Parting Shot

Forget 'progress studies', we need a new science of bureaucracy

By Mirko Draca, Director, CAGE

Bureaucracy is something that we seem to accept: it's time to make a conscious effort to understand and control it.

Donald Trump claimed in 2017 that Americans built the Golden Gate Bridge in four years, and the Hoover Dam in five. A completion time of that order for an infrastructure project seems unthinkable today. More recently, the bureaucracy of the EU has come under intense criticism as the time taken to approve COVID-19 vaccinations has left EU countries significantly behind the curve in inoculating their citizens. I regularly hear academic colleagues complain about bureaucratic forms and compulsory training courses. It's been claimed that UK universities have more administrators than faculty staff (Spicer, 2017), and these types of complaints about high administrative overhead seem very common across industries. ▶

In 2019, Stripe CEO Patrick Collison and George Mason University (GMU) Professor Tyler Cowen made a call for a new science of 'progress studies' focused on both analysing the historical rise of living standards and working out ways to actively engineer increases in standards across many domains. By contrast, I think the concept of 'bureaucracy studies' is a better bet for engineering progress, because it targets a pervasive problem in social organisation.

So, what would 'bureaucracy studies' involve? I think the economics of information would need to be at the core of it. The concepts of asymmetric information and moral hazard, especially the 'principal–agent problem', are indispensable tools here. These ideas are mature within the economics discipline — going back at least 50 years — but there is little awareness of them among the general public. 'Asymmetric information' describes a situation where one party to an interaction has more information than the other party. The classic example comes from the used car market and shows how lack of trust in the quality of the cars being offered can lead to a spiral of lower prices and falling product quality (Akerlof, 1970). The resulting 'adverse selection' can be remedied in part by third-party certification schemes, but anyone who has struggled with a cheap, secondhand car knows that this policy has its limits. The 'principal–agent problem' occurs when actions are delegated out to a person who doesn't necessarily have the same interests as the one doing the delegating. A canonical example is politicians: we (the 'principals') delegate social decision-making power to them (the 'agents'), but they maximise according to their own interests, which don't neatly align with that of society as a whole. Theoretical research on the economics of information boomed in economics in the 1970s and 1980s but I would argue that we have not incorporated the insights of this work into the design of modern organisations.

A second element of bureaucracy studies is probably more familiar to the general public: behavioural economics. I think of behavioural economics as giving us a set of tools that allow us to pick apart systematic and frequent departures from conventional 'rational' decision-making. Concepts such as the sunk cost fallacy, framing effects, status quo bias and herd behaviour have been popularised in books by Kahneman (2012), and Thaler and Sunstein (2012). Behavioural economics has established itself pretty well within the public policy industrial complex through groups such as the UK Cabinet Office Behavioural Insights (aka 'nudge') unit, but the complementarities between this and information economics for understanding bureaucracy have not been harnessed.

The final element of bureaucracy studies would be rich empirics. The modern economy provides abundant material for the study of organisations and bureaucracy. A great example of the type of empirical work that is possible is Aral, Brynjolfsson and Van Alstyne's (2012) study of worker productivity in an executive recruiting firm, where they use data on more than 125,000 email messages and 1,300 well defined projects to study multi-tasking. The intra-organisational networks and patterns of communication that are implicitly revealed in email data have the potential to tell us a lot about bureaucracy. The pandemic has also created a new source of data that is sure to be informative, namely information about the frequency and structure of (virtual) meetings.

A big question for bureaucracy studies is whether bureaucracy has gotten out of hand. Trump's mention of the Golden Gate Bridge and Hoover Dam has been scrutinised by the *Washington Post*, who point out the long lead times for approval of these building projects. There's also well-argued pushback against claims of overblown UK university bureaucracy (Greatrix, 2017). Culturally, Franz Kafka was writing about bureaucracy in the early 20th century, well before 'cringe comedy' masterworks like *The Office* and *W1A*. The fundamental problems of bureaucracy have been around for a long time. I suspect that as society *has* become more complex, the situation has gotten worse: but that is a proposition that needs testing. ◀

References

Akerlof, G (1970) 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism'. *Quarterly Journal of Economics*. 84(3): 488–500.

Aral, S., Brynjolfsson, E., and Van Alstyne, M. (2012) 'Information, Technology and Information Worker Productivity'. *Information Systems Research*. 23(3): 849–867.

Collison, P., and Cowen, T. (2019) *'We Need a New Science of Progress: Society Needs to Get Better at Knowing How to Get Better'*. *The Atlantic Monthly*.

Greatrix, P. (2017) 'University administrators — *'"lovely and well-meaning" but still below stairs'*. WonkHE. 23 August 2017.

Kahneman, D. (2012) *Thinking Fast and Slow*. Penguin: London.

Spicer, A. (2017) *'Universities are broke: so let's cut the pointless admin and get back to teaching'*. *The Guardian*, 21 August 2017.

Thaler, R., and Sustein, C. (2012) *Nudge: Improving Decisions About Health, Wealth and Happiness*. Penguin: London.

Ye Hee Lee, M. (2017) *'Fact Checker: Trump's Claim that American's 'built the Golden Gate Bridge in Four Years and the Hoover Dam in Five.'* *The Washington Post*. 14 June 2017.