to many critics from all sides, liberals and conservatives alike, is now in a state of crisis. Weaknesses in the weapons acquisition process are receiving the most attention in the public eye, as new accounts indicate that the Defense Department is paying \$748 for each pair of pliers. While spare parts and tools seem to be consistently overpriced, even larger concerns are voiced about inadequacies in major weapons such as tanks, airplanes, and even rifles.

It is not only the weapons acquisition process that is under constant fire. The system of command and control as well as the budget and planning systems within the Defense Department are criticized by military leaders themselves. In 1982, General David Jones, retiring chairman of the Joint Chiefs of Staff, told a closed meeting of the Armed Services Committee that "the U.S. military command system does not work."² General Jones was from the Air Force; a recent Army chief of staff said that "It is surprising that the system works at all in light of its serious organizational, conceptual, and functional flaws."³

Congressional critics of both parties have held hearings and given speeches arguing that "[the system] is broke, and we need to fix it."⁴ The Senate Armed Services Committee commissioned a several-hundred page Staff Report entitled, "Defense Organization: The Need for Change."⁵ The Staff Report levels severe criticisms against the weapons acquisition process, the command and control system, and the budgeting and planning procedures. The Report's overall summary states that the defense organization places far too much emphasis on "technical, managerial, and bureaucratic skills," to the detriment of "defense mission objectives" and "leadership skills in wartime."

One might think that this evidence suggests something "backward" about the Defense Department's organization and management. Yet these severe concerns about defense organization have occurred *after* several generations of reform of the military bureaucracy. Twentieth-century reforms of the military bureaucracy have intended to create a modern, rational organization. Moreover, these bureaucratic reforms have succeeded in their proximal goals. The armed services today are professionally staffed, hierarchically coordinated, technically managed, and "scientifically" budgeted. Anyone who has studied the reforms of the Defense Department from its nineteenth-century roots cannot help but be impressed by the extent to which these reforms have transformed defense operations. And certainly, reforms of this sort were essential to the successful conduct of the two World Wars and to the defense of the U.S. in the modern nuclear age.

Indeed, the Senate Staff Report, while making fundamental criticisms of defense organization, frequently relies on marginal improvements in the current system in its recommendations for change. It suggests, for example, to reduce the number and upgrade the experience of political appointees in the Office of the Secretary of Defense; it also proposes some modifications in the planning and budgeting system.

But the nagging doubt remains: If the transformation of the military bureaucracy can still allow crises in weapons acquisition, budgeting and planning, and the command and control system, *are the underlying principles that motivated the various reforms completely correct?* Are the norms of professionalization, hierarchical control, and technical decision making always good and sufficient bases for bureaucratic reform? Or should we begin to consider broadening and changing our conception of "good" bureaucratic reform?

THE APOTHEOSIS OF RATIONALITY: SIMILARITIES IN ADMINISTRATIVE REFORM⁶

These questions become more compelling when we realize that a similar pattern of reform and crisis has afflicted other bureaucracies. Education, police, highway planners, the Forest Service, the State Department (not to mention business firms), have all undergone similar transformations toward professionalization, hierarchical control, and rationalistic decision making. One of the principal purposes of this book is to argue that a similar conception of reform was self-consciously applied to all of these kinds of public bureaucracies. Reform across all these arenas shared several characteristics.

First, reform was motivated by a desire for greater control of an expanding bureaucracy. In the case of the military, at the turn of the century a successful campaign was waged to free the military from staff agencies that were composed of political hacks, linked closely to Congress. In 1903, the Secretary of War Elihu Root introduced the Progressive ideas (borrowed partly from Germany) of the Army General Staff and the Chief of Staff. Frank Willoughby, the Progressive reformer, proposed in 1921 to unify the various military bureaucracies under one organization, called the Department of National Defense, as a means for gaining more central administrative control.⁷ In other cases, city police departments and school districts were the object of similar kinds of centralizing reform. The reformers tended to believe, as Leonard White has pointed out,⁸ that clear lines of authority and single chief executives would produce both more efficiency and accountability.

Second, and more importantly, the reforms have assumed that it was possible to create a nonpolitical, essentially technical, government organization and management. That is, the reformers did not attempt to transform the Defense Department by preaching to the officer corps, or psychoanalyzing them, or by changing their political attitudes. They thought they could create a neutral competence in government that would not be overly influenced by the political relations between Congress and the military, or by the clientele relationships between the military and various interest groups such as weapons suppliers. These psychological, social, and political dimensions were defined out of the problem. Instead, administrative reform was approached almost as an engineer would approach the building of a bridge: What organizational structure will best provide the desired goals of efficiency and unified control?

The reformers frequently adopted the private corporation model as the structure that would improve government efficiency, unified control, and public accountability. After World War II, for example, the passage of the National Security Act in 1947 combined the different military services into the single Department of Defense, under command of the Joint Chiefs of Staff and the Secretary of Defense. The Defense Secretary's Office was organized along modern corporation lines, consisting of functional subdivisions headed by Undersecretaries of Defense. Under John F. Kennedy, further bureaucratic reform came in the form of the highly technical Planning-Programming-Budgeting Systems, which was a decision-making system that was supposed to result in the utmost efficiency in resource management and cross-service coordination.

Third, in line with the expectation of a technical solution to the problem of administration, the training of professionals in the field became primarily technical and management-oriented. During the Progressive era, the Army War College was established as a source of technical and professional training for military officers.⁹ The service academies at West Point and Annapolis increasingly stressed modern management techniques, resulting in the creation of a cadre of highly trained professional managers for the armed services. Cadets at West Point and Annapolis today, in fact, are being trained almost exclusively as professional managers, with few courses in military history or defense strategy.¹⁰ In the field of education, education administrators now also form an elite group of professionals who command higher salaries and more prestige than teachers. The professional is increasingly evaluated by his ability to manage the organization, rather than by his stock of substantive knowledge.¹¹

Fourth, the reformers were convinced of the universality of their prescriptions. While some advances had been made in the understanding of organizations, reformers were quick to adopt standardizations, general rules, and principles for all positions and organizational structures. This created a kind of "false science" of administration in which, for example, personnel "science" was supposed to be able to grade and provide performance tests for all sorts of different government employees.

This "false science" aspect of reform has led many reformers over the decades to advocate naive views about political incentives in organizations and the limits of time and information in decision making. The planning and budgeting system in the Defense Department, for example, requires that plans and budgets be comprehensively reviewed each year, something that participants have no incentive or ability to carry out.¹² Similarly, reform oftentimes has specified technical decision

procedures in which goals are supposed to be reasoned out and established prior to and independent of the fiscally constrained political process.

Fifth, the Defense Department reforms were typical of administrative reforms in this century in that they were, by their own predefined standards, less than successful. They did not ensure the kind of smooth efficiency and control that were envisioned ahead of time. Since its creation, the Joint Chiefs of Staff structure has been continually derided by numerous critics, up to and including General Jones, as encouraging inefficiency, immobility, and unresponsiveness. The command problems were apparent in Vietnam, which Jones called an "organizational nightmare," and in the more recent bombing of our Marines in Lebanon. They have been linked with failures in the weapons procurement system in which faulty weapons purchased for one branch of the military often duplicated other faulty weapons systems purchased for other military branches.

Organizational problems are also connected to the inadequate combat-readiness of our military. At the beginning of the Reagan administration, the armed services had enough ammunitions, manpower, and other supplies to fight only a two-week war. After defense spending amounting to almost \$1 trillion during Reagan's defense build-up, the armed services now has the ability to fight a four-week war.¹³ Not only has the search for the most rational organizational structure not guaranteed accountability or control, critics such as Senator Gary Hart have increasingly identified this structural orientation to reform as the *fundamental* problem: "Bureaucratic behavior thus lies at the core of America's military inadequacies."¹⁴

Finally, the fact that the reform of the Defense Department has never stopped is typical of American administrative reform. There has been a never-ending struggle on the part of the engineers of Defense Department reforms to tinker with the system in order to find that structure which will finally provide the long-sought goals of control and efficiency. In other words, Defense Department administrative reform has not been a single, isolated event, but an ongoing process by which one can trace the evolution of Defense Department decision making and performance. In addition, by analyzing and criticizing the rationale behind the kinds of structural reforms attempted, one can begin to understand something of the importance of the psychological, social, and political factors which the reformers sometimes choose to ignore.

As stated earlier, the Defense Department is not the only organization which has engaged in ongoing administrative reform. State and local governments have been swept by waves of similar administrative reforms. Indeed, if one looks at the reform movements aimed at police, education, social work, and the regulatory agencies, one is struck by the similarities. As different as the substance of school district administration and Defense Department administration are, in both areas reform has been approached as essentially a technical, administrative problem. Indeed, the rationales for the school district unification movement and the unification of the military services are strikingly similar. Furthermore, both reform movements have relied on the development of a cadre of professional administrators for the implementation of their reforms. In addition, the popular criticisms of school reform sound very much like the criticisms of Defense Department reforms: that they lead to too much bureaucratization and red tape, a lack of public control, and decreasing concern for the original mission of the organization. The same similar-

ities could be noted for other administrative reforms throughout state, local, and federal government.

It is the theme of this book that there is something important to be gained by noticing the similarities in administrative reform across levels of government and functional program areas. That something is the pooled experience of the failures and successes of administrative reform movements in these different settings. Furthermore, if (as we argue) the administrative reforms in these settings have basically similar rationales and similar failures in meeting the self-defined goals of the reformers, then noting those similarities can lead to a larger reevaluation of the basic premises of administrative reform.

DISCONTENT WITH BUREAUCRACY

The military and educational bureaucracies are not the only bureaucracies to suffer through both repeated reform attempts and growing public dissatisfaction. As one famous political scientist has noted, "antibureaucratic sentiment has taken hold like an epidemic."¹⁵

Voters have supported tax revolts whose organizers have charged bureaucracy with the responsibility for governmental inefficiency and waste. Congressmen have run campaigns charging that bureaucracy is "out of control," either because of ineptitude or avarice, and Congress has invested heavily in congressional staff as a way of improving its own oversight of bureaucracy. Nixon felt that the bureaucracy was subverting his administration's goals, while Carter's presidential campaign was based in large part on his ability to reform bureaucracy, as demonstrated in his performance as governor of Georgia. Most striking of all, perhaps, is the Reagan campaign's assault on bureaucracy as a central element of "big government," and Reagan's interpretation of his election as a mandate to "cut bureaucracy down to size."

Realizing that our contemporary bureaucratic apparatus still faces severe problems despite repeated applications of administrative reform, we may well wonder, what has motivated administrative reform in the United States? Where did our ideas about how to reform bureaucracy come from?

THE ORIGINS OF ADMINISTRATIVE REFORM

The origins of administrative reform in police, in education, in regulation of the economy, and even in defense began in the latter part of the nineteenth century. Moralistic reformers who wanted to end political graft and corruption started to push for a nonpartisan civil service and greater professionalism in government. However, these sporadic reform attempts did not really begin to transform government organization until the Progressive era at the turn of the century. At that time, separate reform movements began in earnest to have a substantial impact on government. In a variety of fields, the Progressive reform movement of the first part of this century marked a watershed period. The Progressives enshrined the notions of control and efficiency in addition to moral judgment about political machines, and, as the means to that end, advanced the notion of a politically neutral bureaucracy, staffed by professional administrative experts. Furthermore, in many city and school district governments and in some state and federal agencies, they were successful in getting their programs of reform adopted.

Often, however, problems of accountability and efficiency persisted even after the Progressive reforms were adopted. This generally did not lead to the abandonment of the Progressive notions of what a good reform was, however. It is our claim that Progressive notions of what makes a good reform were developed further through the New Deal and became the administrative orthodoxy. As Donald Warwick defines it:

A further prop for bureaucracy lies in the managerial philosophy pervading the federal executive system and for the most part shared by Congress. The basic tenet of this orthodoxy is that efficiency requires a clean line of authority from top to bottom in an organization. The central responsibility of the superior is the faithful implementation of policy directives sent from above and accountability to his own superiors; the key responsibility of the subordinate is obedience.¹⁶

Harold Seidman, too, discussed the never-ending search for the most rational structure, based on principles of hierarchy, specialization, and expertise, which would realize control and efficiency.¹⁷ Government reforms like those in the Defense Department or virtually any other arena are seen "primarily as a technological problem calling for 'scientific' analysis and the application of fundamental organizational principles."¹⁸ Seidman's experience in government suggested that the main advantage of the administrative orthodoxy is that no one has thought of an alternative. "Flawed and imperfect as they may be, the orthodox 'principles' remain the only simple, readily understood, and comprehensive set of guidelines available to the President and the Congress for resolving problems of executive branch structure. Individual Congressmen can relate them to their own experience within the Congress and in outside organizations."¹⁹

Terry Moe, in his assessment of the modern presidency, also comments that, "Much of the analysis, evaluation, and reform proposals concerning government organization, even in this age of enlightenment, bears the unmistakable imprint of public administration's formative years, in values as well as theoretical beliefs."²⁰

The formative years discussed in this book begin with the precursors and experiments in reform in the nineteenth century, and especially the movement for civil service reform. This is followed by the Golden Age of reform during the Progressive era, with the scientific management and professionalism movements advanced by scholars such as Luther Gulick of the New York Bureau of Municipal Research. The orthodox or classical administrative model, as we will call it, emerged during the Progressive era as the motivator and rationale for administrative reform throughout the rest of the century. The Progressive era was succeeded by the New Deal period, in which reform extended into means for strengthening the chief executive. All three formative periods followed the orthodox institutional prescription for hierarchical control, nonpolitical expertise, and rationalistic decision procedures.

THE VIEWPOINT OF THE BOOK: NEO-INSTITUTIONALISM

The primary focus of this book is on "administrative orthodoxy"—a set of rules about how administrative agencies should be organized and managed. As Seidman argues, these rules were and are fairly cohesive and are well understood by political actors. They were used in the creation of many of the twentieth-century agencies of

government, from the city-manager form of government to the federal regulatory agencies, and they continue to be used to this day. For this reason, the first part of this book will deal with the common origins of administrative reform principles as they were manifested in police reform, educational reform, regulatory reform, and elsewhere.

However, we explicitly reject a strict notion of "intellectual determinism." That is, we are not arguing that the orthodox ideas about administrative reforms "caused" all administrative reform in the United States. Rather, we argue that the orthodox "rules" about how to organize a bureaucracy constitute a recognizable "institution" and that this "institution" was chosen at various times and places because a decisive coalition of involved individuals could reach agreement on that particular institution. This approach to explanation is quite consistent with a perspective in modern political science known as "neo-institutionalism," but it requires some clarification and elaboration.

From Behaviorism to Rational Choice

In political science, a school of thought known as "behaviorism" emerged during the late 1950s and 1960s. Behaviorism was a reaction to the institutionalism that had previously dominated political science; institutionalism was seen as legalistic, historical, and dry. Behaviorists felt that the historical study of institutions left out the most vital and fundamental key to politics, which was the behavior of the individual actors: voters, legislators, and bureaucrats. A great deal of research was undertaken to identify what were largely internal determinants of individual behavior. Individual attributes such as party identification were said to determine voter behavior: People voted for Kennedy in 1960 because they felt an identification with the Democratic Party.²¹ Individual legislative attitudes were said to determine bureaucratic performance: A legislator voted for an irrigation project for her district because she perceived her role as being that of a delegate.²² Bureaucratic attitudes were said to determine bureaucratic performance: A bureaucrat refused to bend the rules to help a client because his attitude was that of an "indifferent" or perhaps of a "conservator."²³ The effect of institutions on all of this was downplayed.

In the late 1960s and early 1970s, a new school of thought known as "rational choice" began to challenge early behaviorism. Rational-choice theorists felt that individual behavior could be explained in terms of goal-oriented, purposive behavior. Explanations were based on individual preferences based on individual calculations of gain and loss. Legislators voted for irrigation projects because their goal was reelection, and they perceived a link between the project and their reelection goal.²⁴ Voters sometimes refused to vote, not because they were inherently apathetic, but because the cost of voting was greater than the probable impact on the outcome.²⁵ Bureaucrats refused to bend the rules because the probable negative consequences of doing so were greater than the possible rewards.

While the early rational-choice models were still individualistic, the role of institutions became increasingly important. The institutions were seen as being crucial for determining the rules by which individual preferences were aggregated. William Riker gives one example in which four different voting rules would have given four different election winners in a four-candidate race, *even if each individual voter's vote were unchanged*.²⁶ When the outcome is so sensitive to the election

rules, *the rules can be said to determine the outcome as much as the individual attitudes.*

Even worse, the rediscovery of the majority rule paradox, in which every possible alternative can be upset by some majority preferring some other alternative, led to more interest in legislative rules. The reason is that when conditions allow the majority rule paradox, the outcome could be determined by the structuring of the legislative agenda.²⁷

The importance of the procedural rules became more obvious in all sorts of rational-choice models of politics. Students of Congress argued that creating subject-area committees in Congress, with a seniority rule for determining committee chairmanship, resulted in quite different outcomes than an alternative set of internal procedural rules based on, for instance, party discipline.²⁸ Students of local government argued that at-large elections resulted in quite different city council membership and policy outcomes than district-based elections.²⁹ Rational-choice theorists became fascinated with examples which demonstrated the coercive nature of such institutional rules on group choice. More and more, rational-choice theory fostered the study of institutions which had been ignored since the behavioral revolution; and with the renewed interest in institutions came a renewed interest in history, since institutions (as opposed to individual attitudes and behavior) seemed grounded in historical events.

WHERE DO INSTITUTIONS COME FROM?

From this point, it was a short step to ask, where do the rules that determine group choices come from? How did Congress come to have a committee system? Why do we have independent regulatory agencies setting transportation, energy, and monetary policies? Why do some cities have at-large elections, and others district-based ones? It is only in the past few years that rational-choice theorists have begun to make the observation that if (1) people have different preferences about policy outcomes, and (2) they know that different institutional rules of procedure will produce different policy outcomes, then (3) they will have different preferences over rules. This makes it possible to explain institutions as resulting from the preferences of individuals for institutions.

Although this study is just beginning, several political scientists have begun to examine history to understand how political actors happened to choose the institutions they did. Several examples of this analysis follow.

Choosing the Interstate Commerce Commission

A path-breaking model for this kind of analysis is the study of why Congress has chosen to create the institutions known as independent regulatory agencies. Fiorina³⁰ and Marshall and Weingast,³¹ for instance, studied the creation of the Interstate Commerce Commission in 1887. They demonstrate that the individuals who wanted strict regulation of the railroads and the individuals who wanted minimal enforcement of regulations agreed that regulation through the courts would be stricter than regulation through an independent regulatory board. The strict regulators controlled the House of Representatives and the pro-railroad forces controlled the Senate. The compromise that resulted from this distribution of preferences gave the regulators some of the substance of what they wanted, but created an

independent regulatory agency to implement the regulation. The creation of the independent regulatory agency can be viewed as the creation of an institutional rule based on the rational preferences of individuals with different policy goals and a shared understanding of the effects of institutional rules on those policies.³²

Choosing A New Congress

In 1910, the House of Representatives was split between Democrats, Republican reformers, and Republicans loyal to the heavy-handed Speaker, Joe Cannon. Many of the reformers, like George Norris from Nebraska, had different policy preferences than the pro-business Republican loyalists, but they were unsuccessful in getting their preferred legislation through the House, controlled as it was by Speaker Cannon. In coalition with the Democrats, the Republican reformers unseated Speaker Cannon and changed the rules to allow for less party control of the flow of legislation through the Rules Committee and less party control over assignment and chairing of committees. They brought about an institutional revolution that was expected to, and did, result in different policy outcomes from the House of Representatives.

Choosing At-Large Elections

Steven Maser has analyzed another set of institutional inventions that occurred at about the same time as the congressional revolution, but in local government.³³ Municipalities at this time were undergoing their own revolution consisting of at-large elections, city-manager executives, registration laws, etc. Again, Maser uses a rational-choice, neo-institutional argument, claiming that individuals were concerned with choosing institutions that defended their economic rights and political influence.

CHOOSING ADMINISTRATIVE REFORM

This book addresses the same kind of institutional choice. Beginning at about the same time that Congress unseated Speaker Cannon and at about the same time that cities were choosing at-large council elections, political actors at all levels were choosing to reform the rules of administrative procedure. Like the reforms of the Defense Department and the school systems discussed above, these rules emphasized a straight-line chain of command, task specialization, merit hiring, and the use of written, "scientific" standard operating procedures. This coherent set of procedural rules changed the way in which decisions were made in and about administrative organizations. The rule changes, then, constituted the same kind of institutional transformation that the institution of seniority rule and a strong committee system did for Congress.

We intend to examine this rule change as it occurred in the Progressive era in the same way that Fiorina, Weingast, and McCubbins have analyzed similar institutional transformations of Congress, and the same way that Maser has analyzed institutional transformations of urban elections. That is, we propose to examine what expectations the key political actors had about the effect of those rule changes on the values that were important to them. Why should a decisive coalition of city councilmen, police patrolmen, and other city actors agree to transform police

departments along the lines of a bureaucratic, professional hierarchy? Why should this same decision be reached in cities across the country at about the same time? Why should school districts, state health departments, the military, and the State Department all undergo the same kind of transformation at the same time?

We specifically do not argue that the institutional changes that we examine have to be unanimously liked, or liked for the same reasons. Some people were emphatically opposed to the professionalization of police departments or school boards. Those who supported these institutional transformations often supported them for different, even conflicting reasons. Some teachers might have liked the professionalization of school boards because they valued the change in status that was associated with it. Some school board members might have liked it because they thought it would lead to economies in education and lower school taxes. The point is that the people who were necessary for the change found the institutional alternative being advanced by the reformers of the era to be the most attractive one that they could agree on. Like many political changes, the administrative reforms that swept the nation at the time of the Progressive era were achieved not because everyone agreed on ultimate goals, but because a decisive coalition could agree on a common means to different goals.³⁴

However this text is not just, or even primarily, a history book. The most important reason to study the institution of professionalized bureaucracy is that it is still being chosen today, just as it was at the beginning of the century. When critics express their dissatisfaction with the Defense Department, they tend to make suggestions for reform that are similar to those that transformed the State Department in the 1920s—more hierarchy, more unity, more professionalization, more rational management techniques. When Nixon rode the crest of public opinion to the first drastic reformation of the Post Office, the institution he chose was in every way compatible with the principles of Progressive reformers three-quarters of a century earlier. When presidents seek to “revitalize the presidency,” they tend to seek efficiency and control through structural reform and improved techniques. We want to understand why people choose the same institutional model over and over again.

Rational Choices, Irrational Institutions

The problem of explaining institutional choices as the product of the goal-oriented choices of individuals becomes more difficult and also more interesting in light of the fact that no one seems entirely happy with the result. How can it be that rational people would devise an institution that is so red-tape ridden that it gets nothing done? Why would rational people continue to impose a model of administrative reform that generates high levels of popular discontent with bureaucracy?

Because bureaucracies seem to work so badly, many people would argue that bureaucratic behavior cannot be explained without reference to either individual stupidity or individual malevolence. Lawrence Peter, the author of numerous books on organizations, says, “I am plagued with doubt—I am not quite sure whether the world is run by incompetents who are sincere or by wise guys who are putting us on.”³⁵ Other authors speculate that the public bureaucracies attract less competent students (the better students opting for business administration), or else public bureaucracies provide special attraction to individuals with bizarre traits, such as a power neurosis.

However, this book explicitly rejects the view that bureaucrats are neurotic jokesters or unusually stupid. One of the most profound discoveries of the rational-choice literature is that the *combination* of rational individual decisions can be profoundly inefficient or irrational from a social perspective. The *prisoners' dilemma* summarizes this idea neatly: In certain circumstances, when individuals follow their own rational self-interest, the outcome is one that every individual could agree is inferior to some other outcome;³⁶ but no one has any individual incentive to change his or her own actions to make the socially preferred outcome happen. The production of public goods, the control of pollution, the exploitation of natural resources, and the overburdening of social services have all been shown to be situations in which rational individual action is exactly wrong for the group.³⁷ More fundamentally, Kenneth Arrow argued that there is no social-choice mechanism that can be discovered that allows individuals to choose their own actions and guarantees that the social outcome will meet several benign requirements for social rationality.³⁸ Because of this literature, we do not feel that it is ludicrous to explain bureaucracy as the understandable but inefficient result of reasonable actions by individuals with normal goals.

What This Book Is Not

A neo-institutional approach to public administration reform would be inappropriate if the individuals involved had no real "choice" in the matter. It could be that the historical characters we describe as "choosing" administrative reform were in actuality driven by underlying social and economic forces of which they were individually unconscious. These same forces resulted in the bureaucratization of other societies at similar stages of socioeconomic development. The "choices" of political actors were irrelevant, according to this view, because they had no alternative but to create the city-manager form of government, independent regulatory commissions, independent school boards, autonomous civil service boards, professionalized bureaucracies, etc., that were the American manifestation of this "bureaucratization of the world." We quite freely admit that there were underlying forces, such as industrialization and urbanization, which were necessary conditions for the kinds of institutional reforms that we study in this book, and for the spread of bureaucratic structures. These conditions certainly shaped the choices of administrative reformers by shaping the relative desirability of various organizational and structural forms. However, we insist on the reality of institutional choices for several reasons.

First, we observe that various governmental jurisdictions chose administrative-reform institutions while others did not. Some cities chose to adopt the Progressive package of city-manager administration and nonpartisan, at-large elections; others did not. Furthermore, the hypothesis that urbanization and industrialization "cause" greater bureaucratization cannot be held in simple form, since the larger and more industrialized local jurisdictions were *less* likely to adopt this bureaucratizing reform package than were the smaller, less industrialized localities.³⁹ School boards overwhelmingly adopted the reform package; counties overwhelmingly did not. Some states underwent an immediate and thorough reform of elections and administrative practices; others were slow to adopt the reforms. Some presidents organized their own management styles around the reform package, and others did not.