

Politicians, Bureaucrats, and the Battle for Credit

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Blaming Bureaucrats

*“For decades the @CDCgov looked at, and studied, its testing system, **but did nothing about it.** It would always be inadequate and slow for a large scale pandemic, **but a pandemic would never happen, they hoped.** President Obama made changes that only complicated things further.”*

— President Trump
(on dealing with the coronavirus pandemic)

Taking Blame

*“I am less interested in passing blame than I am in learning from and correcting these mistakes to make us safer, for ultimately, the buck stops with me . . . **when the system fails it is my responsibility.**”*

— President Obama (Jan 2010)

(on American counter-terrorism efforts after a December 2009 failed Al Qaeda attack)

Concern for Senior Bureaucrats

*“Revolving door top level bureaucrats! That’s not the way to talk about our senior civil servants? (...) They cannot defend themselves. **By talking about them like this you make them outlawed.**”*

— Prime Minister Mark Rutte (Jan 2020)

(In response to questions of SP-MP Renske Leijten on the Dutch childcare benefits scandal)

Main Questions

How do blaming and crediting affect bureaucratic effort?

Put differently:

1. How does the expectation of blaming affect effort?
2. How are incentives shaped after blaming?
3. How does a reputation-concerned politician credibly blame the bureaucrat?

Our Approach

- Politicians benefit from bureaucratic effort/making correct decisions
- Bureaucrats care about their reputation with a non-strategic public
Bertelli and Busuioc (2020); Boon and Salomonsen (2020)
- Politician knows the bureaucrat's skill and provides information to the public
(cheap talk)
- Main focus on situation with common knowledge that the bureaucrat is responsible

Related Literature

- **Blame via delegation**

Weaver (1986), Glazer and Segendorff (2005), Fox and Jordan (2011), Almendares (2012) and Pei (2018)

- **Reputation-concerned agents**

Holmström (1980, 1999); Ottaviani and Sørensen (2006); Pei (2016); Backus and Little (2020)

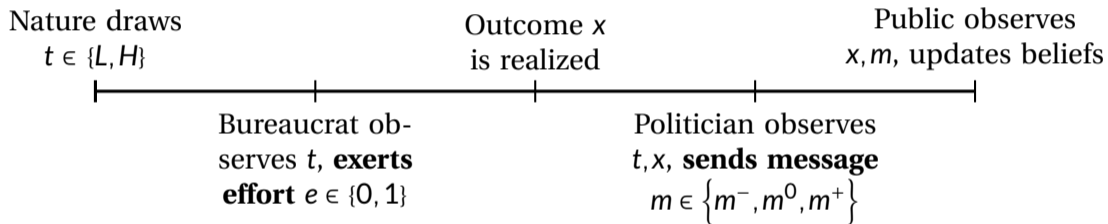
- **Empirical work**

Hood (2011); Bartling and Fischbacher (2012); Marvel (2014); Ruder (2014, 2015); Nielsen and Moynihan (2016)

Model – Primitives

- Two strategic actors: Bureaucrat and Politician
- Bureaucrat has type $t \in \{L, H\}$, $Pr(t = H) = \beta_0 \in (0, 1)$
- Policy outcome $x \in \{0, 1\}$
- Bureaucrat exerts costly effort $e \in \{0, 1\}$, with cost c
- Effort leads to policy success with probability p_t ; shirking leads to failure
- Assume $0 < c < p_L < p_H < 1$

Model – Timing



Model – Incentives

Reputation-concerned Bureaucrat

$$u_B(\beta, e) = \mathbb{1}\left\{\beta > \frac{1}{2}\right\} - ec$$

Outcome-concerned Politician

$$u_P(x) = x$$

Equilibrium

- We look for PBE that are *ex ante* optimal for the Politician, i.e., which maximize

$$\Pi(e_L, e_H) = (1 - \beta_0)e_L p_L + \beta_0 e_H p_H$$

- Incentive compatibility constraint of both Bureaucrat types
- Politician faces no incentive constraint
- Bayesian updating
- No uniqueness: different signaling strategies may generate highest effort levels

Benchmark – Effort without Blaming and Crediting

- Expected payoff of exerting effort

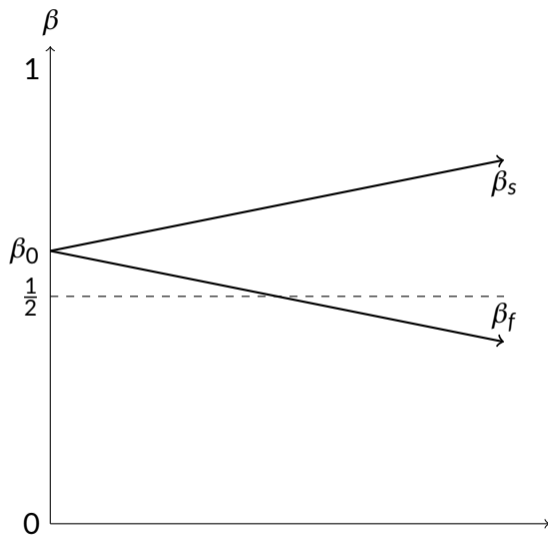
$$p_t \mathbb{I} \left\{ \beta_s > \frac{1}{2} \right\} + (1 - p_t) \mathbb{I} \left\{ \beta_f > \frac{1}{2} \right\} - c$$

- Expected payoff of shirking

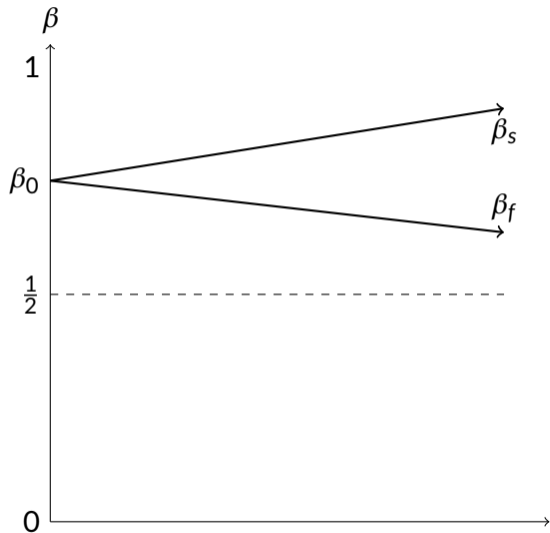
$$\mathbb{I} \left\{ \beta_f > \frac{1}{2} \right\}$$

- Conclusion on induced reputation of success/failure
 1. $\beta_f < \frac{1}{2}$ to ensure shirking is punished
 2. $\beta_s > \frac{1}{2}$ to ensure effort is rewarded

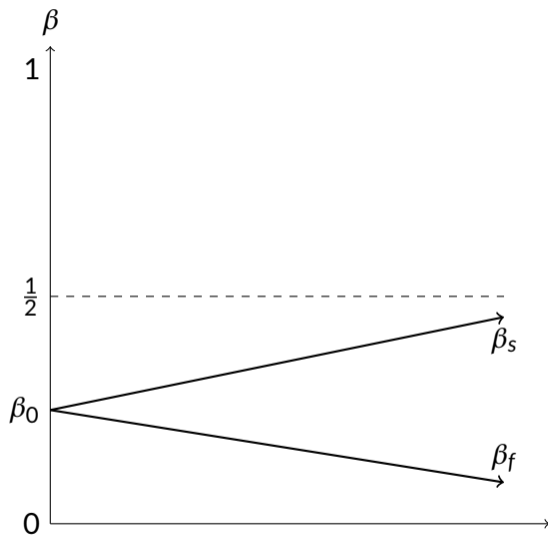
Reputation Effects – Full Effort



Reputation Effects – Shirking (failure is uninformative)



Reputation Effects – Shirking (success is uninformative)



Proposition 1: Effort without Blaming/Crediting

- If P always sends m_0 , both types exert the same effort level in equilibrium
- Boils down to whether $\beta_f < \frac{1}{2} < \beta_s$ under full effort
- If $\beta_0 \in \left[\frac{p_L}{p_H+p_L}, \frac{1-p_L}{2-p_H-p_L} \right] \Rightarrow$ Bureaucrat exerts effort
- If $\beta_0 \notin \left[\frac{p_L}{p_H+p_L}, \frac{1-p_L}{2-p_H-p_L} \right] \Rightarrow$ Bureaucrat shirks

Blaming and Crediting – Bureaucrat incentives

- To benefit from blaming/crediting, Bureaucrat must shirk $\iff \beta_0 \notin \left[\frac{p_L}{p_H+p_L}, \frac{1-p_L}{2-p_H-p_L} \right]$
- Let Politician use messages $\{m^-, m^+\}$ to induce bad and good reputation resp.
- Bureaucrat of type t exerts effort if

$$p_t \pi(m^+ | s, t) + (1 - p_t) \pi(m^+ | f, t) - c \geq \pi(m^+ | f, t)$$
$$\pi(m^+ | s, t) - \pi(m^+ | f, t) \geq \frac{c}{p_t}$$

Blaming and Crediting – Reputation Effects

- Need (s, m^+) and (f, m^+) to induce a good reputation
- Need (s, m^-) and (f, m^-) to induce a bad reputation

Blaming and Crediting – Reputation Effects

- Need (s, m^+) and (f, m^+) to induce a good reputation
- Need (s, m^-) and (f, m^-) to induce a bad reputation
- Following a success:

$$\beta_{s, m^+} \geq \frac{1}{2} \iff p_H \beta_0 \pi(m^+ | s, H) \geq p_L (1 - \beta_0) \pi(m^+ | s, L),$$

$$\beta_{s, m^-} \leq \frac{1}{2} \iff p_H \beta_0 \pi(m^- | s, H) \leq p_L (1 - \beta_0) \pi(m^- | s, L).$$

Blaming and Crediting – Reputation Effects

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- Need (s, m^-) and (f, m^-) to induce a bad reputation
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- Following a failure:

$$\beta_{f, m^+} \geq \frac{1}{2} \iff (1 - p_H) \beta_0 \pi(m^+ | f, H) \geq (1 - p_L) (1 - \beta_0) \pi(m^+ | f, L),$$

$$\beta_{f, m^-} \leq \frac{1}{2} \iff (1 - p_H) \beta_0 \pi(m^- | f, H) \leq (1 - p_L) (1 - \beta_0) \pi(m^- | f, L).$$

Blaming and Crediting – Equilibrium Signaling

To induce correct reputation following m^- and m^+

- Want to credit high type (m^+)
- Want to blame low type (m^-)

Blaming and Crediting – Equilibrium Signaling

To induce correct reputation following m^- and m^+

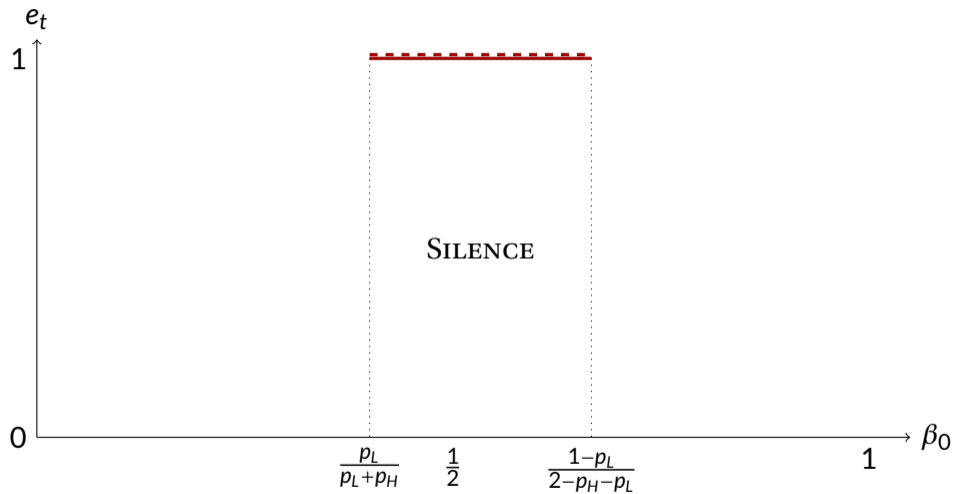
- Want to credit high type (m^+)
- Want to blame low type (m^-)

To induce effort

- Cannot credit high type following failure (f, m^+) too often
- Cannot blame low type following success (s, m^-) too often

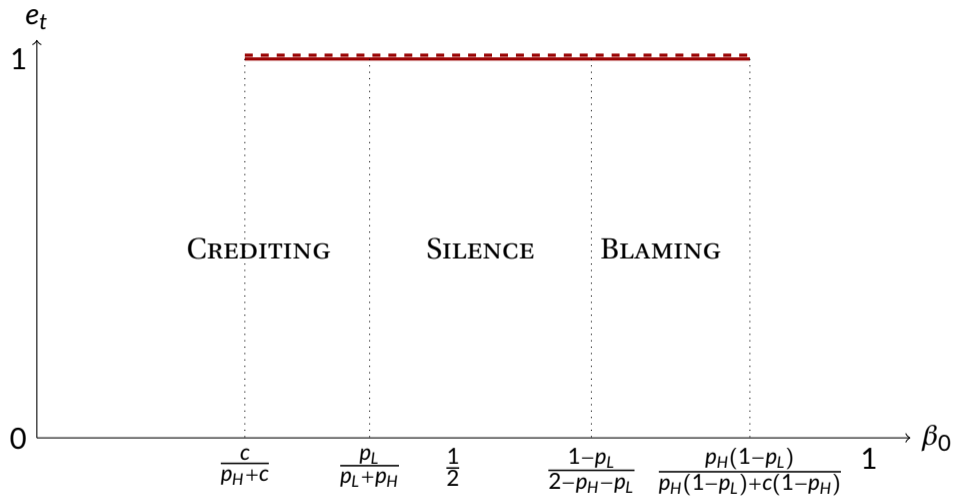
Ability to extract effort depends on β_0, c, p_L, p_H

Blaming, Crediting, and Effort



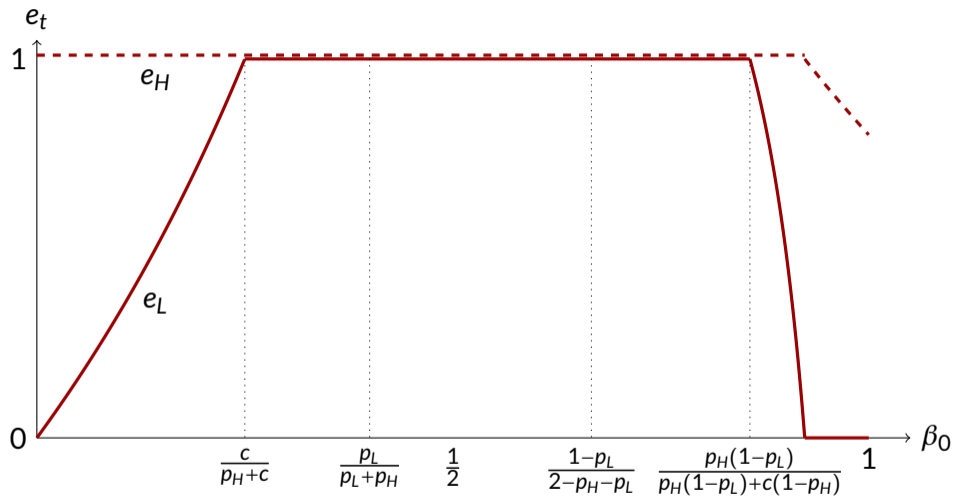
Note: $c = \frac{1}{4}$, $p_L = \frac{1}{2}$, and $p_H = \frac{3}{4}$.

Blaming, Crediting, and Effort



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Blaming, Crediting, and Effort



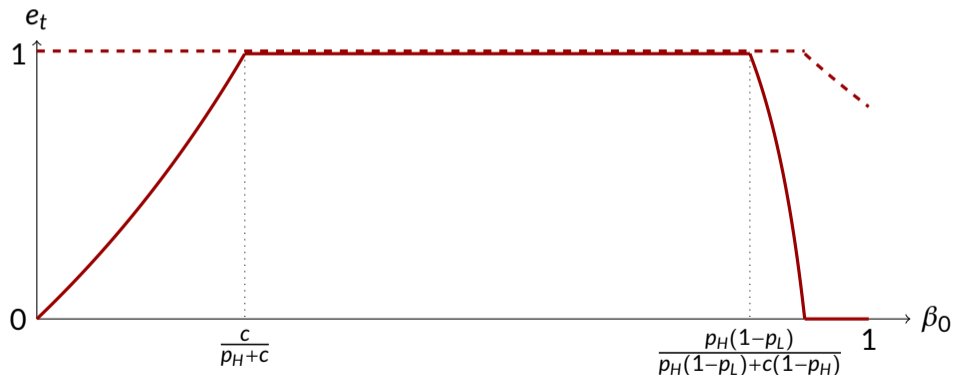
Note: $c = \frac{1}{4}$, $p_L = \frac{1}{2}$, and $p_H = \frac{3}{4}$.

Two Period Model – Setup

- In the static case, Politician had full flexibility in ‘inducing reputations’
- Payoffs with two periods
 - Politician: $u_P(x_1, x_2) = x_1 + x_2$
 - Bureaucrat: $u_B(e_1, e_2, \beta_2) = \mathbb{I}\{\beta_2 > \frac{1}{2}\} - (e_1 + e_2)c$
- Again focus on Politician-optimal PBE

Two Period Model – Findings

- In inducing reputations, Politician is constrained by second period effort
- Cheap talk and indifference implies Politician's messages must induce same $e_2(\beta_1, t)$



Reputation-Concerned Politician – Model

- Politician has type $t_p \in \{L, H\}$ and reputation π_1, π_2 in both periods
- Uncertainty about whether Bureaucrat or Politician was responsible
- Weight $\delta \in [0, 1]$ of Politician's reputation concerns
- Politician's payoffs

$$U_P(x_1, x_2, \pi_2) = (1 - \delta)(x_1 + x_2) + \delta\pi_2$$

Reputation-Concerned Politician – Conjectures

1. Updating about Bureaucrat's reputation is weaker, harder to extract effort
2. If message induces relatively higher Politician reputation \Rightarrow must decrease effort
3. Issue of credibility of blaming/crediting more pronounced for $\delta \rightarrow 1$

Conclusion

Studied role of blaming/crediting in politician-bureaucrat interaction

Three main insights:

1. Expectation of blaming/crediting \Rightarrow increase bureaucrat's effort
2. Dynamic consideration \Rightarrow politician cannot blame or credit too strongly
3. If politician is more reputation concerned \Rightarrow harder to induce effort

Thank you!

Further comments? e.awad@lse.ac.uk

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