

Hierarchical Capture: Bridging the Gap In Analyses of the Bureaucracy

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Introduction

Economist and Nobel laureate George Stigler coined the term Regulatory Capture

- Occurs when regulators craft more lenient regulation to benefit a particular industry in exchange for some kind of benefit from said industry (Stigler, 1971).

Since the early 1970's, the American public has increasingly felt disenfranchised from the government agencies that are tasked with regulating in their interest. The fields of Economics and Political Science have developed several theories to help explain these phenomena:

- Capture – Has evolved since its inception to include the “identification with the industry, sympathy with the particular problems that regulated firms confront in meeting standards, and [the] absence of toughness” by a government agency (Makkai & Braithwaite, 1992, p. 61).
- Iron Triangle – Policy issue networks between Congress, the bureaucracy, and interest groups wherein “members are motivated by passion and ideals as much as by the chance of economic gain” (Overman & Simanton, 1986, p. 584).
- Revolving Door – Relationship between public and private sector where policy makers with backgrounds in regulated industries hold significantly laxer regulatory attitudes towards the industries they were previously employed by as a result (Makkai & Braithwaite, 1992).

So which one is right? In my research, I argue that they all are in a new theory that I refer to as **Hierarchical Capture**.

Theory

Hierarchical Capture – Rather than capture happening passively through relationships between industries and regulatory agencies, it can also be initiated from the top and within said agencies through the political appointment process.

- The work experience of political appointees can explain their attitudes towards their agencies, and in turn, explain the enforcement activities of the agency they head.
 - However, there are exogenous factors that also affect the volume of enforcement activities, including the political party of the President, whether the government is unified or divided, and the agencies appropriated budget and workforce size.

Hypothesis #1: An appointee with more private sector experience will run an agency that initiates less enforcement activities.

Hypothesis #2: Appointees who came from the industry they regulate will oversee less enforcement activities.

Hypothesis #3: Republican presidents will appoint individuals who will oversee a lower volume of inspections relative to a Democratic appointee.

Hypothesis #4: Agencies that are appropriated smaller budgets and workforces will initiate less enforcement actions

Methodology: Measuring Hierarchical Capture

Why examine the Environmental Protection Agency (EPA)?

- Has been utilized extensively in previous research, has public and easily-accessible data of their regulatory activity, and is a high-profile agency that regulates a heavily polarized issue.

Dependent Variable: The quantity of EPA-led and initiated enforcement activities per day under each administrator.

Primary Independent Variable: Appointee's Work Experience:

- Public Experience: government agencies, political appointments, military service, academia, non-profits.
- Private Experience: private corporations, consulting, and self-employment.
- Political Experience: running/holding elected office, campaign work, and political support staff including congressional aides and liaisons.

Secondary Independent Variables: Average workforce size and average EPA budget (converted to 2017 USD) under each administrator.

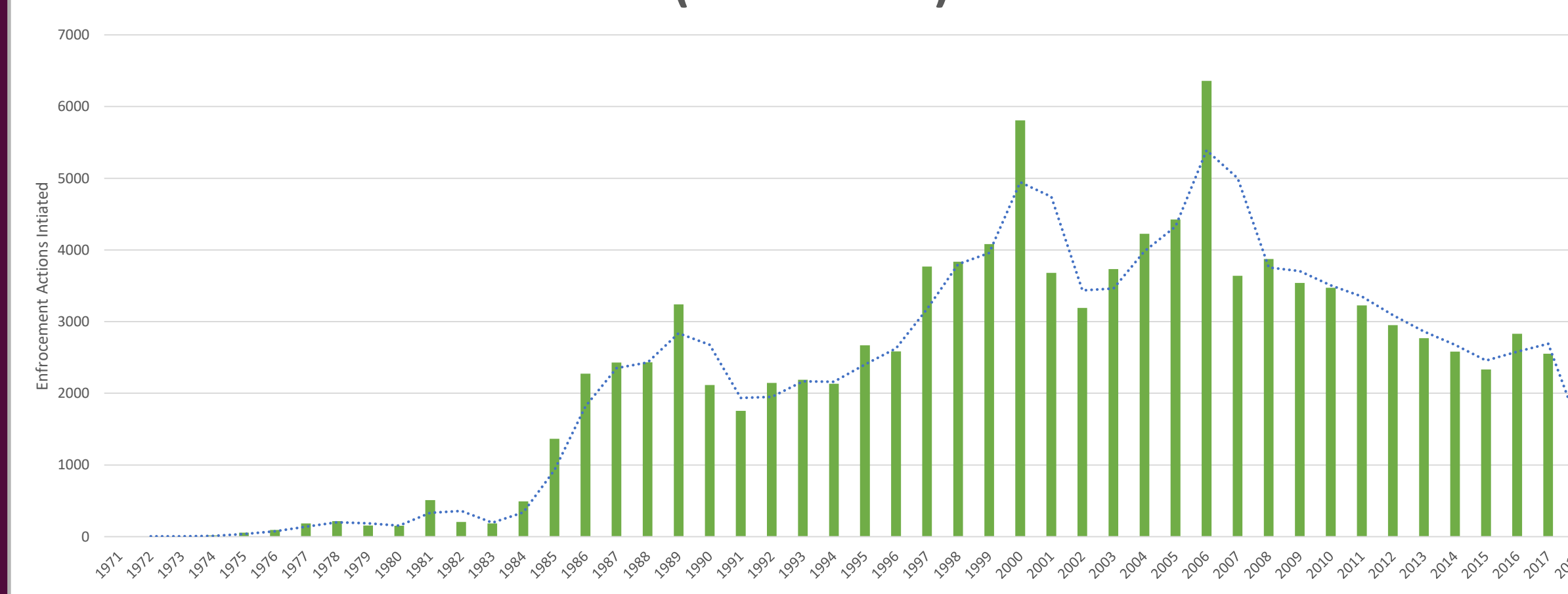
Controls: Appointing president's party and Unified/Divided government.

Though there have only been 14 Senate-confirmed EPA administrators, regression analysis, cross-tables, and various plots can still help us understand trends that could increase likelihood of capture.

Data

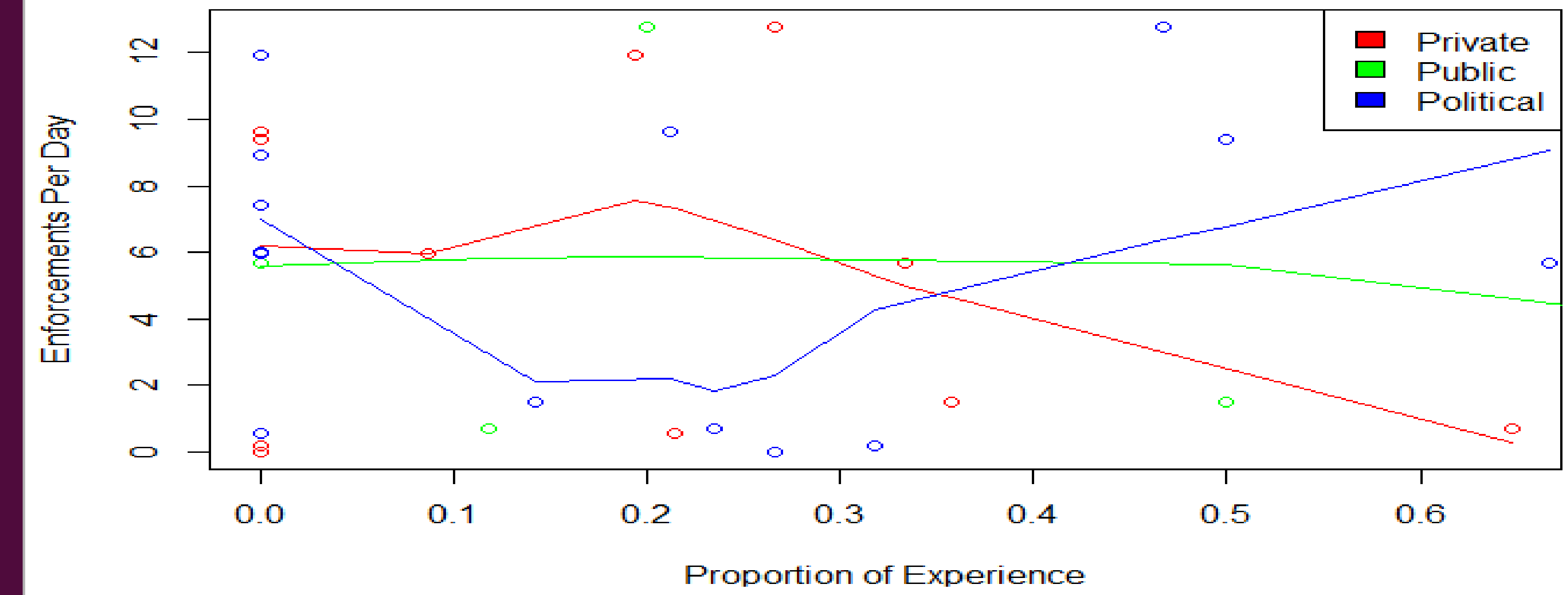
- Enforcement activities were downloaded from the EPA's Enforcement and Compliance History Online (ECHO) website:
 - The Integrated Compliance Information System for federal civil enforcement case data (ICIS FE&C Data Set) contains enforcement activities throughout the entire life of the EPA.
- EPA's budget and workforce size was gathered directly from their website (<https://www.epa.gov/planandbudget/budget>)
- Work experience of each administrator was hand coded based on EPA biographies and other government websites. Experience years were rounded to the nearest whole-number.

Enforcement Actions Initiated By the EPA Per Year (1971-2018)

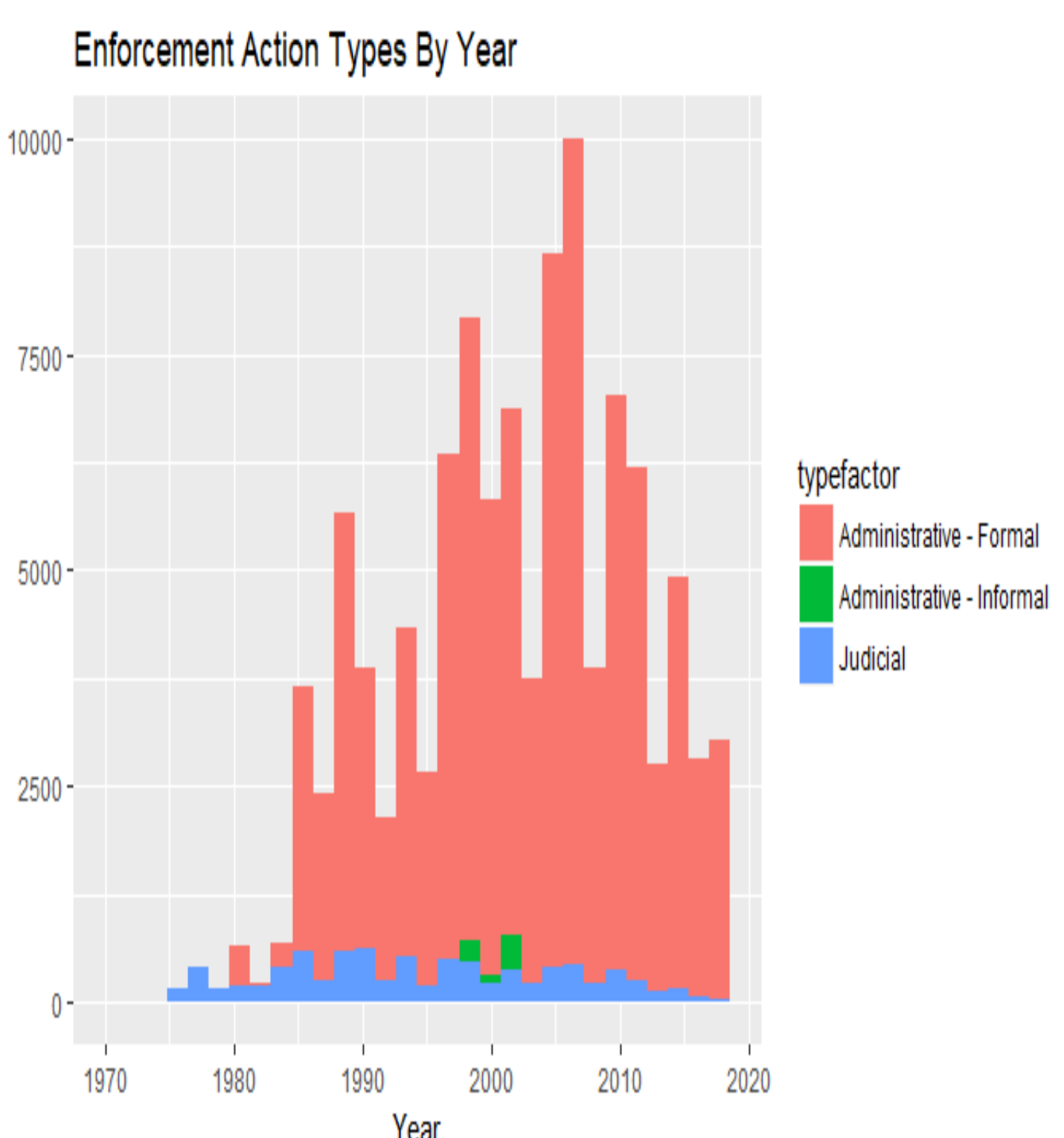


Findings

Enforcement Action Per Day Based on Proportion of Work Experience



	Proportional Experience			All Experience			Experience w/ Agency Characteristics			All Variables w/ Controls		
	B	CI	p	B	CI	p	B	CI	p	B	CI	p
(Intercept)	107.51	-9.44	<.001	121.13	-82.28	<.001	-27.70	-195.69	<.001	-39.71	-273.66	<.001
PropPub	-101.76	-219.18	.082	-122.67	-324.78	.199	17.84	-140.16	.792	29.87	-188.57	.723
PropPrive	-106.96	-223.94	.069	-125.80	-323.13	.180	12.99	-142.04	.844	24.33	-189.31	.768
PropPol	-102.49	-224.12	.090	-121.81	-328.22	.211	18.47	-143.27	.789	29.60	-193.22	.731
ExpInd				3.83	-4.68	.329	-2.40	-8.46	.369	-2.53	-10.60	.433
TotExp				0.16	-0.32	.461	0.07	-0.33	.677	0.07	-0.47	.745
Wkfrce							0.00	0.00	.005	0.00	0.00	.033
EPABudg							-0.08	-1.20	.862	-0.10	-1.77	.874
RepPres										1.05	-4.83	.646
UnifGovt										1.16	-5.27	.642
Observations	14			14			14			14		
R ² / adj. R ²	.326 / .124			.502 / .191			.888 / .756			.898 / .667		



Discussion

- Given the small sample size, the hypotheses cannot be wholeheartedly confirmed.
 - Only variable with statistical significance was workforce size; the next most significant variable was experience in the environmental industry.
- However, the trends illustrated do provide preliminary support for Hierarchical Capture.
 - Higher proportions of experience in the private sector led to lower enforcement actions initiated per day amongst EPA Administrators (vice versa for higher proportions of political experience).
 - Judicial actions continue to decrease, both proportionally and as whole, which could be viewed as a change in intensity of enforcement actions
- In sum, my aim with this research is to **lay the foundation for a more holistic understanding of bureaucratic behavior** – further research ought to encompass a large, cross-sectional analysis of various agencies, including additional variables.

Acknowledgements

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