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Why so much stability? The impact of agency determined stability

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1. Introduction

Gordon Tullock (1981) has helped to focus attention on the seeming inconsistency between theoretical findings on the infrequency of equilibrium outcomes, and of the apparent widespread existence of stable policy. Much research has shown that the existence of stable outcomes does not contradict the theoretical literature. The observed stability is largely induced by the rules, customs, and procedures legislative institutions use to restrict the policy space.[1]

What I show here is that the two conditions permitting stable coalitions to be built in legislatures do not, in and of themselves, ensure stable policy outcomes; current theoretical findings are not sufficient for explaining the existence of policy stability. Stability inducing rules, that limit the number of issue dimensions legislatures may address at any one time, do not apply when activity switches to a new institution. That is, the rules do not apply to the agencies responsible for implementing policy. Agencies, then, are able to utilyze the multidimensional preferences of legislators essentially to recreate the potential for a voting cycle and change the original legislative decision. The new outcome, the agency determined stability (ADD) point, adds more stability to the outcome, and is preferred by the legislature to the original policy point.

2. The dynamics of agency – legislative decision making

Kenneth Shepsle (1979) has shown that one way in which stability can be induced is (1) through the use of jurisdictional limitations on committees and

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(2) through the use of agenda controls on amendments. Such restrictions are found in the U.S. House of Representatives, where Shepsle demonstrates they induce stability by limiting the number of issue dimensions a committee may formally consider and propose to one issue dimension at a time. These restrictions serve to give the committee a degree of agenda control, since, under normal circumstances, only the relevant committee can initiate proposed changes in the status quo.

Before going into the dynamics of agency – legislative behavior in the implementation process, I should mention the assumptions made in this analysis. First, I assume agency decisions are made by a unitary, rational actor, i.e., by the agency executive. I also assume: (1) the bliss point of each relevant actor, including that of the agency executive, is known to all other actors; (2) preferences can be represented by single peaked, circular indifference curves, making preferences on dimensions x and y independent; (3) except where noted, committees are restricted to formal consideration of only those issues on a single issue dimension. That is, each committee's policy domain is what Shepsle (1979) called a single dimensional or 'simple' jurisdiction.

The first assumption assures that any agency latitude is a function of the process I describe and not due to a lack of information on the part of the legislature. I make the third assumption because some method of halting legislative cycling is required. Policy implementing agencies must be given some policy directive, even if it is simply the status quo, and the procedures assumed here are well known.

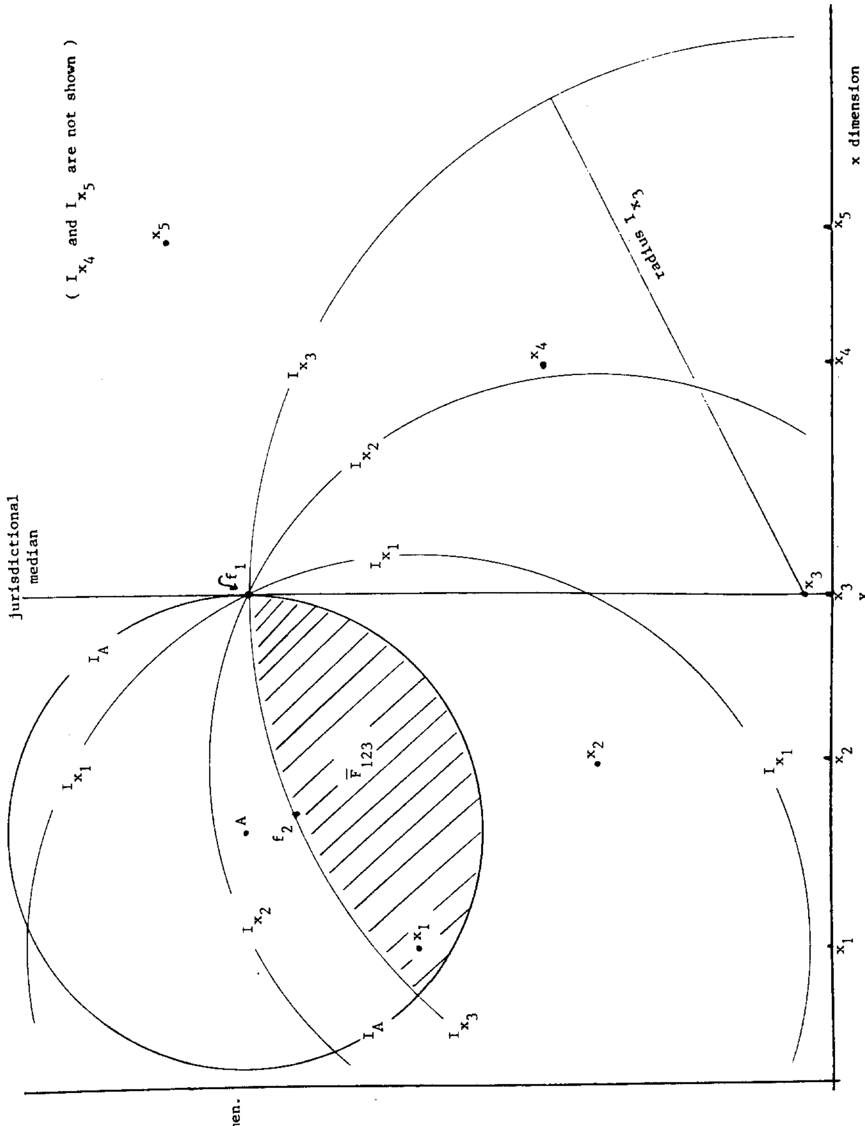
Notice I do not assume amendments are costless. Nor do I assume that the preferences of implementing agency executives are identical to the preferences of legislative committee members. While an overlap of preferences is possible, a large body of theoretical and empirical work suggests that an agency executive's motivations can differ from those of a legislator. Researchers have suggested that an agency executive's decision preference (i.e., the location of his bliss point), is a function of many factors, including: a desire to build his discretionary budget by adding programs that increase the operating budget but not the operating costs (Niskanen, 1975); considerations of how closely subordinates will follow new directives if existing procedures are changed; their own personal goals and views of their role in the policy process (Wilson, 1980). These considerations suggest the agency executive's preferences are not identical to committee members' preferences. Within the model, these differences are recognized by not viewing agency executives as passive receptors of legislative directives, and by modeling the agency as having a bliss point that need not necessarily coincide with either a legislator's bliss point or with a legislative median. That is, the agency is modeled as an organization having its own preferences. As will be shown, however, the agency is unlike other organizations. While the

agency executive's preferences may be independent of the legislature, his decisions are not. An agency executive must first and foremost consider the preferences of the legislators who oversee his implementation decisions. While not a formal assumption, I am attempting to model normal or undramatic, non-crisis politics, in which committee proposals are passed by the whole legislature.

How the restrictions work can be illustrated with reference to a two dimensional policy space in which each axis represents separate issue dimensions (see Figure 1). The jurisdiction of Committee X restricts its members to consider formally only those issues represented by the horizontal axis. Under conditions of simple majority rule with sincere voting, the median position along the x dimension, point X_m, will be introduced as the committee's proposed amendment to the status quo. The issues represented by the vertical dimension: (1) can be completely ignored by the legislature; (2) can be decided by a separate committee responsible for only that dimension; or (3) can be decided by Committee X using a separate vote for the y issues.

The first situation, in which the second issue dimension is ignored, is not uncommon. Both Bardach (1977) and Fiorina (1977) have observed that legislatures, in an effort to build a winning coalition, frequently leave out details or ignore entire issues. Legislative support is maximized at the cost of creating vague policy mandates instead of finished programs with specific goals. I have modeled the avoidance of such issues as a lack of any directive on the second policy dimension. Responsibility for determining the ultimate policy point, that is, for choosing a point on the legislatively ignored dimension, is deliberately transferred to the implementing agency. In Figure 1, the agency is not directed to a specific point in the policy space. Instead, it is presented with the array of possible positions that lie on the ray perpendicular to the horizontal axis at point X_m. Hereafter, this ray will be referred to as the jurisdictional median of the committee.[2]

The very act of implementation implicitly ends the ambiguity that aided the coalition building, and addresses the controversies the legislature avoided. The nature of the agency's task, then, forces it to make a decision on the second dimension, and makes the agency an actor in the decision making process. Thus, when an agency executive receives this legislative mandate, he is being directed to choose some point along the jurisdictional median ray, X_m. If he followed this directive he would choose the point minimizing the distance between A, his own bliss point, and the ray. This would be point f_1, the directed implementation point, the point the agency executive would choose if constrained to coordinate x_3 on the x dimension. (Point f_1 thus serves as a default point to which other proposals are compared.) But the constraints that apply to legislatures do not operate within the agency. There are no separate committees making independent decisions on each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$\bar{F}_{123}$
A
x_1
x_2
x_3
x_4
x_5
X_m

Figure 1.

issue dimension. There are no jurisdictional rules within the agency that prevent the executive from moving off the median ray and picking a point other than f_1. Obviously, the executive would prefer any move that enabled him to move his implementation point closer to A. The set of these preferred points is contained within but not upon the indifference contour I_A, and is called the feasible set, F. The executive must choose points in F that avoid the ire of the committee. How much of the feasible set the agency will be able to move in is a function of the individual preferences of the legislators in the committee overseeing agency choices. An agency does not need to win a formal vote to engage in this activity. Indeed, it may wish to avoid a formal vote, as there is much to lose and little to gain. A vote condemning agency policy is obviously against agency interests, while a vote of approval means only that the agency continues what it has already been doing.

Thus, agency proposals must be placed in such a way that a vote to rebuke the agency (and force it back to f_1), is seen as necessary by only a minority of committee members. Such agency behavior is possible because formal committee proposals are restricted to one-dimension, but legislators' preferences obviously are not. In more formal terms, the agency must propose from within the F set, a point f_j (where f_j is any point in F not equal to f_1,), such that $||f_j - X_i|| < ||f_j - x_i||$ for $(n + 1)/2$ individuals in the committee when n, the number of individuals in the committee, is odd, or for $n/2 + 1$ when n is even. The intersection of the F set and the set of points that fulfills the above inequality is the $\bar{F}$ set. In Figure 1, these conditions are found in the shaded areas labeled $\bar{F}_{123}$ with the subscripts indicating the set is defined by the intersection of the agency's set of preferred points and the joint preferences of legislators x_1, x_2, and x_3. In the figure, the agency would choose point f_2, as it minimizes $||f_j - A||$ within $\bar{F}$. Since the location of this new point, f_2, is a function of the rules, preferences, and decisions of the agency executive, it is labeled the agency determined stability (ADD) point.

Briefly summarizing, in Figure 1, the committee presents the agency executive with an array of possible implementation points. This is the jurisdictional median ray, X_m. The executive can choose f_1, his most preferred point on X_m, or he can exploit the multidimensional preferences of legislators and adopt f_2, the agency determined stability point that is preferred to f_1 by both the agency and a committee majority.[3]

3. Agency decision making and policy stability

While the committee has ultimate authority over the agency, it is the agency that provides the policy points the committee will review and, possibly, vote on. The committee votes on whether to rebuke the agency and force it back

to f_1, or not to rebuke the agency and accept the on-going program. Thus, the status quo point in any committee vote will be the ADD point that the agency executive has already chosen, and the oversight committee's alternative or amendment to this status quo point is the legislatively directed jurisdictional median ray X_m. But even if the committee votes to force the agency back to ray X_m, it is still the agency who determines the y coordinate of the f_1 implementation point on ray X_m. In short, the executive chooses both the implementation point in $\bar{F}$, and the f_1 point against which the committee will compare agency policy. Thus, it is the agency executive who structures the committee's voting alternatives, and, in essence, acts as a non-voting agenda setter within the oversight committee. McKelvey (1976) has shown that an agenda setter, acting with no restrictions on the number or direction of amendments he can propose, can eventually reach his bliss point. An agency, however, has restrictions which prevent it from cycling among alternative amendments. To begin with, agency proposals are not formal proposals introduced in the abstract. Agency proposals are often the mix of procedures the agency is actually using. This kind of 'amendment', being a concrete action, cannot be costless. Even though a series of proposals would bring the agency closer to its bliss point, the cost of setting up a series of standard operating procedures would quickly make the series of changes inefficient. The agency will propose, at most, only a few amendments. Over time, as more effort is invested along established procedures, an agency would be even less likely to propose changes. Possibly, when a completely new program is implemented, there would be some cycling. But costs would build quickly, and would quickly overcome any benefits the agency would receive from proposing new amendments. The marginal cost of continually changing established procedures would soon overcome the marginal benefit arising from an additional small amendment. These costs are instrumental in forcing the agency to cease making program changes and in establishing a stable policy position. Furthermore, continual changes in policy would inhibit the agency's ability to minimize decision costs, to create standardized responses to everyday problems, and to establish an ability to anticipate future events. This need for a level of environmental predictability or certainty is still another factor in how the agency determined stability process limits policy cycling.[4] The model suggests cost considerations will lead an agency not to propose an ADD implementation point unless it believes the point will be tolerated by the committee, and that the costs of changing established, institutionalized procedures will cause an agency to attempt to avoid program changes that force it to change such stable procedures.

Note the agency executive can choose a position on the horizontal dimension that is farther left than any member of the committee. The committee members will not oppose such a position, as long as it is in $\bar{F}$. Indeed, they

will support the agency in this choice of the new position since, by construction, f_j is preferred by a majority of committee members to f_1. If the agency is forced to move along the horizontal dimension back to ray X_m, the committee members would be losing utility. Since their jurisdiction allows them formal authority only over the horizontal dimension, and, if the legislature has ignored issues on the vertical dimension, then there is no official way for the committee to prevent the agency executive from moving back to point f_1, his most preferred point along ray X_m. Thus, the committee would not force the agency executive out of the set $\overline{F}$ and off the ADD point to a point most committee members prefer less. While the example is of a committee with an odd number of members, the model still is applicable to committees with an even number of members. In the rare event of a tie vote, the motion to change agency policy will be defeated and the agency executive will retain his lattitude. That is, since agency policy has the advantage of being the status quo, a tie vote means the motion to amend existing agency procedure is defeated. From within this set, then, the agency can choose a preferred implementation point, and, at the same time, avoid displeasing a majority in the oversight committee. If, for some reason, the committee's policy is not a one dimensional median, then it is still possible to construct the $\overline{F}$ set. As will be shown, a non-median directive does not end the agency executive's ability to find a set of points preferred by the committee.

Several inferences can be made from the basic model. For example, it is now possible to see why many case studies find the legislative coalition that first authorized the policy is not the coalition that continues to support it. How such a change comes about can be found in Figure 1. The agency executive, having been presented with a legislative directive (as represented by jurisdictional median ray X_m), can choose his preferred point on the ray (point f_1), or he can choose a point in set $\overline{F}_{123}$. By construction, the points in this set are preferred to f_1 by the agency and by a majority of the committee (in this case, by legislators x_1, x_2, and x_3). The executive will choose as ADD point the most preferred point in this set, point f_2. Assuming support is a function of utility lost or gained, legislator x_4 may no longer support the policy. Legislator x_1, however, may become the strongest supporter of the agency. A change in support coalitions would also be seen if the relevant oversight committee was not the original authorizing committee as the set $\overline{F}$ would then be determined by a different set of legislators.

4. The impact of strategic voting and unambiguous policy directives

If the committee attempts to dominate the agency by voting strategically, the agency executive is still able to choose a point other than the one the committee produces. Furthermore, the implemented outcome under strate-

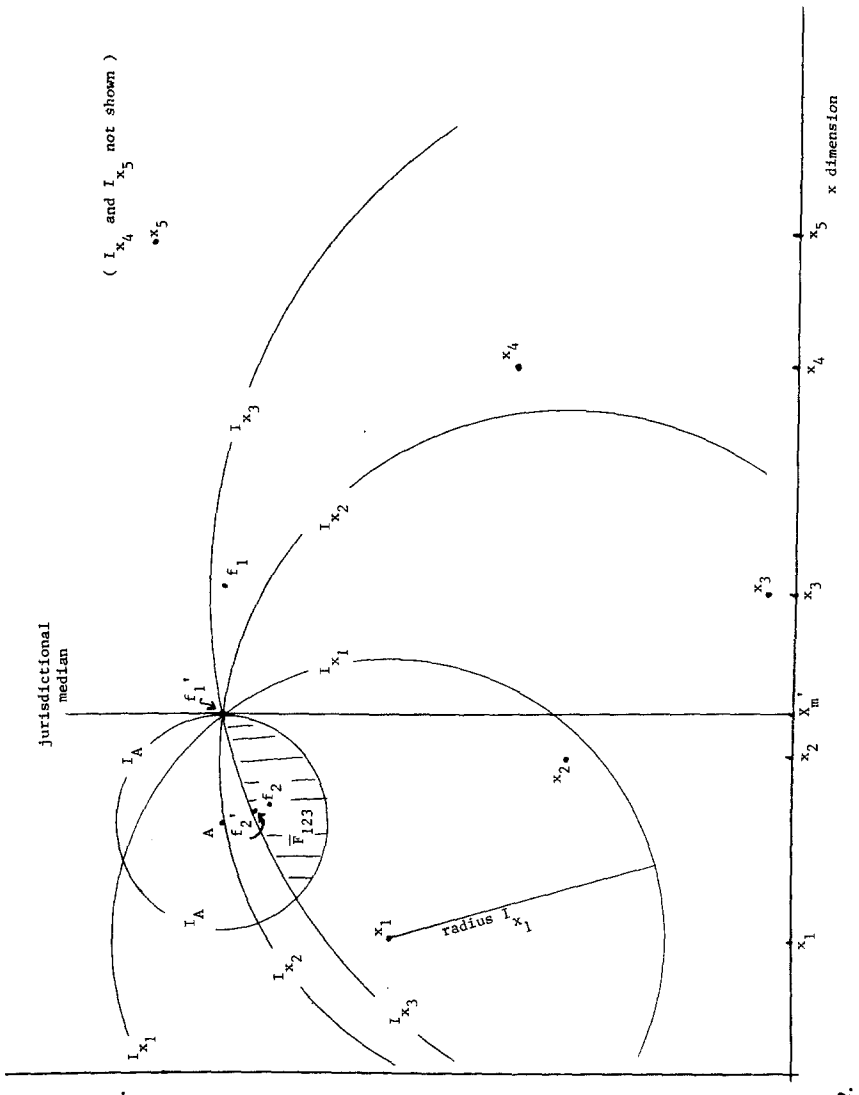
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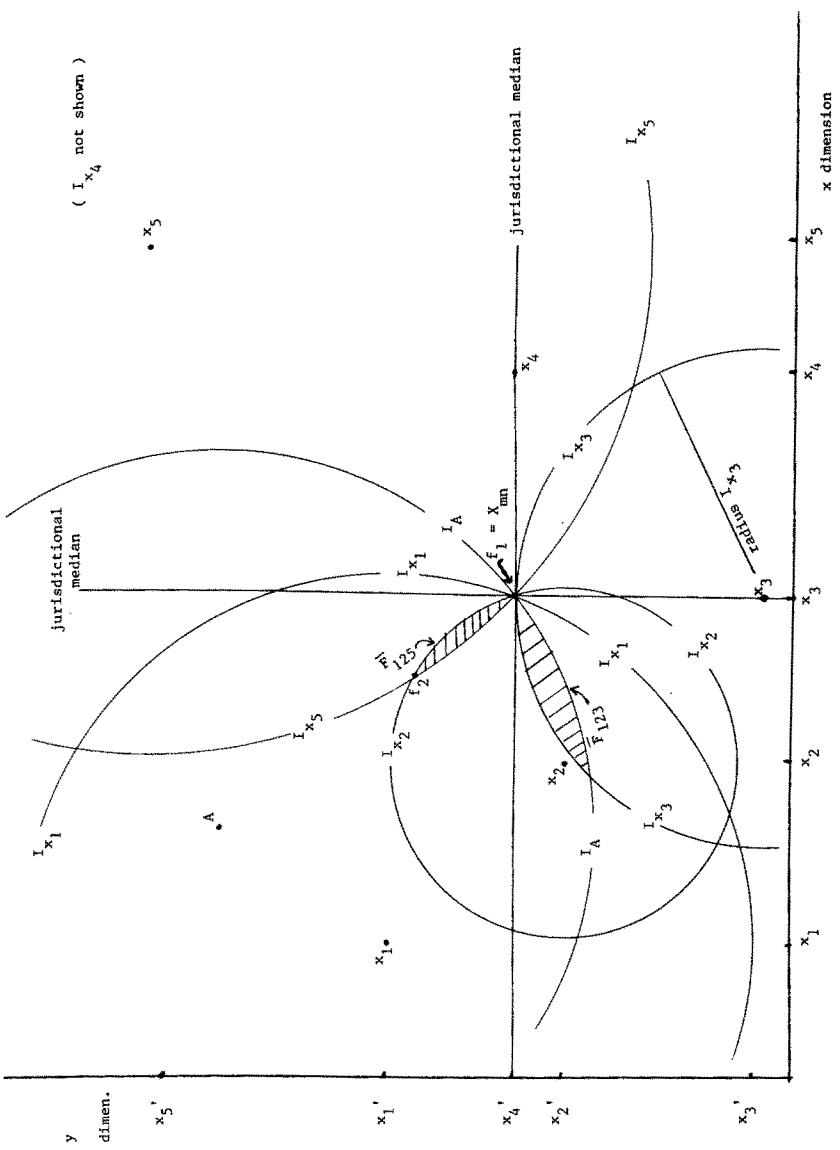
Figure 2.

gic voting ultimately may not be preferred by the committee to the implemented outcome under sincere voting. This can be demonstrated by referring to Figure 2. (In Figure 2, executive and committee preferences are the same as in Figure 1. Points f_1 and f_2 from Figure 1 are shown for comparison.) A majority of the committee members (x_1, x_2, x_3, and x_4,), prefers point x_m' to either f_1 or f_2. Thus, they present the executive with jurisdictional median ray X_m' as the legislative directive. (Note that X_m' is not a one dimensional median.) As described previously, however, jurisdictional limitations prevent a formal motion on the y dimension. Thus, the executive cannot be directed to implement point x_m', nor can sanctions be applied to him for choosing a point other than x_m'. Therefore, he will choose point f_1' on the jurisdictional median. Moreover, even under conditions of strategic voting it is still possible to construct a set whose elements are preferred to f_1' by the executive and by a committee majority. From this set (indicated by the shaded region), the executive will choose f_2' as the ADD point. In this case, the original point f_2 is preferred to the new point f_2' by every legislator except x_5, who is indifferent between the two points. Thus, the example demonstrates that voting strategically can result in a loss of utility for a majority of the committee. Further consideration of Figure 2 shows a majority of the committee members (x_3, x_4, and x_5), prefers f_1 to f_1'. There is no incentive, then, for either x_3 or x_4 to join in the coalition to move the legislative directive from X_m to X_m'. Even if the committee decided for some reason to force the agency executive to remain on the jurisdictional median ray (and to implement point f_1'), there would still be no reason for legislators x_3 or x_4 to support the X_m to X_m' change. The amendment would not be adopted. Strategic voting would not prevent agency latitude.

In the previous analysis, I assumed the committee did not formally consider the vertical dimension. Agency latitude still exists, however, even when the second dimension is not ignored and the directive is made unambiguous. In Figure 3, the authorizing committee has a two dimensional jurisdiction, and makes decisions on both dimensions.[5] Point X_{mn} is the committee directive. The committee has specifically directed the executive to implement the program represented by that single point. As before, however, the executive is able to find an ADD point, closer to his own bliss point and preferred to f_1 by a majority of committee members. The committee is able to force the agency back to f_1, but it will not choose to do so. While the executive has less room to maneuver in this example, he is still able to change the ADD implementation point to, for example, f_2. The previous example suggests that even very specific legislation, with directed policy points on both dimensions, will not be sufficient to control an agency executive's ability to change policy outcomes. Consider also that even when the additional dimension is addressed, it is usually not in as specific a manner as in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jurisdictional median
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I_{x_1}
I_{x_2}
I_{x_3}
I_{x_5}
I_{x+3}
$f_1 = x_{mn}$
f_2
F_{125}
F_{123}
radius

Figure 3.

Figure 3. More commonly, an executive is given a set of guidelines that establishes a range of possible implementation points. If the policy directive is vague and interpreted as a range of points rather than a single point on each dimension, then agency latitude is further increased. The executive can choose from this range of jurisdictional medians, giving him input into both the horizontal and vertical coordinates of point f_1.

Finally, consider the situation in which there is one jurisdiction for each committee, that is, one committee for horizontal dimension issues and one for vertical dimension issues. If only one committee will be the oversight body, or if one committee somehow dominates the other, then this situation is no different from the previous example. The executive would calculate the $\overline{F}$ set on the preferences of only the relevant committee. However, if both committees are important, then the executive would be able to maneuver only within the intersection of each committee's $\overline{F}$ sets. If the intersection is not empty, then the ADD point will be at the executive's utility maximizing point within the intersection. If the intersection is empty, then the executive will not be able to move in a way preferred by both the agency and by a majority in each committee. Indeed, the executive will be limited to the point formed by the intersection of the jurisdictional medians of each committee. The ADD point and the structured induced equilibrium point, (SIE), will be the same. This finding suggests if more committees become independently involved, each one on a different dimension of the program, then the intersection of their $\overline{F}$ sets will be empty and the agency will be constrained in its choice of an implementation point to the directed one. Thus, an increase in the number of involved committees would to lead to a decrease in agency latitude.

It is intuitively logical that an increasing number of oversight committees should be able to constrain the ADD point to the point directed by the committees. However, such a statement can be made only if oversight committee jurisdictions are clearly divided and do not overlap. Simply increasing the number of committees will not, in and of itself, lead to less agency latitude. It is possible such an increase would lead to higher decision making costs as coalitions would have to be constructed across committee boundaries. If independent and equally powerful committees, operating on the same dimension, refuse to build coalitions, then the result could be a chaos, with the agency executive unable to find an ADD point and unable to add any stability to the process.

5. Conclusion

In this article, I have shown that institutionally induced stability models can be expanded to incorporate the role of implementing agencies acting in con-

junction with the legislature. By so extending stability models, inferences can be made on agency behavior as well as on legislative behavior. In particular, the expanded model can be used to show how the two actors together determine the ultimate location of stable policies. Coalition building considerations, jurisdictional limitations, and the other customs and institutional considerations that restrict the legislature's policy space, make it possible for committees to produce a stable policy mandate. But, these stability inducing arrangements do not directly apply to agencies. The policy mandate constrains but does not completely restrict the area of the policy space open to the agency. Thus, legislative structures do not, in and of themselves, induce stable policy outcomes. Legislative policy mandates are changed and defined by the acts of the implementing agency in its role as a non-voting, decision making actor in the policy process. Endless cycling by the agency among possible implementation points is prevented by the agency's organizational goal of a stable environment. I suggest, then, that legislative arrangements acting in conjunction with an agency executive's need to create a certain, regular, and predictable environment, lead to the creation of an agency determined stability.

While the model implies an agency has some latitude over policy decisions, it does not imply agencies dominate legislatures. Decision making is a function of both the legislature and the agency, with the legislature as a whole having authority over the agency. Indeed, policy latitude is possible only because agency executives are able to alter outcomes in a manner that increases individual legislator utility.

NOTES

1. Shepsle and Weingast (1981) give a good review of the induced equilibrium literature.
2. The second set of issues may be ignored for a number of reasons. One possibility is that the addition of another issue dimension of any sort will make coalition building difficult, and one issue is simply seen as politically more worthwhile than another. A second possible reason is that an issue set may be ignored because it cannot be easily arrayed on an agreed upon dimension; there is no general agreement on how the issues are to be viewed, and any illustrated axis represents only one of a series of possibilities. In other words, single peaked preferences will not exist, and the ability to adopt a socially preferred amendment on that one dimension is not possible.
3. In the model, predicting the point f_2 as the ADD implementation point essentially involves the use of a likelihood function. The F set describes the utility of the agency, and the $\overline{F}_{ijk}$ set is the intersection of the agency's utility curve and those points where the probability of successful implementation is one.
4. That such cycling does end is supported by the research of Barke and Riker (1982), who found ICC railway abandonment decisions are not arbitrary, but, rather, seem to be made along consistent guidelines. I have interpreted this consistency as an absence of cycling, i.e., as stable policy procedures.
5. As already mentioned, for simplicity I am assuming the committee has separate votes

on each issue. Such an assumption need not be made as long as the committee is in some way able to stop the endless cycling and present a final motion to the agency.

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