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BARGAINING AND ANALYSIS IN GOVERNMENT

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PREFACE

Research focused on issues of public policy has had a long and honorable history in the United States. During the last six years, however, it has achieved a special and somewhat controversial prominence. Systems analysis (or cost-benefit analysis) and its companion, the program (or performance) budget, have come to play major roles in the policymaking of the Department of Defense. And the Bureau of the Budget is now working to implement President Johnson's memorandum of August 25, 1965, in which he directed the heads of all other Federal Government departments and agencies to introduce a planning-programming-budgeting system to their organizations.

These developments have not lacked their critics concerned with the impact of the new system on traditional bargaining relationships. Nor have they obviated the need for careful appraisals of what has been accomplished thus far, and how to improve the art of research for public policy. It was, indeed, with these purposes primarily in mind that Albert Wohlstetter, of the University of Chicago, organized three panels for the annual meetings of the American Political Science Association in New York in September, 1966. The panels, for which nine papers were prepared, dealt with the following topics: military estimates and foreign policy; theories of conflict; and analysis versus bargaining in government.

Immediately after the meetings in New York, the Center for International Studies sponsored a conference at Endicott House during which

further discussions took place on both the broad topics and the specific papers. It seemed appropriate, considering the importance of the problems addressed, to follow these meetings with publication of such papers as the authors wished to make available to a wider audience. The Center is pleased to act as host for the project, and this memorandum is part of a resulting series on issues of systematic research concerned with problems of public policy.

Max F. Millikan
Director
Center for International Studies

No observant person intimately involved in affairs of Government can fail to be impressed by the contrast between current theories of Government and what actually seems to be going on about him. Part of the discrepancy comes from the complexity of the operations of Government. But much comes from the fact that there have been few systematic attempts to record and analyze actual bureaucratic behavior. Until a great many more behavioral studies have been done, and done with a higher standard of rigor than has been typical so far, we are not likely to make a great deal of progress. (My observations below on Government should not be regarded as inconsistent with this assertion.)

In the absence of such rigorous analysis, the best we have to go on are the more superficial observations and reasoning based on them by participants and spectators of the bureaucratic process.

I. Two Approaches

The two principal approaches to the operations of Government are what have been called the Hierarchical one and the Bargaining one. The former derives from traditional administrative and economic theories, the latter from pluralist concepts of democratic government. The former has emphasized hierarchies of objectives, lines of authority, division of labor among organizational units, coordination of policies and programs, and systems efficiency. It is in this tradition that the economics of public expenditures has developed, including in recent years the technique of systems analysis. The bargaining approach is

concerned mainly with the fact that individuals and groups with differing values exist, with the power they possess, and with the processes of adjustment among these groups in the workings of government. This approach is rooted in the concept of equity in a democratic society.

In recent years the bargaining view has been very much in the ascendency. For several reasons. It has deep roots in the pluralist tradition, a tradition which is widely and deeply shared in American culture. It seems to be more consistent with the actual workings of government than does the traditional hierarchically oriented administrative theory. The bargaining theorists have, of course, gone further and have not only pointed out that things don't work the way the traditional view would have it, they have adduced strong arguments as to why they shouldn't and can't. Third, important aspects of the theory of public expenditures have come under severe criticism. For example, the conditions to be met for Pareto optimality generally aren't met and the divergences often seem large and difficult or impossible to overcome.

So perhaps the bargaining approach is the only contender of consequence left on the field. I think it is not.

II. How Well Does the Present System Work?

The theory has been developed in its most interesting and recent form by C. E. Lindblom. In his latest book on this subject he asserts that independent, partisan decision makers can be coordinated in several ways in the absence of a central coordinator; that such partisan mutual adjustment is characteristic of the real world; that complex decision

making is necessarily fragmented, disjointed and incremental; that having a multiplicity of interacting quasi-independent decision makers promotes rationality; that central decision making doesn't work very well; that partisan mutual adjustment facilitates agreements on values and actions; and that the process promotes consent to democratic government.¹

One comment on this view is that Lindblom has described the way the Government mainly works. The pulling and hauling, adversary dealings, promotion of programs, compromising, marginal adjusting, and related activities are highly visible aspects of governmental behavior from the precinct level on up. It is an important contribution to our understanding of bureaucracy to have the importance of this kind of behavior properly emphasized and to have begun to analyze it systematically.

But if this is not an inaccurate description of the workings of much of the government much of the time, how good are the results of this process, and to the extent they seem not good what can be done to improve things?

If one holds the view that means and ends of government action are indistinguishable and that all of our issues are issues of equity in a pluralistic society, it is difficult to say something meaningful about the goodness or badness of the functioning of government. Presumably the search for objective measures of governmental performance is fruitless.

¹ C. E. Lindblom, The Intelligence of Democracy, New York, The Free Press, 1965.

Any program the system produces will do as well as any other and the goodies might as well be distributed one way as another.

This is an extreme view and, I think, not tenable. (The symmetrically opposite, strict hierarchical view is even less tenable.) Not tenable for the following reasons:

Some ends are widely deemed to be better than others. Individuals and groups have preferences, not only on "Who's Right?", but also on "What's Right?". "What's Right?" often commands a high degree of agreement. There are consequences of government action that come pretty near to be objectively "good" or "bad". For example, avoidance of nuclear war, reduction of poverty at home and abroad, providing at least a minimal level of protection from crime and violence, improvement in the status of Negroes. These are widely shared objectives. Although objectives like these are abstractions, and they sometimes conflict with each other and with other objectives, and there are wider differences about ways to accomplish these ends than there is about the ends themselves, these ends do matter. And some actions do better than others at achieving these ends.

That is, efficiency matters also. This assertion might seem trivial. But if means are regarded as ends and if the purpose of the game of government is only income distribution, then why be efficient? One reason is that it has a prominent place in American culture. Another is that if one holds that there are some important objectives, it takes some minimal level of efficiency to get there. Moreover, it

may take not only a strong bargaining position but even a degree of efficiency in getting income transferred to the groups deemed worthy of receiving it.

Consider technical efficiency. It seems to make a difference. Some designs of supersonic transports or space vehicles, or sewage treatment plants are better than others in the sense that payload--range or payload--thrust or plant output-input ratios--differ and some designs work better than others. In space, in defense, in transportation, in health, in crime, in flood control, in postal delivery there are many decisions made about which the question of technical efficiency is relevant.

But this is too limited a concept of efficiency. More general is an economic efficiency concept--the least cost combination of factor inputs to accomplish a given objective. Still more general is the measure of both benefits and costs in money terms.

One must be careful, however, to be sure that the same objective is being met by the various means. In the early stages of the manned lunar landing program, the two principal alternatives considered called for an earth-orbiting and a moon-orbiting stage respectively. The object in both cases was to get at least one American to the moon and back alive by 1970. There was little question about the objective being the same. (Even in examples of this kind, some members of our society might prefer one approach based not on technical or social economic criteria but on a preference among manufacturers.)

Clearly there are many cases of a type Lindblom cites where members of society have important differences both among ends and among the means for achieving given ends. The least cost solution on a highway won't do for many. But, the least cost solution (or at least a relatively low cost solution) is relevant and the partisan mutual adjustment process isn't all that likely to throw it up.

That is, we should not just assume that good (i.e., efficient in one of the senses described above) technical and economic decisions will be made, or even taken into account, by a system operating primarily in a partisan mutual adjustment mode. We should not assume so for several reasons:

a. Large bureaucracies have remarkable inertia. I use the word "inertia" in the sense used in physics, as the tendency for matter (organizations) to remain at rest, if at rest, or if moving, to keep moving in the same direction. The inner life of organizations and their imperviousness to changes in the external environment is often extraordinary. The celebrated instance of the survival of the cavalry for decades past its useful life is a case in point, as is the continued survival of some other governmental anachronisms. The ability of a well-established organization to develop a doctrine, a theory which justifies and defends behavior against outside influences is impressive. The absence of market prices for most of the goods and services produced by government helps to maintain the inertia. So does the restricted nature of the competition that government "firms" also face.

One result is to suppress options, to conceal possibilities that don't conform. Anomalies can exist for very long periods of time with no corrective action being taken.

For example, in our Defense Department we had for many years a situation in which two services were preparing for quite different kinds of wars. Their force structure, their readiness, their logistics, and their ordnance were incompatible. These gaps persisted despite the fact that many people were aware of the problem. But doctrine was too strong. A similar gap existed between our alliance policies abroad and the forces to back up these policies.¹

One difficulty with leaving important issues to be thrashed out by the parties that happen to express an interest is that they can argue over the wrong issues. Some years ago there was some debate over the size of the Soviet bomber force versus our own; several years later there was a similar debate over strategic missiles. In both cases, the

¹ Samuel P. Huntington in his book on the Defense Department, The Common Defense (New York, Columbia University Press, 1961), contrasts the making of alliance policies and the contingency planning process under relatively strong hierarchical control with the catch-as-catch-can decision making process on military forces. He fails to point out that the ability of the country to support alliance policies and international contingencies is, in fact, strongly dependent on the capability of the forces available. If the system fails to work out this relationship systematically one is not only more likely to waste a lot of money, one is more likely to get into deep trouble.

main issue debated was the number of vehicles on either side; the main real issue was largely undebated: the implications for the vulnerability of the forces.

b. There are not only wide differences in the bargaining power of the "firms", this bargaining power is not necessarily very highly correlated with the information or the power to take relevant action to accomplish objectives with a high degree of efficiency. No one can deny the power of the Bureau of Public Roads; one might question the extent to which it has the information to enable it to shape the structure of cities differently than it now does through its urban highway programs or the extent to which it would regard this as its mission in life. This power may reflect widely shared values or the intensity with which values are felt. But the price in technical and economic diseconomies is often high. If all one uses as a criterion is the pragmatic test of the firm's "sales" (the disputes it wins, the new programs introduced, the old ones sustained, the share of the budget obtained), one hasn't much. And resources wasted often count as much as resources well used on these criteria.

c. Even where countervailing power is present, one cannot assert a high probability that the common interest will benefit. If private firms and organized labor are capable of striking bargains which act against the common interest one shouldn't assume that government agencies are not.

Other examples can be cited: We invest quite a lot to move air passengers from airport to airport but have paid little attention to the increasingly significant links in the journey between portal and airports. Our maritime policies which have traditionally been worked out via the bargaining mode include an operating subsidy which is structured so as to create a positive incentive to overcome the ships. Our water resources policies favor expensive means of reducing water pollution over less expensive means. These policies have also produced flood control projects which have generated incentives for people to overbuild in still vulnerable flood plains. In agriculture we pay both to take land out of agricultural production while bringing reclaimed land in. We have a sugar subsidy program which seems to cost three times the net incomes of the sugar producers. We spend ten times as much on urban roads as on urban mass transit without the balance between these two types of transportation being examined.

It might be held that some of these examples simply illustrate the principle that our political system has decided to transfer income to specific groups, that a politically feasible way has been found to do this, and the fact that apparently contradictory actions are taken by different parts of the government is either evidence of income being transferred to other groups or is compensatory action to correct undesirable overall effects of particular subsidies.

This is undoubtedly true--in some cases. But it is my belief that, on the average, instances of this type are at least as much due to

the reasons cited above: bureaucratic inertia, random differences in bargaining power, absence of market forces, unregulated intra-governmental monopolistic practices.

What Can Be Done?

Neither model will do. Lindblom is right about the undesirability and infeasibility of a rigidly hierarchical system. But he is, I think, too hopeful about the virtues of the largely bargaining system we have. We need analysis as well.

What do I mean by analysis? For present purposes suffice it to mean an attempt to define objectives, to describe alternative means to these ends, to invent new objectives and new alternative means, to assess benefits and costs, to take account of uncertainties, to quantify what looks useful to quantify, to isolate decisions that can be deferred from those that can't, to create options. All this may appear ordinary. It is, but it is often difficult to do and it hasn't been attempted much in a systematic way on major public decisions. But it has begun to be done in a significant way with results in the Defense Department that are impressive; I predict that results throughout other parts of government will, in time, be at least as impressive.

There are several necessary conditions for doing better: one is that there exist a structure of adversary relationships, that over a wide range of governmental behavior there exist mechanisms for one group to challenge and debate issues of common interest with other

centers. This doesn't work well if left to chance. It requires action from a higher level. This is a familiar problem in the operation of big corporations. It is a more important problem in areas where market mechanisms are weak or absent. Therefore, one subject for systematic analysis is to improve the bargaining process.

Another necessary condition is that there be a system of analysis involving many groups working from many points of view. For no one group can assemble all of the relevant data on a complex issue; values and facts do get inter-mixed; ends and means often do interact; problems must be decomposed for analysis; analysis must be partial; all optimizations are, in some sense, suboptimizations. One can expect, however, through more systematic analysis to narrow the vast areas in which governmental action is uninformed, arbitrary, and based on unenlightened opinion rather than data and analysis. One can create larger conceptual "islands" in which relatively good predictions can be made about the consequences of taking alternative decisions. One can even expect to connect some islands to each other through the development of broader theories. Just as economic theory was extended over time from separate theories on production and consumption and money into a unified macro-theory with major consequences for the conduct of public affairs, so we should expect to develop broader theories of health, of education, of law enforcement. And some of these might even connect. How far can this process continue? Indefinitely. (But I confess my mind boggles at the notion of the unified theory, for example, of postal service, foreign

aid, and outer space.) We needn't be concerned about running out of new phenomena. New ones will be identified or become ripe at least at the rate at which old ones are mastered.

Finally, in carrying out analyses what should be done about the absence of conditions for Pareto optimality? Two things. First, try in doing analysis, to make corrections that move the results in what seems to be the right direction. Second, take some solace from the bargaining viewpoint: our system doesn't mind making interpersonal comparisons and the interactions, over time, of partisan mutual adjusters will see that rough justice gets done.