



## Representation or abdication? How citizens use institutions to help delegation succeed

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**Abstract.** Modern democracy requires delegation. One problem with delegation is that principals and agents often have conflicting interests. A second problem is that principals lack information about their agents. Many scholars conclude that these problems cause delegation to become abdication. We reject this conclusion and introduce a theory of delegation that supports a different conclusion. The theory clarifies when interest conflicts and information problems do (and do not) turn delegation into abdication. We conclude by arguing that remedies for common delegation problems can be embedded in the design of electoral, legislative, and bureaucratic institutions. The culmination of our efforts is a simple, but general, statement about when citizens and legislators can (and cannot) control their agents.

### Introduction

Representative democracy requires delegation. *Delegation* occurs when one person or group, a *principal*, selects another person or group, an *agent*, to act on the principal's behalf. In an election, for example, citizens are principals who elect representatives to serve as their agents in Parliament. All representative democracies depend on these ballot box delegations. Most representative democracies rely on other delegations as well. For example, when party leaders or cabinet ministers influence legislation, they do so as the agents of the legislators who selected them.

Many debates about the legitimacy and performance of democratic governments turn on observations about the consequences of delegation. A common conclusion about delegation is that it is equivalent to abdication; that is, agents are unconstrained by how their actions affect their principals. To support this conclusion, one need only reference common stereotypes of voters and legislators. Voters are stereotyped as being too ignorant or inattentive to influence the actions of their elected representatives. Legislators are stereotyped as having neither the time, the inclination, nor the knowledge to oversee the civil service. If these stereotypes are accurate, then citizens and legislators abdicate.

Delegation is certainly problematic. In any act of delegation, the principal and agent may have *conflicting interests*. There is also the potential that *principals lack information* about what their agents are doing. But if these potential difficulties are realized, must delegation be equivalent to abdication? It is commonly assumed that the answer to this question is yes. We will argue to the contrary.

We argue that democratic principals can adapt to and overcome these problems. In particular, we derive conditions under which commonly available means of adaptation are sufficient to prevent delegation from becoming abdication. Many of these means are embedded in the design of political institutions. As a result, the design of electoral, legislative, and bureaucratic institutions can keep delegation from becoming abdication.

Our essay continues as follows. First, we draw basic insights from the existing literature on delegation. Then, we present a formal theory of delegation that clarifies the relationship between delegation and abdication. In the final sections, we discuss implications of our research.

### **Delegation: a brief review**

In all modern democracies, citizens delegate to elected representatives, who, in turn, delegate to others. Legislators, for example, delegate to party leaders the authority to mold the party's issue positions, organize party lists, and, when necessary, enter into negotiations with other party leaders about government formation. After a government is formed, it delegates to individual cabinet ministers the power to initiate policy proposals. The government and/or individual cabinet ministers then delegate to civil servants the power to implement chosen policies. These delegations are the foundation of democracy.

Scholars have long recognized that delegation entails danger. As Dahl (1967: 21) warns, the principal danger is that uninformed principals, by failing to delegate well, will transform democracy into a *tyranny of experts*: "there are decisions that require me to *delegate* authority to others . . . but if I delegate, may I not, in practice, end up with a kind of aristocracy of experts, or even false experts?"

Many observers argue that a tyranny of experts is unavoidable because those who delegate seem uninformed when compared to those to whom they delegate. The principal democratic delegation, that of the people electing their governors, appears most susceptible to tyranny. Cicero's observation that "in the common people there is no wisdom, no penetration, no power of judgment", is an apt summary of modern voting studies (Delli Carpini & Keeter 1996).

Earlier scholars made similar arguments about elected representatives. Weber, for example, argues that legislators cannot control bureaucrats:

Under normal conditions, the power position of a fully developed bureaucracy is always overtowering. The 'political master' finds himself in the position of the 'dilettante' who stands opposite the 'expert', facing the trained official who stands within the management of administration. This holds whether the 'master' whom the bureaucracy serves is a 'people', equipped with the weapons of 'legislative initiative', the 'referendum', and the right to remove officials, or a parliament, elected on a more aristocratic or more 'democratic' basis and equipped with the right to vote a lack of confidence . . . . (Weber, in Gerth & Mills 1946: 232)<sup>1</sup>

Though he did not focus on delegation specifically, Robert Michels (1915) was also skeptical of the democratic nature of mass organizations and about the possibility of popular control over leadership. In his *iron law of oligarchy*, he asserts that democratic organization inevitably becomes subordinated to the interest of their leaders and the leadership becomes an entrenched oligarchy. Like the generations of scholars who followed him, Michels believed in the tendency of leaders to maintain power at the expense of their members' interests.

While these critiques of democracy's delegations are myriad and diverse, they all share a common conclusion: voters, legislators, and ministers cannot control their agents. Like the scholars just quoted, we find this conclusion alarming. We argue, however, that citizens' capabilities and the requirements for successful delegation are not as mismatched as many observers would have us believe.

### **A theory of delegation**

In every democracy, a chain of delegation connects what citizens want to what government does. As Strøm (2000) argues, the typical chain of delegation includes delegations from voters to legislators, from parliament to cabinet, from cabinet to ministers, and from ministers to civil servants. Across democracies, however, chains of delegation vary. These variations are both a product and a cause of each country's unique experience with democracy.

In the abstract, however, it is possible to draw general conclusions about how *all* delegations work. What such conclusions require is that all acts of delegation share common features, and that these common features affect the consequences of delegation in equivalent ways. To that end, we present a simple theory of delegation. The foundation of our theory is the premise that every act of delegation shares at least *four* common features. The first

three features are well known in the existing delegation literature. The fourth feature is less well-known but just as common in acts of delegation. It is this fourth feature that provides the separation between delegation and abdication.

*Factor 1: Principal and agent.* Every act of delegation involves a *principal*, the person or persons delegating, and an *agent*, the person or persons to whom authority has been delegated. In the relationship between a member of parliament and his constituents, for example, the constituents are the *principals* and the member is the *agent*. And in the relationship between a minister and the civil servants who work in her directorate, the minister is the *principal* and each civil servant is an *agent*.

*Factor 2: The possibility of conflicting interests.* Every act of delegation contains *the possibility of conflicting interests*. The consequences of interest conflicts for delegation are important to understand as interest conflicts can engender several types of agent behavior that lead to bad outcomes for the principal. For example, and following Brehm & Gates (1997), interest conflicts can induce leisure-shirking (an agent choosing not to serve the principal because he does not feel like working), dissent-shirking (an agent choosing not to serve a principal because he is opposed to the principal's policy desires), and sabotage (an agent choosing to take actions that directly contradict the principal's policy desires). An example of leisure shirking is a case where a principal wants her agent to work hard while her agent wants to spend more of his afternoons fishing. An example of dissent-shirking is when an agent drags his heels in implementing a policy because he wants to help senior citizens while his principal detests them. Such problems do not occur in the absence of interest conflict and occur only sometimes when conflicts of interest are present. A primary objective of this chapter is to identify the conditions under which interest conflicts cause such problems.

*Factor 3: The possibility of asymmetric information.* Every act of delegation also contains *the possibility of asymmetric information*. As the literature just reviewed suggests, scholars commonly assume that principals are ignorant of their agents' activities.

The second and third common features of delegation are important because they are presumed to cause delegation to become abdication. That is, conflicts of interest can give agents an incentive to act against the wishes of their principal, while information asymmetries may give the agent the ability to act against her principal without fear of being held accountable.

When democratic critics such as Lowi (1979) and Weber (1946) proclaim that important democratic delegations fail, they argue that principals cannot adapt to their limited information or conflicts of interest with their agents.

However, it is important to recognize that many critics reach their conclusions by simply *assuming* that principals are incapable of adaptation. *Is this assumption correct?*

*Factor 4: The principal may be able to adapt to agency problems.* Principals can attempt to solve the problems of delegation in any of three ways: *direct monitoring* of an agent's activities (the principal gathers information herself), attending to the *what the agent says* about his activities, or attending to *third party testimony* about the agent's actions. Each of these options can provide a principal with valuable knowledge about her agent. However, each option also has a drawback.

The problem with *direct monitoring* is that it can be very expensive. For instance, it might take years for a legislative principal to understand all of the nuances of a tax policy or the military's grand strategy. Since voters, legislators and ministers have many responsibilities, the opportunity costs of monitoring any or all of their agents directly can be prohibitive.

The drawback of *relying on the agent's self-report* is that the agent may be reluctant to reveal what he knows. For example, if an agent and principal have conflicting interests, then the agent may have no incentive to share his secrets with the principal.

If agents have no incentive to share their expertise and if direct monitoring is prohibitively costly, then a principal who wants greater knowledge can get it only from the *testimony of a third party*. Third parties common to political contexts include friends, relatives, co-workers, media organizations, interest groups, political candidates, political parties, prosecuting attorneys, defense attorneys, and witnesses. However, third party testimony is not a panacea. For example, third parties and principals may also have conflicting interests (e.g., the principal is a liberal and the third party is a conservative).

If it is indeed true that principals and agents have conflicting interests, that principals know too little about their agent's activities, that direct monitoring is prohibitively costly, and there are no third parties from which a principal can learn about her agent's actions, then delegation is abdication (i.e., the principal has no control over the agent's actions). If, however, principals can learn what they need to know about an agent from even one of these sources, then delegation need not be abdication. So, the question remains, *When is delegation abdication?*

In our recent book (Lupia & McCubbins 1998), we follow recent themes in the formal study of delegation by incorporating the four common factors listed above into formal models of delegation.<sup>2</sup> In what follows, we use the most basic of these models to describe the consequences of delegation. While many people use the term accountability to describe these consequences, there is

substantial variance in what people mean by this term (see, e.g., Lupia 2000). To foster precision and clarity, we opt for a simple metric of delegation's consequences. Specifically, we derive the conditions under which delegation succeeds and fails. We say that delegation *succeeds* when an agent's actions *improve* a principal's welfare relative to the status quo, where the status quo is the outcome that the principal would have realized had she not delegated to her agent. We say that delegation *fails* when an agent's actions *reduce* a principal's welfare relative to the status quo. We then use our findings about success and failure to clarify when delegation is abdication.

*Our model.* We model delegation as an interaction between three people. We call these people a *principal*, a *third party*, and an *agent*. We sketch our model's assumptions below and refer interested readers to the more detailed model description in Lupia & McCubbins (1998).

*Assumption 1: The sequence of events*

Figure 1 depicts the sequence of events in the model.<sup>3</sup> The agent is the first player to act. He begins the game by deciding whether or not to propose an action,  $x \in [0, 1]$ , which would lead to a different outcome than had he done nothing (i.e., the policy status quo,  $sq \in [0, 1]$ ). The alternative  $x$  is analogous to a civil servant's formal proposal to change a pre-existing plan of action, a candidate's policy platform, or any agent's unspoken plan of action.

To propose action  $x$ , we assume that the agent must pay the exogenously determined cost,  $C \geq 0$  (e.g., an agency's human and capital costs of implementing a particular policy or the time and effort it costs to place a bill on a legislative agenda). If the agent does not pay  $C$ , then the policy status quo prevails and the game ends. Otherwise, the agent pays  $C$ , proposes  $x$ , and the game continues.

The third party moves next by making a statement to the principal about the agent's action. The third party can make one of two statements to the principal – “the agent's proposal is *better* for you than the status quo” and “the agent's proposal is *worse* for you than the status quo”. The third party chooses what to say and need not make a truthful statement.

Then, the principal ends the game by accepting the agent's action or by rejecting it in favor of the status quo. You can think of the principal in the model as someone who must decide whether to reward or punish a civil servant, a voter choosing which candidate to vote for, or anyone who must judge the actions of another to whom he delegates.

*Assumption 2: The agent, the principal, and the third party are goal-oriented* Each player has an ideal policy on  $[0, 1]$  and a single-peaked utility function. So, when the agent makes a proposal, then each player's utility is determined

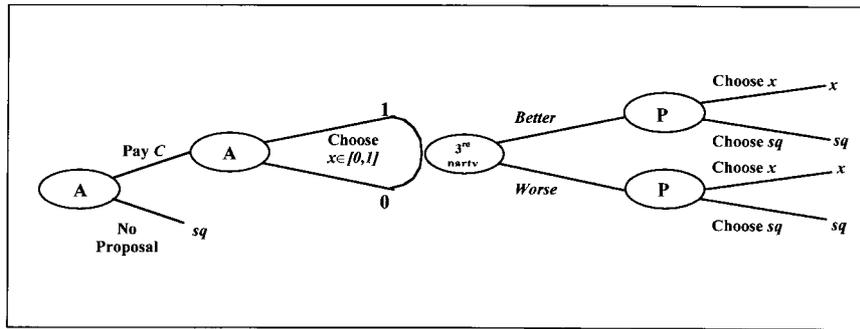


Figure 1. Delegation with communication.

by the spatial distance between the alternative that the principal chooses,  $x$  or  $sq$ , and the player’s own ideal policy. We assume that each player prefers that the principal choose the alternative that maximizes his or her own utility (i.e., each player prefers that the principal choose whichever of  $x$  or  $sq$  is closest to his or her own ideal policy). If the agent makes a proposal, then  $C$ , the cost of the proposal, is also deducted from his utility.

*Assumption 3: The principal is uncertain about the consequences of the agent’s proposal*

We assume that the principal has beliefs about, but may not know, whether  $x$  or  $sq$  is better for her (i.e., which alternative is closer to her ideal policy). Specifically, she knows the location of  $sq$  and her own ideal policy,  $p$ . However, she is uncertain about the location of  $x$ . As we explain below, the third party’s statement may – but need not – reduce the principal’s uncertainty.

*Assumption 4: Up to three external forces are present*

Three external forces cover the range of effects that institutions can have on communication between the principal and the third party. Individually or collectively, these forces can affect what the third party says and what the principal believes. Each of these forces can be present in nature or can be constructed through the design of political institutions. The relationship between these forces and institutional design is a key element of our argument that principals can adapt to the risks of delegation.

The first force is *verification*. Verification affects the manner in which the principal receives the third party’s statement. It is independent of any costs associated with making statements. We represent verification as follows – after the third party speaks, but before the principal chooses, nature reveals to the principal whether  $x$  is better or worse for her. Verification occurs with probability  $0 < v < 1$ . In words, we examine the case where third party

statements can be verified as true or false before the principal makes her choice.

The second force is *penalties for lying*. Penalties for lying affect the third party's costs and are independent of the manner in which the signal is received. We represent these penalties,  $pen \geq 0$ , as the cost that the third party must pay when he makes a false statement. This penalty directly affects the third party's utility. Penalties for lying are a common example of statement specific costs. Our motivation for focusing on penalties for lying are the explicit fines levied on people who lie (e.g., in cases of perjury) and the losses in valued reputations for honesty that result from being caught making false statements.<sup>4</sup>

The third force is observable *costly effort*. We represent costly effort as a cost,  $cost \geq 0$ , that the third party must pay to send any signal (i.e., the third party must work to get the principal's attention). If the third party does not pay, then he can say nothing to the principal. Intuitively, there is a cost for almost any cognitive task, and speaking is no exception. Unlike penalties for lying, this communication cost is independent of what the third party says.

*Results.* Two general conditions determine whether delegation succeeds or fails: the *knowledge condition* and the *incentive condition*. The knowledge condition is fulfilled if and only if the principal can correctly infer whether or not the agent's proposal is better for her than the status quo. To satisfy the incentive condition, the agent must have an incentive to make a proposal that is better for the principal than the status quo. The relationship between delegation and these two general conditions is as follows:

**Result 1:** If both the knowledge and the incentive conditions are satisfied, then delegation succeeds. If neither condition is satisfied, then delegation fails.

If both conditions are satisfied, then the agent makes a proposal that enhances the principal's welfare and the principal knows enough to accept it. In this case, the outcome of delegation is better for the principal than the status quo – delegation succeeds. When neither condition is satisfied, the agent will not act to increase the principal's welfare and the principal will not know enough to do anything about it – delegation fails.

If *only one* of the two conditions is satisfied, then the worst that can happen, from the principal's perspective, is that the status quo is maintained – which by our definition constitutes neither success nor failure. To see the consequence of delegation when only one of the two general conditions is satisfied, consider the two cases. If only the knowledge condition is satisfied, then the principal knows whether the agent's proposal is better or worse for

her than the status quo. In this case, she can reject any proposal that is bad for her. Therefore, the worst outcome she can obtain is the status quo. Alternatively, if only the incentive condition is satisfied, then the agent makes a proposal that improves the principal's welfare. In this case, if the principal's lack of knowledge leads her to reject the proposal, then she gets the status quo; otherwise, she does better.

*How to satisfy the knowledge condition*

The knowledge condition requires that the principal distinguish whether the agent's proposal is better or worse for her than the status quo. There are two ways to satisfy this condition:

**Result 2:** The knowledge condition is satisfied only if:

- the principal's prior knowledge is sufficient for her to distinguish proposals that are better for her than is the status quo from proposals that are worse for her, or
- she can learn enough from another source to make the same distinctions.

*When the principal initially lacks such knowledge, and in the absence of the external forces, she must correctly perceive a third party to have common interests and the knowledge she desires. In the presence of external forces, by contrast, she need not know the third party's knowledge or interests. Instead, knowing the likelihood of verification, the magnitude of penalties for lying, or the magnitude of costly effort can substitute for knowledge about the third party.<sup>5</sup>*

Since delegation fails if neither condition is satisfied, Results 1 and 2 imply the following: if the incentive condition fails *and* the principal has insufficient prior knowledge about the agent *and* there is no third party (and external forces) from which the principal can learn what she needs to know, then delegation fails. By contrast, the consequence of delegation is no worse than the status quo if *either* of the two conditions in Result 2 *or* the incentive condition is satisfied. Moreover, delegation succeeds if the incentive condition *and either* of the two conditions in Result 2 is satisfied. Therefore, Results 1 and 2 imply that the principal need not know very much about what her agent is doing in order to ensure successful delegation. Put another way, if external forces are sufficient to induce the principal to follow the third party's advice, then delegation can succeed even if the principal initially lacks knowledge about her agent, and even if she believes that any third party from which she could learn has conflicting interests.

Table 1. Delegation, abdication, and the meaning of success

Conditions satisfied	Both	Knowledge only	Incentive only	Neither
Abdication	No	No	Yes	Yes
Success or failure?	Success	Neither	Neither	Failure
Outcome for the principal	Better than sq.	No worse than sq.	No worse than sq.	Worse than sq.

### *How to satisfy the incentive condition*

The incentive condition requires that the agent offer a proposal that makes the principal better off than does the status quo. There are two ways to satisfy this condition in our model.

**Result 3:** The incentive condition is satisfied only if:

- the principal prefers the agent's ideal policy to the status quo and the agent gains more than  $C$  if the principal accepts his proposal, or
- the *knowledge condition* is satisfied and there exists a point that both the principal and the agent (after paying  $C$ ) prefer to the status quo.

To see why Result 3 is true, consider the following. In our model, the agent must weigh the costless option of making no proposal against the costly option of making a proposal. Therefore, it is always better for him to propose nothing than to propose something that is worse for him than is the status quo. If the agent's ideal policy is better for the principal than the status quo and if the agent's ideal point is so far from the status quo that the agent can recover the costs of proposing his own ideal point to the principal, then the incentive condition is satisfied. Otherwise, satisfaction of the incentive condition requires a knowledgeable principal and a policy that can make both the principal and the agent better off than can the status quo.

*When is delegation abdication?* Delegation succeeds if the knowledge and the incentive conditions are satisfied and fails if neither condition is satisfied. Having clarified necessary and sufficient conditions for delegation success and failure in our model, we turn to abdication. We display the relationship between abdication and the conditions for success and failure in Table 1.

In this essay's opening section, we defined delegation as abdication if and only if agents are unconstrained by how their actions affect their principals. This is consistent with the general view of abdication as a loss of control over the agent's actions. Therefore, in our model delegation is abdication if and only if the knowledge condition is not satisfied. That is, if the agent has

no way to distinguish beneficial agent activities from agent actions that are detrimental, then the principal loses the ability to control the agent. If, by contrast, the knowledge condition is satisfied, then the principal retains some control over the agent – she knows enough to prevent the agent from taking detrimental actions.

The failure of the knowledge condition, however, does not imply that delegation fails. To see this distinction, consider the case where the principal shares the agent's interests but cannot satisfy the knowledge condition. Then, delegation equals abdication, but the principal need not be worse off. For if the agent pursues his own interests, then he pursues those of the principal as well. The worst outcome for such a principal is that her lack of knowledge leads her to reject the agent's benevolent action.

Together, Results 1 through 3 imply that there are many routes to successful delegation and many ways to avoid having delegation yield abdication. For example, delegation fails *only* if all of Result 2's conditions and all of Result 3's conditions fail. By contrast, delegation results in successful delegation if *any* of the conditions in Result 2 and any of the conditions in Result 3 are satisfied. Results 1, 2 and 3 reveal myriad ways to make delegation succeed, some of which require little of the principal informationally. It is the possibility of success by any number of means that provides the sturdy ground upon which abdication can be avoided.<sup>6</sup>

*Application: how institutions help delegation succeed*

Our theory highlights the means by which democratic principals can adapt to the obstacles of delegation. But do real-world political principals use penalties for lying, costly action, and verification to make their delegations succeed? Following a longer discussion in Lupia & McCubbins (1998: ch. 10), we will show here that they do, and suggest that such actions are the means by which legislatures adapt to the problems created by their need to delegate.

We focus primarily on the U.S. Congress, because it is the legislature with which we are most familiar. This legislature possess numerous *ex post* mechanisms with which to influence bureaucratic behavior, such as revocation of authority, sanctioning of agency officials, reductions in agency budgets, and reversal of agency decisions. Weingast (1984) argues that these *ex post* sanctions engender the well-known "law of anticipated reactions", whereby bureaucrats are aware of the limits to acceptable behavior and know that they run the risk of some form of sanction if they exceed those limits (e.g., penalties for lying).

Checks can also be created so that they affect the agency's choice *ex ante* (i.e., before it makes a proposal). One means of checking agencies is to assign

policy questions to multiple agents (i.e., introduce verification). When this is done, no single agent has the ability to establish its own agenda in a particular policy arena, and each serves to check the other.

McCubbins, Noll & Weingast (1987) developed the concept of *deck-stacking* to refer to the effect of institutionalized procedures on the administrative process. They argue that no political actor will enter an agreement unless her interests were protected and that, as a consequence, legislative principals will seek certain protections when delegating to an agent. By manipulating certain elements of the agency's procedure, the coalition that forms to pass a law will seek to assure that the interests of the coalition members – or their constituents – will be favored by the agent's choices.

The United States National Environmental Policy Act (NEPA) of 1969 provides one example of the effects of deck-stacking. In the late 1960s, environmental groups in the US became substantially better organized and more relevant politically. NEPA required that all agencies file environmental impact statements on their proposed projects, which forces agencies to assess the environmental costs of their proposed activities (i.e., NEPA forced agencies to exert observable, costly effort before proposing a new regulation). In turn, this provision gave third parties such as environmental groups a new way to influence the activities of the legislature's environmental agents (i.e., NEPA increased the likelihood of verification and also made penalties for lying more likely).

Ultimately, the point of deck-stacking is not to pre-select policy, but rather to cope with uncertainty by making certain that the winners in the political battle over the underlying legislation will also be the winners when the time comes for agents to implement policy. Political officials use deck-stacking to create a decision-making environment in the agency that reflects the political forces that supported the principal's preferred outcome.

Deck-stacking is not the only means by which US legislators structure institutions for the purpose of affecting their agents' actions. They also institute designs that help them adapt to their limited information about bureaucratic activity. Legislators do not need to master the technical details of policy making in order to obtain information, and they do not need every single piece of information in order to make a reasoned decision. Rather, legislators need only collect and correlate enough information to make effective political inferences, and thereby reach reasonable conclusions about whether an agent is serving their interests (Lupia & McCubbins 1998). Legislators have access to numerous sources of information and expertise on technical subjects from sources outside of the bureaucracy, such as legislative staff, interest groups, and private citizens. Their problem, then, is how to assess the accuracy of the information that is received. Who should legislators believe?

McCubbins & Schwartz (1984) provide a first step towards answering this question by distinguishing two types of oversight. They label them “police-patrol” and “fire-alarm” oversight. In the former, members of Congress actively seek evidence of misbehavior by agencies: members look for trouble as a method of control much as does a prowling patrol car. In the latter, members wait for signs that agencies are improperly executing policy: members use complaints from concerned groups to trigger concern that an agency is misbehaving. Fire-alarm oversight has several characteristics that are valuable to political leaders. To begin, leaders do not have to spend a great deal of time looking for trouble. Waiting for trouble to be brought to their attention assures that if there is trouble, it is of a type that is important to constituents. In addition, responding to the complaints of constituents allows political leaders to advertise, claim credit for fixing the problem, and take popular issue-specific positions (Mayhew 1974; Fiorina 1977). In contrast, trouble discovered by actively patrolling might not concern any constituents at all and thus yields no electoral benefit for members. Thus, political leaders are likely to prefer the low-risk, high-reward strategy of fire-alarm oversight to the more costly police-patrol system. Moreover, a predominantly fire-alarm oversight policy is likely to be more effective in securing compliance with legislative goals, for it brings within it targeted sanctions and rewards. Indeed, recent surveys have shown that the modal type of congressional oversight is fire alarm oversight (Aberbach 1990; Ogul & Rockman 1990).

However, fire alarms are only useful when they are credible (Lupia & McCubbins 1994; 1998). Therefore, legislators must take care in constructing a reliable system of third party notification. To create credible fire alarms involves establishing appropriate procedures for managing the collection and dissemination of information about an agency’s activities (McNollgast 1989).

The U.S. Administrative Procedure Act of 1946 (APA), as amended and interpreted by courts, establishes several provisions for third party participation (i.e., fire alarm oversight) to influence principal-agent relations. First, an agency cannot announce a new policy without warning, but must instead give “notice” that it will consider an issue (i.e., it must exert an observable, costly effort). Second, agencies must solicit “comments” and allow all interested parties to communicate their views (i.e., it must facilitate verification). Third, agencies must allow “participation” in the decision-making process. If hearings are held, parties may be allowed to bring forth testimony and evidence and often to cross-examine other witnesses (i.e., verification, penalties for lying). Fourth, agencies must deal explicitly with the evidence presented to them and explain the link between the evidence and their decisions. Fifth, agencies must “make available” a record of the final vote of each member in every proceeding. Note that Sweden’s remiss procedure generates incentives

similar to that of the U.S. APA (Heclo & Madsen 1987: 13). Numerous Latin American countries have also adopted measures similar to the U.S. APA to achieve political control of the bureaucracy (Spiller 1996).

The point of this brief section is to show how legislatures structure institutions in ways that help them delegate successfully. We contend that reliance on such institutions is the primary means by which legislators prevent abdication. This is not to say that political principals always have the ability to structure effective institutional remedies to the problems of delegation – but merely to point out that they can and that they do. When political principals can exercise this ability, then even if they lack information about their agents and even if they and their agents have conflicting interests, delegation is not abdication.

### **Conclusion**

Delegation is a necessary component of modern democracy. To clarify the consequences of delegation, we first introduce the metric of delegation success and failure to distinguish the cases where an agent enhances his principal's welfare from the cases in which he does not. The metric is important because it reminds us that if a principal and agent have conflicting interests, the agent may still act to enhance the principal's welfare. We then describe a model of delegation. The model is helpful because it shows that successful delegation depends on two conditions: the incentive condition and the knowledge condition. It also reveals that the satisfaction of both conditions turns on whether or not the principal can learn what she needs to know, which itself can be aided by the presence of third parties and particular political institutions.

To keep this chapter as simple as possible, we have focused on the dynamics of a single act of delegation. We conclude by turning to the question of what formal models of delegation imply about delegation chains. As the authors of this volume's subsequent chapters will attest, each country uses a uniquely shaped chain of delegation. So what can be said about any particular chain depends on its shape.

Suppose, for example, that the chain of delegation in a particular country resembles a straight line – one link connects voters to MPs, one link connects MPs to governments and so on. In such a chain, a broken link implies a broken chain. So, for citizens at one end of the chain to exert influence over civil servants at the other end, every link of the chain must be strong. Successful delegation from principals at one end of the chain to agents at the other end, in such cases, requires that the necessary conditions for successful delegation be satisfied at every link in the chain or that weaknesses in one part of the chain

are somehow compensated for at another part of the chain. So, for example, if at each link in such a chain of delegation, *any* of the conditions in Result 2 are satisfactory, then agency loss can be no worse than if the principals had never delegated. If, moreover, a policy exists that both the principal and agent prefer to the status quo at every stage in the chain, then delegation will make all principals better off than if they had not delegated.<sup>7</sup>

Alternatively, suppose that a country's democratic delegations are not linked in a serial fashion. Instead, if delegation fails at one link in the chain, actions at a later link may be sufficient to remedy the failure. In these cases, it is easier to delegate successfully – the conditions for successful delegation must be satisfied at only one of the two substitutable links. Consider, for example, cases where a policy maker has the option of working with any of several bureaucratic agencies to perform a particular task. If the policy maker cannot delegate successfully to agency A, delegation may nevertheless succeed if he can delegate the task to an agency B. If the strength of the delegation chain depends on this policy maker's ability to delegate successfully, he need only find one reliable agent to keep the chain strong.

In general, the more a chain of delegation resembles a straight line, the more important it is to system-wide delegation success that delegation succeeds at every link of the chain. Alternatively, the more that a chain of delegation resembles a grid where most links in the chain are connected to many others, the failure of delegation at any particular link is insufficient to generate agency loss.

As important as the width of the chain is its length. Consider, for example, an attempt to affect the way in which small children in state schools are educated. In such a case, the chain of delegation extends from voters to MP's to the government to cabinet ministers to high-level civil servants in the nation's capital to possibly many additional stages all the way to a class of civil servants who are better known as school administrators and teachers. For certain policies, it may be necessary that most or all agents in this chain approve of a particular change. When such a requirement holds, the length of the chain becomes increasingly important as more links entail more people who have a veto, and greater difficulty for voters or MP's who want agents to "feel a tug" in school activities when they pull the chain.

In sum, we have argued that interest conflicts and information, if unchecked, can lead delegation to become abdication. Yet these problems need not go unchecked. Therefore, scholars should not simply assume that principals wilt in the face of interest conflict and asymmetric information. Rather, the key to understanding the consequences of delegation is to examine the means by which principals adapt to the problems inherent in delegation. If delegation is a key requirement of democracy, then discovering how prin-

cipals adapt to the problems of delegation is essential to understanding of how democracy works.

## Notes

1. For the evolution of this argument, see Niskanen (1971) and Lowi (1979)
2. See Laffont & Tirole (1993) and Shepsle & Weingast (1995) for reviews of these advances as they apply to economics and the theory of congressional institutions respectively.
3. Not pictured is a preliminary stage of the game in which Nature determines the game's initial conditions (i.e., we, the analysts, learn what the principal and agent want and know). Unless otherwise stated, we assume that all elements of this interaction are common knowledge.
4. While we focus on the case where these costs are common knowledge, our results are robust to the assumption that the principal is uncertain about them.
5. In Lupia & McCubbins (1998: 240–260), we offer more precise statements about how each external force affects player incentives, player behavior, and the outcome of delegation. The statement of the result here is offered to enhance intuition with a minimal of technical detail.
6. Of course, it is reasonable to argue that successful delegation should do more than just increase the principal's welfare. After all, delegation can be a costly endeavor for the principal (Alchian & Demsetz 1972; Jensen & Meckling 1976). Finding an agent, and dealing with him, can impose heavy opportunity or transactions costs (e.g., Spence 1974; Kiewiet & McCubbins 1991). Therefore, it is possible to argue that delegation should only be called successful if it increases the principal's utility by more than a trivial amount. Our previous work (Lupia & McCubbins 1998: 91–92) shows that the themes described here are indeed robust to tougher standards.
7. This claim follows from Theorem 5.1 of Lupia & McCubbins (1998). This claim also requires that a delegation chain be treated as a series of nested delegations where the principal's perceptions of all agent actions in the chain are entailed in her perception of the agent closest to her on the chain.

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