The Costs of Speaking Truth to Power: How Professionalism Facilitates Credible Communication

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ABSTRACT

This article examines how information or policy analysis can be credibly communicated between the bureaucracy and Congress. To investigate this issue, I develop a signaling model which shows that under certain circumstances—specifically when professionalized bureaucrats can impose observable costs on themselves that their politically inclined counterparts are unwilling to incur—credible communication between the bureaucracy and Congress is possible. A contribution of this article is that it provides a theoretical underpinning for the importance of professionalism and neutral competence in the bureaucracy as a means of promoting good governance.

A promise underlies public policy: if the actions we recommend are undertaken, good . . . consequences rather than bad . . . ones actually will come about. (Wildavsky 1979, 35)

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. (Weber, as quoted in Gerth and Mills 1958, 232).

INTRODUCTION

When the head of an executive agency or any other official working within the bureaucracy goes before Congress to testify about some policy, the promise discussed by Wildavsky is tacitly invoked. Since the head of an executive agency has political ambitions and personal loyalties that might cause her to bias the information she sends to Congress, can Congress believe the testimony of the bureaucrat? Political masters, as Weber recognized, do not always possess the requisite information to evaluate policy proposals and outcomes. These two quotes illustrate a fundamental dilemma in the relationship that arises between the bureaucracy and legislators.

Due to this tension, is it ever possible for the head of an executive agency to communicate important information to Congress? In other words, can the head of an executive agency, or for that matter, any official embedded in the bureaucracy, establish credibility in...
communication or must Congress always rely on its own auditing agencies and committee structure for the important information it needs to make policy decisions?

This perspective on the relationship between Congress and the bureaucracy is very different than that posited in much of the literature on bureaucracy and public administration. Although most scholars agree that Congress and the bureaucracy have different preferences over policy, the focus of this literature has been on how Congress structures rewards and punishments so that bureaucrats are responsive to Congressional policy preferences. In this literature the key aspect of Congressional-bureaucratic relations is Congress’s need to solve its principal-agent problem with respect to the bureaucracy.¹ Even before this nomenclature and formulation of the problem became common in the literature, Downs recognized that bureaucrats, to further their own agendas, could distort information (1967, 77–8). He believed that appropriate high-powered incentives were sufficient to shape bureaucratic behavior and make it responsive to Congresses and the public’s needs (Downs 1967, 87–8). Modern examples of such incentives are administrative procedures, fire alarms, police patrols, and control over agency budgets and staffing. Through such mechanisms Congress attempts to shape the incentives faced by bureaucrats in order to induce them to comply with their chosen policies (McCubbins, Noll, and Weingast 1987; McCubbins and Schwartz 1984; Moe 1984; Weingast and Moran 1983).

Although it is widely agreed that Congress faces an agency relationship with respect to the bureaucracy, it is not obvious that this is the only problem, or indeed the most important issue, in Congressional-bureaucratic relations. Before a principal-agent problem can arise between Congress and the bureaucracy over the implementation of Congress’ chosen policies, Congress needs to decide on a course of action. In other words, policy must be formulated before Congress can write legislation. This issue is simply assumed away in much of the literature on Congressional-bureaucratic relations. Given that members of Congress are not generally experts in their chosen policy areas, they have little or no choice but to rely on the expertise contained within the bureaucracy for advice. Since this is the case and because members of the bureaucracy may bias information in a chosen direction, how can Congress obtain the information it needs to intelligently formulate policy and write legislation?²

This article deals directly with this issue. My objective is to outline and illustrate how important information about policy goals and outcomes—what is generally referred to as policy analysis—can be credibly communicated to Congress by political appointees and, more broadly, members of the bureaucracy.

Over the years, there have been a number of important works that have contributed to our understanding of bureaucratic behavior. They include Downs’ Inside the bureaucracy, Heclo’s A government of strangers, Mosher’s Democracy and the public service, and Niskanen’s Bureaucracy and representative government. Again, although all these studies

¹ Within the context of Congressional-bureaucratic relations, it is often argued that Congress is the principal (because it writes the laws) and the bureaucracy is its agent (because it implements and enforces these laws). Because Congress and the bureaucracy do not always share the same preferences over policy, it is necessary for Congress to shape the incentives that the bureaucracy faces in order to induce the bureaucracy to behave in a way that advances Congress’s goals.

² Although we recognize that Congress itself is structured to facilitate specialization among its members through the committee system (Weingast and Marshall 1988), Congress and its supporting organizations are dwarfed in size and expertise when compared with the federal bureaucracy. Accordingly, it seems reasonable to think that the bureaucracy possesses an informational advantage over Congress.
have much to teach us about how bureaucracies and the bureaucrats who populate them function, they pay very little attention to policy analysis and even less to how it gets communicated.\footnote{For the sake of completeness, there are no models in the public administration literature that explicitly and formally model policy analysis or its transmission.} In fact, only Heclo explicitly considers policy analysis, and he does so in the context of defining a certain “type” of bureaucrat, namely reformers. As he considers the role that reformers play, he remarks, “Probably their most enduring problem is one of attracting political customers to use their analysis . . .” (Heclo 1977, 151). After making this profound statement, he never explains why political actors, specifically legislators, would discount professional policy advice, given their informational disadvantages. One of the goals of this article is to make explicit how and why legislators might behave in this perverse way.

To answer the questions raised here, I construct two game-theoretic models. In the first model, costly signals are not available to the bureaucrat. When this is the case, in equilibrium even when important information is conveyed, it is ignored, and the model makes the underlying logic of such behavior clear. The second model is one of incomplete information that allows for costly signaling, and I show that in equilibrium some types of bureaucrats can effectively communicate with Congress. Those bureaucrats who can credibly communicate important information to Congress share a key characteristic: a commitment to always give the best advice, even if it is at odds with the president’s political objectives and possibly costly to their own careers. I illustrate these results through a few historical examples of successful and unsuccessful bureaucratic communication with Congress.

Additionally, the logic developed in this article highlights the importance of “professionalism” in the bureaucracy. Since Weber, academic scholarship on the bureaucracy has recognized the important role that bureaucrats have to play in formulating policy. In this literature “professionalism” or “neutral competence” are touted as necessary conditions for the smooth functioning of government; however, the precise mechanism through which they matter is often vague (Kaufman 1956; Knott and Miller 1987; Skowronek 1982). An important contribution of this article is that it provides a theoretical underpinning for the importance of professionalism or neutral competence. By virtue of how professionals are recruited, trained, promoted, and indoctrinated, it is costly for professionals to exploit their informational advantage over Congress and behave opportunistically. In other words, professionals are unwilling to further their own careers at the cost of misrepresenting the facts. Professionalism is therefore important to the bureaucracy and for good governance because it furnishes a disciplining mechanism that allows for information and expertise to be credibly conveyed.

This article is structured as follows. The second section discusses the problem of uncertainty in the policy process and the role that incentives play in structuring how bureaucrats respond to political officials. The third section develops a simple model to show why credible communication between the bureaucracy and Congress is difficult when costly signals are unavailable to members of the bureaucracy. This problem is illustrated with an example concerning intelligence estimates of body counts during the Vietnam War. The fourth section presents the results of a signaling model that shows that credible communication is possible when costly signals are available to “high-type” bureaucrats. In this section, I discuss the role of professionalism as a mechanism that helps bureaucrats distinguish themselves as the high type. I also present two illustrative
examples of high-type bureaucrats with special attention to the role that professionalism played in fostering credible communication between these bureaucrats and Congress. The derivations of the results in this section are contained in an appendix. The final section concludes the article.

UNCERTAINTY, INCENTIVES, AND THE POLICY PROCESS

Uncertainty pervades the policy process (Meltsner 1976; Stokey and Zeckhauser 1978; Wildavsky 1979). In general, three types of uncertainty are endemic to the policy process: uncertainty about the basic facts surrounding an issue, uncertainty about policy prescriptions or construction, and uncertainty about policy effectiveness. Moreover, when legislators are considering a policy dilemma, there is often debate regarding the nature of the problem and whether there should be a policy response. Having agreed that there should be a policy response, there may be many possible policy responses. After a policy response is selected, there are often problems measuring the implementation and effectiveness of the policy. Analysts who possess expertise in specific issue areas therefore play a pivotal role in the policy process. Put another way, whenever legislators consider and make policy, analysis will be instrumental to diminishing uncertainty.

Although uncertainty is prevalent in the policy process, incentives do exist for politicians to become informed about the underlying issues that surround a policy debate. As Behn (1981, 215–6) states, “politicians have a number of incentives to become familiar with policy analysis. They may wish to use analysis to improve public policy decisions, or they may fear being at the mercy of some analysis they cannot comprehend, or they may hope to employ analysis to support their own preconceived views.” Indeed, Congress, through the committee system, is organized precisely to facilitate specialization among its members in specific policy areas (Gilligan and Krehbiel 1990; Weingast and Marshall 1988).

In a democracy, all legislators face a reelection constraint. This means that legislators must strike a balance between attaining reelection and becoming policy experts. In other words, the desire for reelection places a limit on the amount of time and energy that any specific legislator can spend on becoming informed about policy. Consequently, it is often necessary for legislators to draw on the expertise of others. Legislators can hire policy analysts, they can request assistance from the permanent staff of their committees, or they can call upon any number of bureaucratic agencies to provide information or to testify before Congress.

An understanding of the different incentives faced by legislators and bureaucrats suggests that it may be difficult for Congress to gather reliable information from a bureaucratic official. First, it is important to recognize that the bureaucracy is under the direct control of the president. Although there are limits to the degree that the president can induce the bureaucracy to comply with his wishes, the president nevertheless exerts tremendous influence on the behavior of the bureaucracy through the appointment process and the setting of the policy agenda. Because the president selects the heads of agencies, he can select individuals whose preferences for certain policies are already aligned to a large degree with his own (Moe 1982). Accordingly, the bureaucracy, which receives its orders from these political appointees, is more inclined to respond to the wishes of the executive than the legislature. Second, the president and members of Congress have very different political constituencies. The president faces a national constituency, whereas legislators do not.
This creates highly different electoral incentives for the president and legislators. Generally speaking, legislators have more parochial or localized concerns. We know, for instance, that even when his party controls both chambers of the Congress, it is not uncommon for the president to find himself at odds with Congress. Given these political realities, a logical concern for members of Congress is whether or not they can elicit the information they need from the bureaucracy to contribute to policy debates and decisions.

All this leads us to the following question. Can a member of the bureaucracy ever credibly communicate important information to Congress? If the preferences of the bureaucrat and Congress are too dissimilar, communication will be difficult, if not impossible (Crawford and Sobel 1982). As we will see, under certain circumstances—specifically, when signals sent by bureaucrats are costly—credible communication between the bureaucracy and Congress is possible.

Although it is tempting to think of the bureaucracy as a unitary actor, this is obviously not the case. Individuals within the bureaucracy are heterogeneous with respect to their preferences over policy outcomes and their level of commitment to solid policy analysis (Downs 1967; Heclo 1977; Mosher 1982). In a one-of-a-kind study conducted in the mid-1970s, Meltsner (1976) interviewed 116 senior-level policy analysts and political appointees. He noted that policy analysts “come to their jobs with different incentives” (Meltsner 1976, 14), and he derived the following typology to account for the different motivations he cataloged (16; figure 1).

Pretenders are those who do not possess any analytical or political skills. Meltsner does not address this group. Nor will I. Instead, I will focus on technicians and politicians. This is because, within the bureaucracy, individuals can choose to be either professionals who are committed to rigorous analysis, or be “yes men,” who simply do the executive’s bidding (Meltsner 1976, 36–7). We can, therefore, think of policy analysts as being arrayed along the interval from zero to one, with the pure professional technician being located at zero and the pure politician-bureaucrat being located at one.

What qualities characterize a professional technician? According to Meltsner, a technician is an individual who is motivated to do rigorous research in a policy-making

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4 In fact, such disagreement is common over the budget. For recent examples, see “Congress and the president: One party, but divided” (Hulse 2003) or “Dollars and dissents” (Baumann et al. 2003).
environment. She is someone who sees the analysis of programs as separate from politics. To technicians, politics is merely a way to sell policy ideas. In fact, the technician “feel[s] frustrated when decisions are made for noneconomic reasons and conflict with [her] own professional preferences” (Meltsner 1976, 23).

Professional technicians, on the whole, believe that any future influence they may exert over a policy area is directly associated with their investment in research in that policy area today. They also believe that their ability to influence policy depends on how familiar they are with the specifics of a policy. In Meltsner’s words, “the technician believes that whatever influence he can muster will depend on his command of details” (1976, 26). In contrast, the politician is someone who only wants to be engaged in policy formation, that is, he “want[s] to be where the action is” (Meltsner 1976, 30). The politician-bureaucrat is not committed to solid policy analysis. Instead, politicians are itinerant; they are always on the look out for the next politically charged issue.

Politician-bureaucrats, as a group, recognize that their futures are inextricably linked with those of their clients, and they do all that they can to protect their clients. Their view of policy analysis is “if it makes an impact it is successful, ‘even if it is a bad analysis technically’” (Meltsner 1976, 34).

There is an implicit hypothesis in Meltsner’s typology. Namely, it is that technicians are effective at conveying some amount of relevant policy analysis to heads of executive agencies and legislators. But this begs the question that I posed at the beginning of this article. How is this expert knowledge communicated? As I will show, self-imposed costs appear to be part of the answer.

Clearly, there are costs associated with becoming a professional technician. It might be the costs associated with acquiring the requisite human capital to become an expert in a given policy area. It might also be the reputational costs of belonging to a profession and maintaining high standards of analysis. At this point, it is unclear how these costs come to be and why they continue. What is important to note is that they allow the producers and consumers of policy analysis to communicate with one another. The question now is, can this logic be made rigorous? The fourth section will address this question.

Meltsner’s work is purely empirical; it is largely devoid of theory. Although he does think about motivations and incentives, he does not deal with costs or how costs are associated with policy expertise. Nor does he consider the possibility that these costs may be observable, as signals, to policy makers outside of the bureaucracy. There is overlap, however, between Meltsner’s research and this article. We are both concerned with how policy analysts within the bureaucracy communicate and affect the policy process.

The model I develop in this article shares much in common with Spence (1973). Spence is concerned with how prospective employees can signal their type to possible employers when the employer does not know the productivity of potential employees but the employees themselves know their own productivity. Spence assumes a discrete-type space, that is, there are only two types of potential employees, high types who are diligent and low types who are lazy. The different types signal their quality by obtaining an education. The costs involved in obtaining an education are different for each of the types. In the case of the high-type worker, the cost of obtaining an education is lower than it is for the low-type worker. Because the worker knows her type but the employer does not, an informational asymmetry exists.

Spence proved that, in equilibrium, education could be used as a sorting mechanism to distinguish high-type workers from low-type workers. Unfortunately, education is not an
efficient signal. In Spence’s model the employer gains nothing from the employee’s education, and the employee would be better off if she did not have to get an education. The information asymmetry forces her to get an education, and this education is costly. If the information asymmetry did not exist, then the employer could hire each type for the position they are best suited to fill, and they would not have to get a costly education. The employees would be made better off and the employer would be indifferent.

My model also has a discrete-type space, but the structure of the underlying game is quite different from that in Spence (1973). Moreover, in the model presented here, costly signaling leads to an efficient outcome. Important information is conveyed, and both the bureaucrat and Congress are better off if costly signals are available.

At this point it seems appropriate to say something about the novelty of the technology in the model. By no means is the technology of the model new. In fact, economists have used game-theoretic models of asymmetric information in a wide way since the early 80s. What is innovative and novel is the application of this technology to understand policy analysis and its communication in government. This new application leads to insights about policy analysis and communication that have, up to now, not been well understood. Furthermore, these insights could not be highlighted and examined without the technology that I employ in this article.

Before I begin an analysis of the asymmetric information model, it is important to do develop the logic of why credible communication between the bureaucracy and Congress is impossible without costly signals. To highlight the relevant tensions, I develop a simple game of complete and perfect information.

POLICY ADVICE WITHOUT COSTLY SIGNALING

In an environment where Congress is at an informational disadvantage with respect to the bureaucracy regarding the true state of the world and the appropriate policy response and where costly signals are unavailable, credible communication of important information is not possible. To illustrate the logic of why this is the case, I construct a very simple game that highlights the tension that exists when a bureaucrat offers policy advice to members of Congress.

For now, I assume that there are only two players in the game, a politically oriented bureaucrat and Congress. The bureaucrat is denoted by “Bur” while Congress is denoted by “Cong.” As is often done in the literature, I treat Congress as a unitary actor that is characterized by its median voter on any particular issue. I will also assume that the bureaucrat, because the president appoints her, shares the president’s preferences over policy, which are different than those of Congress.

Figure 2 shows the extensive form of the game. The game is played as follows. At decision node one, the bureaucrat decides whether or not to offer or suggest policy advice to Congress. If the bureaucrat suggests policy advice, then Congress, at decision node two, decides whether or not to believe the bureaucrat. If Congress believes the bureaucrat, then the bureaucrat, at decision node three, must decide whether to offer good, unbiased advice or offer bad, biased advice. If the bureaucrat offers bad, biased advice that advances the

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5 This is in contrast with the more standard neoclassical economic model of education, which argues that education is valuable because it makes workers more productive. See Becker (1964).

6 In fact, there are no other rigorous models that deal with policy analysis and its communication.
president’s goals at the expense of the general welfare, the bureaucrat’s career advances, and she earns a higher payoff than if she offers good, unbiased advice that conflicts with the president’s objectives but increases the general welfare. The preferences for the bureaucrat are \(a > b > c > d\), and the preferences for the Congress are also \(a > b > c > d\).

**Equilibrium Analysis and Interpretation**

To analyze this game, I apply backward induction. In order to apply backward induction, one begins at the last decision node in game and one deletes the dominated strategies for the player whose choice it is at this node. In other words, because a rational player never chooses a strategy that generates a lower payoff than an alternative strategy, one can eliminate these strategies. Repeating this process until one reaches the first node of the game allows us to reach the “subgame-perfect equilibrium” of this game. In this equilibrium the bureaucrat does not offer any advice, and if she did, Congress would not believe it because Congress anticipates that the bureaucrat will offer self-interested biased advice. Notationally, this outcome is denoted as \((NR \text{ Bias}, \sim A)\).

To understand the logic of this equilibrium outcome, consider the problem in the following way. If the Congress had believed the political appointee, then the appointee would exploit Congress’ gullibility and pursue the administration’s desires by biasing the information that is offered. From Congress’s perspective, this would be the worst possible outcome; therefore, Congress does not heed the policy advice of the bureaucrat. The bureaucrat, knowing this, does not bother to make a policy recommendation. Accordingly,

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7 Although the president has an electoral incentive to be responsive to the “national interest,” there is often disagreement about what is in the nations best interest. Accordingly, even nationally minded members of Congress may genuinely disagree with the president over policy.

8 For those not familiar with subgame perfection, see Watson (2002), specifically chapter 15.

9 In game theory, an equilibrium is defined as a strategy profile in which each player chooses her best response, given all the possible actions of all the other players. For this particular game, there are two players, the bureaucrat and Congress. The first player in the bureaucrat and the second player is Congress. The equilibrium strategy for the bureaucrat is to offer no advice and not to offer bad advice if asked by Congress. The equilibrium strategy for Congress is not to follow the policy advice for the bureaucrat. Since, in equilibrium, Congress never asks for advice, none is ever given. Notationally, the strategies of the bureaucrat are stated first (before the comma) and those of Congress second.
communication of information does not occur because Congress recognizes that talk by the bureaucrat is “cheap.”

**Example: Intelligence Estimates in Vietnam**

When Congress knows that the head of an executive agency has an incentive to promote self-serving information that advances the president’s goals when testifying or providing a written report, Congress will discount or altogether ignore the information that is being provided. For example, during the Vietnam conflict, body counts became a way of measuring the progress of the forces in country. As the conflict expanded greatly in the mid-1960s, the generals in Saigon shaded the body counts so that if they needed more troops an argument could be made for them (Halperin 1978).

From 1964–65, when U.S. involvement in Vietnam began to be considerable, until late 1966 or early 1967, the generals in Saigon worked to build up U.S. troop strength. Therefore, they wanted every bit of evidence brought to the fore that could show that infiltration was increasing. DIA [Defense Intelligence Agency] obliged and also emphasized in all reports the enemy’s capability to recruit forces from the South Vietnamese population. In 1967 a second period began. The high priests of Saigon decided that we were ‘winning.’ Then the paramount interest became to show the enemy’s reduced capability to recruit and a slowdown in infiltration due to our bombing. The tune and emphasis of reports from the field changed radically, and so did those put out by DIA. (Halperin 1978, 104)

The value of these intelligence reports was undermined by the fact that Congress understood that the reports could be easily manipulated to achieve specific troop levels desired by the executive. This model is therefore sufficient to understand how some bureaucracies have lost their credibility with Congress due to the politicized nature of the advice and information that they offer. Budgetary experts frequently note that Congress often disregards the analysis offered by the Office of Management and Budget (OMB), the president’s budget-making organization. Indeed, it was precisely because of Congress’ informational disadvantage with respect to the president on budgetary matters and the politicization of the OMB that Congress created its own budgetary organization, the Congressional Budget Office (Edwards and Wayne 2003). This model leads us to ask how can politically appointed bureaucrats ever achieve credibility? This is the problem addressed in the next model.

**POLICY ADVICE WITH COSTLY SIGNALING**

In the previous model, there was only one type of bureaucrat. Now I enrich the characterization of the bureaucrat by assuming that there are two distinct types of bureaucrats, a high, professional type and a low, politically oriented type. I model this by having a move by nature at the beginning of the game, with probability $p$ that the bureaucrat is the high, professional type and probability $1 - p$ that the bureaucrat is the low, political type. Congress can tell the two types apart only if they behave differently in equilibrium.

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10 All the results of the model are contained in this section. The proofs to these results are contained in an appendix to the article. It is important to note that the proofs are nothing more than the formal, logical arguments that demonstrate that the propositions hold. What is most important for the reader is the intuition behind these results, which again are presented in the body of the article.
The Incomplete Information Game

Just as before, there are two players in this game. They are the bureaucrat, again denoted by Bur, and Congress, which, again, is also denoted by Cong. Similarly, as before, I assume that Congress is a unitary actor and that its median voter on any particular issue reflects its preferences. However, unlike the previous game, I will now assume that there are two types of bureaucrats, a high-type bureaucrat who is a professional technician and a low-type bureaucrat who is easily politicized.11 The high type is a professional who seeks to give the best advice possible, even if at odds with presidential policy preferences. The low type is most concerned with career advancement and is willing to sacrifice professional norms for short-term career gains.

Once the bureaucrat’s type is selected by nature, she faces a choice. She can either make an investment in specialized knowledge or remain uninformed. Although Congress cannot directly observe her type, it can observe whether or not the bureaucrat makes an investment in specialized knowledge. In other words, the decision to invest in specialized knowledge is a signal to Congress. After observing the bureaucrats move, Congress then decides to either follow the bureaucrat’s policy advice or ignore it. A major distinction between this game and the last is that Congress and the professional bureaucrat both benefit, that is, each gets their most preferred outcome, when the bureaucrat makes a costly investment in knowledge and Congress listens to the advice of the high, professional-type bureaucrat.

Schematically, the game is presented in figure 3.

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11 The move by nature is observed only by the bureaucrat and is her private information. It is because of this information asymmetry (i.e., the fact that the bureaucrat knows her type but Congress does not) that we have a game of incomplete information.
Equilibrium Analysis

There are two types of equilibria in games of incomplete information: separating equilibria and pooling equilibria. Separating equilibria are characterized by the different types choosing different actions. By far in games of asymmetric information, separating equilibria are the most important, as is the case here. The reason for this is that the types behave in an observably different manner. In pooling equilibria, the two types choose the same action and are, therefore, indistinguishable. As constructed, the game displayed in figure 3, has two pooling equilibria and one separating equilibrium in pure strategies.

Proposition One: There is a pooling equilibrium in which both types get informed.

In the first pooling equilibrium, the high and low types invest in specialized knowledge and become informed and Congress accepts bureaucratic advice. The problem with this equilibrium is that the low type may choose to dissemble to further her career. This means that Congress does not get its most preferred outcome.

Proposition Two: There is a pooling equilibrium in which neither type gets informed.

In this second pooling equilibrium, neither type invests, and Congress disregards any advice from the bureaucracy.

Generally speaking, pooling equilibria arise whenever the net benefits of sending a signal are similar for both types. In the context of this game, suppose that the cost of investing in specialized knowledge is the same for both the high- and low-type bureaucrat. If this is the case, then both find it in their best interest to invest and send a costly signal. Because both types send the same signal, no real information is conveyed to Congress. Recall that, in this game, Congress does not know the type of bureaucrat with whom it interacts. It only observes the signal and in this case, both types send the same signal.

Proposition Three: There is a separating equilibrium in which the professional technician high type gets informed and the politicized low type does not.

In the separating equilibrium, the types distinguish themselves. The high type invests in specialized knowledge, and the low type does not. Congress accepts the advice of a bureaucrat if and only if it observes the bureaucrat make a costly investment in specialized knowledge. Alternatively, if Congress does not observe costly investment in specialized knowledge, then it will ignore bureaucratic advice.12

When we have a separating equilibrium in a game of asymmetric information, the cost of sending a signal is higher for the low type than the high type. This is because the effort cost of becoming informed and investing in specialized knowledge is higher for the low type than the high type. As a result, only the high type makes an investment and sends a signal. Information is now credibly conveyed to Congress because only the high type can afford to send a signal. Thus, when the observable behavior of the bureaucrat differs according to her type, credible communication with Congress is possible.

From Congress’s perspective, separating equilibria are preferred to pooling equilibria. This is because in a pooling equilibrium, the types cannot distinguish themselves, but in a separating equilibrium, they do. Accordingly, in a separating equilibrium, Congress can

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12 For a formal presentation and proof that these are equilibria, see the appendix.
rely on the information and advice offered by the bureaucrat, whereas in a pooling equilibrium it cannot. In the context of Congress’s interaction with the bureaucracy, what might explain why separating equilibria arise? Alternatively stated, is there something the high-type bureaucrat can do to distinguish herself in a visible way from the low-type bureaucrat?

The professionalization of specific disciplines within the bureaucracy would seem to be one way in which the high type can distinguish herself. What exactly is a professional? *Merriam-Webster Dictionary* (Merriam-Webster Inc. 1997, 585) defines a profession as “a calling requiring specialized knowledge and often long academic training.” Taking this definition a step further, William Rothstein (1972, 8) argues that professionals earn their living “through the application of a body of highly abstract knowledge in some set of institutions.” Along similar lines, Paul Starr argues that (1982, 15): “A profession . . . is an occupation that regulates itself through systematic, required training and collegial discipline; that has a base in technical, specialized knowledge; and that has a service rather than a profit orientation enshrined in its code of ethics.” A few common themes unite these definitions. The first is that professionals, as part of their training, are required to make a costly investment in specialized knowledge. The second is that professionals provide services whose quality is difficult for consumers to ascertain prior to purchase. Nonexperts find it difficult to monitor the quality of professional services because of their specialized nature. For this reason, there is asymmetric information about product quality.

Professionals are therefore individuals who possess a body of specialized knowledge, and who are recruited, trained, and inculcated in a very specific way. It is costly to become a professional. Moreover, once the norms of a specific discipline have been internalized, the preferences of the professional have been shaped and the professional finds it costly to act in a manner that is at odds with these norms (Akerlof and Kranton 2005). In all professionalized fields, violation of professional norms can lead to dire consequences. For example, in medicine, engineering, and the law, professionals can be barred from practice. In other areas, violations simply lead to a loss of prestige and reputation. Professional groups promote these norms in the hope that they will constrain the membership’s willingness and opportunity to exploit the informational advantage they possess over the quality of service provided to consumers. Nonprofessionals, in contrast, do not share these norms and need not worry about the consequences of certain actions. For these reasons, it may be less costly for the professional to state the truth and offer her best advice than for the more politically oriented nonprofessional, even if, in so doing, the bureaucrat puts her own career at stake.

To illustrate the way in which high-type bureaucrats impose costs on themselves and in so doing achieve credible communication with Congress, I present two illustrative examples.

**Example 1: General George C. Marshall**

An example of the high-type bureaucrat is General George C. Marshall. Marshall furnishes an illustration of an individual who was willing and able to “pay costs” that would have been far too large for a more politically oriented bureaucrat. These self-imposed and observable costs allowed Marshall to establish his credibility as an advisor to Congress.

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13 This example draws upon Cray (1990), Pogue (1973), and Stoler (1989).
on national security issues, in particular, with regard to the buildup of American forces prior to World War II.

On September 1, 1939, George C. Marshall was officially promoted to army chief of staff. Earlier that morning, Germany invaded Poland. To say the least, it was a busy day for General Marshall. In 1939 there were only 175,000 men in the US Army. This made the US Army only the 19th largest in the world. Distributed across nine thinly constituted divisions, the US Army was no match for most other world powers. In an era in which infantry still dominated the battlefield, these were not good times for the army, which lacked both manpower and materiel.

Marshall’s first decision as chief of staff was to press for an expansion of the army. During the month of August 1939 he briefed both the president and Congress on the need for a larger military. In April of the following year, the House Appropriations Committee cut the armed forces budget by almost 10%. Clearly Marshall’s advice went unheeded at this time.

Throughout this period and into May 1940, Roosevelt also ignored Marshall’s exhortations. During a presidential briefing in mid-May, however, “Marshall let go with a torrent of facts and warnings. . . . Under the impact of this barrage, Roosevelt agreed to some of Marshall’s requests on the spot . . .” (Stoler 1989, 70–1).

This is a very informative quote because it illustrates a very important aspect of the model, namely Proposition Three. Recall that in a separating equilibrium what distinguishes the high, professional type from the low, political type is a form of observable cost. Ever since Marshall’s attendance at the Army Command and General Staff College, he suffused himself in every aspect of military doctrine and policy. For instance, he always made sure to know every detail about the Army’s budget. Even in his time, this was a nontrivial task. Most individuals were either unwilling or unable to master the particulars of the budget. Hence, by imposing these observable costs on himself, that is, mastery of military doctrine, policy, and budgetary issues in great depth, Marshall could credibly communicate important information on these subjects to political elites, exactly because the low, politically motivated type did not have mastery of the same material. As we will see, it was also during this time that Marshall’s influence within Congress began to grow as well.

Many members of Congress felt that Marshall possessed self-discipline, probity, and an absolute command of all the relevant facts.14 Although Congress recognized that Marshall, a career military man who loved the army, had a personal preference for a larger army, Marshall never pushed Congress for a larger expansion of the armed forces than he believed was minimally necessary for the conduct of the war. As Congressman Rayburn noted, “He would tell the truth even if hurt his cause. . . . Congress always respected him for this . . . ” (Stoler 1989, 77). Marshall never deviated from the truth. In fact, his “refusal to avoid ugly facts, . . . only added to his image” (Stoler 1989, 77). Again, there is a direct link between the actions Marshall took and Proposition Three in the model. Clearly, Marshall’s level of knowledge and his willingness to communicate every bit of it, no matter what the consequences (all of which are forms of observable costs), established him as someone whose advice should be followed.

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14 As early as 1923, Marshall was already considered one of the most knowledgeable members of the US Army.
By the end of the war, Marshall had become one of the most respected individuals in Washington. Because of his professional ethic and a commitment to understanding and communicating the facts, Marshall became a man whose advice was sought and whose counsel was followed. It was through this commitment to understanding all the issues that confronted the army and a willingness to tell the truth at all times that Marshall imposed a very high effort cost not only on himself but also on low-type bureaucrats. By this I mean that a more politically oriented bureaucrat would have been unwilling to pay these costs. In other words, the low type, or in Meltsner’s terminology, the politician, would have found the way that Marshall conducted himself too costly. The low type would have been unwilling to make the investment in specialized knowledge about the military appropriations process and the size of an army that would be needed to confront both Germany and Japan. The low type would also have been reluctant to always state the truth about threats to US security even if telling the truth had negative consequences for herself. Because these costs were, as we have seen, visible signals to the Congress, Marshall became an effective and trusted advisor.

**Example 2: William K. Black**

Bill Black will furnish us with another example of a professional, high-type bureaucrat. Black was a regulator at the Federal Home Loan Bank Board (FHLBB) during the 1980s. Black played a key role in exposing and resolving the Savings and Loans (S&L) Crisis, one of the largest financial disasters in American history. As I will show, Black was able to do this because of his commitment to sound financial regulation and his willingness to impose significant costs on himself, costs that a low-type bureaucrat would have been reluctant to incur.

During the 1970s, Congress imposed caps on the interest rates that S&Ls could charge consumers on fixed-rate mortgages in an effort to keep housing affordable for the middle class during a high-inflation period. Along with these caps came ceilings on the interest rates S&Ls could pay on interest-bearing accounts. Because commercial banks could pay higher interest rates on savings accounts, consumers began leaving the S&Ls in droves. The S&Ls soon found themselves facing an excess demand for loans (since its mortgage rates were capped) but an insufficient supply of funds to finance these loans (since consumers were moving their savings away from S&Ls and toward commercial banks). In response to this situation, the FHLBB articulated a new set of rules that allowed the S&Ls to issue money market certificates at interest rates that were competitive with the commercial banks.

With the move toward less regulation during the Reagan era, Congress began to deregulate the financial services sector. Under the Depository Institutions Deregulation and Monetary Control Act, interest rates were completely deregulated by 1986, and the level of deposit insurance was increased to $100,000 per depositor in a given financial institution. This was followed by the Garn-St. Germain Act which allowed S&Ls to make

15 For instance, Marshall insisted that Roosevelt always refer to him as General Marshall, except for when the two were alone which was rare. Marshall never wanted his independence to be questioned.

16 As the war drew to a close and America’s position in the world changed, Marshall did not argue for the continued existence of a large standing army, even though, as a military man with many colleagues still in the service, he preferred a larger army to a smaller one. Instead, he thought universal military training that provided a large body of well-trained reservists was sufficient. This perspective is very much at odds with army culture in which reservists, even if well trained, are considered inferior to regulars (Stoler 1989, 143).
commercial loans and directly invest in real estate. Because the S&Ls could now invest and loan out money in almost any way they chose and on account of the expansion of deposit insurance, consumers had little incentive to monitor the portfolio of investments managed by their specific S&L. Thus, S&L managers had an incentive to invest in risky ventures. In the end, “these deregulatory moves paved the way for the biggest financial crises and scandal in the thrift industry since its inception…” (Riccucci 1995, 25).

Where were the regulators while all of this was happening? It turns out that they were trying to do their jobs, but they were being constrained by members of Congress. Until 1989, the FHLBB regulated the S&L industry. The board had three members, and it was bipartisan in that no more than two of its members could be from the same political party. In 1983, Reagan nominated Edwin Gray, a long-time friend and ally, to chair the FHLBB. Much to the Reagan administration’s dismay, Gray decided to do something about the burgeoning crises in the S&L industry. As he did so, he came to rely heavily upon his chief litigator, Bill Black.

Black had been trained as both an economist and a lawyer; thus, he understood the technicalities of the industry, and he had a vision of what needed to be done to curb the abuses he saw. Black knew that, to stem the crisis, he had to find a way to limit the kinds of investments that the S&Ls could make. By this time, Congress, along with members of the FHLBB, had already limited regulators’ authority over the industry. Black thus proposed a new rule to govern direct investments, and Gray took the proposal to the FHLBB.

This clearly outraged the owners of the S&Ls, and the most outraged of these owners was Charles Keating. Collectively, the S&L owners took their case to the US Congress, and successfully convinced 220 members of the House to sign a resolution asking the FHLBB to delay implementation of the new direct-investment rule. The FHLBB, however, did not capitulate under this political pressure, and the direct-investment rule took immediate effect.

Gray and Black moved quickly to enforce the new regulations. Within Texas and California, many S&Ls teetered on the verge of bankruptcy and were flagrant violators of the new rules. The FHLBB either placed a number of these banks into receivership or simply shut them down. Because so much was at stake, the owners of these banks began in earnest to lobby their members of Congress to pressure the FHLBB to suspend the rules. Jim Wright (D-Texas), then Speaker of the House, became directly involved.17

In an effort to persuade Gray and the regulators to enforce the direct-investment rule less vigorously, Speaker Wright requested a meeting with Gray. Black was sent to DC to meet with Wright on behalf of Gray and the agency. Wright sought relief for his constituents and political allies in the S&L industry. Because Wright had control of the legislative agenda, he held up other legislation that the FHLBB needed, and in so doing, forced regulators to soften their approach to enforcing the direct-investment rule. During the meeting, Black continued to insist on the need for vigorous enforcement. Accordingly, Wright identified Black as a troublemaker and attempted to have him fired. Grey, however, stood his ground and refused to fire Black.

Black thus came to the conclusion that he had no choice but to expand the conflict if his agency was to be successful in regulating the industry. Black understood that, “by protecting their friends or political allies, lawmakers [were] making it difficult to

17 Later, a number of senators would become involved. They were DeConcini, McCain, Glenn, Cranston, and Riegle and were later known as the Keating Five.
regulate [thrift] institutions” (Riccucci 1995, 41). He, therefore, took his case to other members of Congress and the press.

As the financial crises worsened, many members of Congress began to distance themselves from the Speaker. The House Ethics Committee became involved and, eventually, Speaker Wright was forced to resign because of his repeated and inappropriate interference with the regulatory process. Remarkably, a lowly civil servant succeeded in bringing down the Speaker of the House. The professional norms of a bureaucrat propelled Black to take action, though in conflict with his political superiors. As Riccucci (1995, 57) notes, “Black put his neck on the line, and his only incentive was to serve the public.”

In this example, the connections to the insights of the model are not quite as explicit as they were in the Marshall example. What this example illustrates is how professionalism on the part of Black—specifically, his breadth of knowledge of sound financial regulation and his willingness to “speak truth to power,” regardless of the consequences for himself—were instrumental in persuading lawmakers to allow regulators to do their jobs. Clearly, many of the actions that Black took were costly to himself and were observable to others, for instance, his opposition to the Speaker of the House and his willingness to expand the conflict. Such observable costly actions are what allowed Black to communicate important information about the deepening financial crisis to Congress.

Had a low, political-type bureaucrat found herself in this scenario, she would not have chosen the same course of action. Because her primary concern is the advancement of her own career, she would not have been willing to confront powerful political decision makers with the truth because of the likelihood that she would be fired for delivering it. Thus, credible communication of the need for stricter financial regulation was therefore greatly facilitated by the fact that Black was the professional, high type. Again, had he not been, then in all likelihood Congress would not have taken action because they would not have been informed.

CONCLUSION

The president, because of his control over the appointments process, is able to shape the incentives and rewards that bureaucrats face. Since this is the case, an individual working within the bureaucracy may have political ambitions and personal loyalties that cause her to bias the information she sends to Congress. Knowing this, Congress may well discount or ignore the information she provides. This article deals with this problem of credible communication between Congress and the bureaucracy. In this article, I develop a signaling model to show that, under certain conditions, credible communication is indeed possible. In particular, I show that when professional, high-type bureaucrats are able to impose observable costs on themselves that their more politically inclined low-type colleagues are unwilling to incur, credible communication between the professional, high-type bureaucrat and Congress can occur. Both Congress and the professional bureaucrat benefit from this outcome. Information is transferred from policy experts to legislators who need to make policy choices.

Although much of the literature on public administration discusses the need for neutral competence and professionalism in fostering good governance and good public policy, the actual mechanism through which these notions operate has remained vague. A contribution of this article is that it provides a theoretical underpinning for the importance of professionalism and neutral competence in the quest for good government. Specifically,
I have demonstrated that the observable costs that professionals impose on themselves serve as a signal that allows for credible communication with Congress. Broadly speaking, there are two types of bureaucrats, the professional, high type and the low politically inclined type. Whereas the professional, high type is willing to invest in specialized knowledge and is willing to relate the results of her analysis no matter the consequences for herself and her career, the political, low type is unwilling to take risks and impose such costs on herself. When such a “separating equilibrium” arises, Congress can distinguish between the two types and important policy information is conveyed.

The analysis presented in this article is also important because it casts Congressional-bureaucratic relations under a new light. Much of the literature in political science and public administration on the relationship between Congress and the bureaucracy focuses on the various ways that Congress structures incentives and rewards to elicit good behavior from the bureaucracy. This framework assumes away the key issue of how Congress gathers the information it needs to formulate policy. Before Congress can worry about structuring its relations with the bureaucracy, it first must know what policies to pursue. Because members of Congress face a trade-off between being responsive to their constituents and becoming knowledgeable about specific policy areas, they seek expert advice, which is often contained within the bureaucracy. Understanding how relevant policy information is communicated between Congress and the bureaucracy is therefore a critical issue, and it is exactly the mechanisms that allow for such communication that this article elucidates.

APPENDIX

In this appendix, the Congressional-bureaucrat game is formally articulated. All the definitions and propositions are rigorously presented. Accordingly, the game has the following structure.

The preferences for the Bur are $a - e > -e \geq -b > a - e' > -e'$, whereas the preferences for the Cong are $a > b = 1 > c = 0 > d$. The type space is $T = \{t_h = 1 \text{ and } t_l = 2\}$. The effort, $e$, for the high type, $t_h$, to get informed is $e = t_h = 1$, and the effort, $e'$, for the low type, $t_l$, is $e' = 100, t_l = 200$. Note that the costs to each of the types are different. The effort costs are a means of describing how costly or difficult it is for the different types to get informed about some particular policy issue. This effort differential will play a critical role in our analysis of the game.

Some Necessary Definitions

**Definition 1.** Prior beliefs are a probability distribution, $p(\cdot)$, over the type space $T$.

**Definition 2.** Posterior beliefs are an updated probability distribution, $q(\cdot)$, that is derived from $p(\cdot)$ by applying Bayes’ rule when it is possible to do so. If Bayes’ rule cannot be applied, the posterior beliefs can take on any defined probability distribution.

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18 See Proposition Three in the model.
DEFINITION 3. Expected Utility: The Congress (Cong) has the following payoff function:

If \((IUn, A)\), then we have \(Euc = (IUn, A) = (q)a + (1-q)c\).

If \((IUn, \neg A)\), then we have \(Euc = (IUn, \neg A) = (q)d + (1-q)b\).

Analogous sets of equations hold for the other strategies. Now for the bureaucrat (Bur), a similar set of equations exists.

If \((II', A)\), then we have \(Eub = (II', A) = (p)a - e + (1-p)a - e'\).

For all the other strategies that the Bur may pursue, similar equations exist.

Equilibrium Analysis in Pure Strategies

The solution concept we will use for the incomplete information game is perfect Bayesian equilibrium.\(^{19}\) In models such as this one, that is, a signaling model, there are two types of strategies that interest us the most. These are pooling and separating strategies.

If an equilibrium is pooling, then the types behave the same way. If there is a separating equilibrium, then the types behave differently.

There are four pure strategies for player one. They are \((II')\), \((UnUn')\), \((IUn')\), and \((I'Un)\). The first two are pooling strategies, whereas the second two are separating strategies.

This gives us four possible pure-strategy perfect Bayesian equilibria. We now present these four possibilities in turn.

PROPOSITION 1. If \(p \geq \frac{1}{a-d+1}\), then there exists a perfect Bayesian equilibrium supporting \((II')\).

PROOF OF PROPOSITION 1. From the strategy profile under consideration and Bayes’ rule, we know that \(q = p\). The \(Euc(A) = ap\) and \(Euc(\neg A) = dp + 1 - p\). \(Euc(A) \geq Euc(\neg A)\) if and only if \(p \geq \frac{1}{a-d+1}\). This implies that, as long as \(p\) is large enough, Congress will play strategy \(A\). If \(p\) is below this condition, then Congress will play strategy \(\neg A\).

Now, we need to check that the bureaucrat is best responding to Congress.

If \(p \geq \frac{1}{a-d+1}\) and Congress plays strategy \(A\), then the \(Eub(I) = a - e\), and the \(Eub(Un) = -b\). \(Eub(I) \geq Eub(Un)\) when \(a - e \geq -b\) or \(e \leq b + a\) and this holds by construction.

If \(p < \frac{1}{a-d+1}\), then Congress uses strategy \(\neg A\), and it is readily seen that \(I'\) is not a best response to \(\neg A\).

When \(p \geq \frac{1}{a-d+1}\), there exists a perfect Bayesian equilibrium in which \(q = p\) and \((II', A)\) is played.

PROPOSITION 2. If \(q \geq \frac{1}{d-a-1}, e \geq b\), and \(e' \geq 1\), then there exists a perfect Bayesian equilibrium supporting \((UnUn')\).

PROOF OF PROPOSITION 2. For the strategy profile under consideration, Bayes’ rule does not determine \(q\).

\(^{19}\) For those not familiar with perfect Bayesian equilibrium, see Watson (2002), specifically chapter 28.
The $\text{Eu}_c(A) = qa$, and the $\text{Eu}_c(\neg A) = qd + 1 - q$. The bureaucrat always prefers not to get informed only if the Congress plays $\neg A$. In order for $\neg A$ to be played, Congress must have sufficiently pessimistic beliefs about the type of bureaucrat they are facing after the off-path move occurs of receiving advice.

Now, $qd + 1 - q \geq qa$ implies that $q \geq \frac{1}{d-a-1}$. When $q \geq \frac{1}{d-a-1}$, then it is optimal for Congress to play $\neg A$.

We now need to check that the bureaucrat is best responding.

The $\text{Eu}_b(\text{Un}) = -1$, and the $\text{Eu}_b(I) = -e$. Then $-1 \geq -e$ when $e \geq 1$, and we know this holds by construction.

The $\text{Eu}_b(\text{Un'}) = -1$, and the $\text{Eu}_b(I') = -e'$. Then $-1 \geq -e'$ when $e' \geq 1$, which again we know holds by construction.

Thus, when $q \geq \frac{1}{d-a-1}$, $e \geq b$, and $e' \geq 1$, there exists a perfect Bayesian equilibrium in which strategy $(\text{UnUn}, \neg A)$ is played.

**Proposition 3.** If $e \leq a + 1$ and $e' \geq a + 1$, then there exists a perfect Bayesian equilibrium supporting $(\text{I'Un'})$.

**Proof of Proposition 3.** By virtue of the strategy under consideration and Bayes’ rule, we know that $q = 1$.

The $\text{Eu}_c(A) = a$, and the $\text{Eu}_c(\neg A) = d$. $\text{Eu}_c(A) \geq \text{Eu}_c(\neg A)$ when $a \geq d$, but this is true by assumption; thus, Congress plays strategy $A$.

Now, we need to check that the bureaucrat is best responding.

The $\text{Eu}_b(I) = a - e$, and the $\text{Eu}_b(I') = -b$. Thus, $\text{Eu}_b(I) \geq \text{Eu}_b(I')$ when $a - e \geq 1$. Rearranging, we have $e \leq a + 1$, and this is true by construction.

The $\text{Eu}_b(\text{Un'}) = -1$, and the $\text{Eu}_b(I') = a - e'$. Thus, $\text{Eu}_b(\text{Un'}) \geq \text{Eu}_b(I')$ when $-1 \geq a - e'$. Rearranging, we have $e' \geq a + 1$, and this is true by construction.

Thus, when $q = 1$, $e \leq a + 1$, and $e' \geq a + 1$, there exists a perfect Bayesian equilibrium in which strategy $(\text{UnUn'}, A)$ is played.

**Proposition 4.** $(\text{I'Un})$ is not supported as a perfect Bayesian equilibrium.

**Proof of Proposition 4.** By virtue of the strategy under consideration and Bayes’ rule, we know that $q = 0$.

The $\text{Eu}_c(A) = 0$, and the $\text{Eu}_c(\neg A) = 1$. Thus, $\text{Eu}_c(\neg A) \geq \text{Eu}_c(A)$ when $1 \geq 0$. This is true, so Congress plays $\neg A$.

Now we need to check that the bureaucrat is best responding to Congress’ chosen strategy.

The $\text{Eu}_b(I') = -e'$, and the $\text{Eu}_b(\text{Un'}) = -b$. Thus, $\text{Eu}_b(I') \geq \text{Eu}_b(\text{Un'})$ when $-e' \geq -b$ or $e' \leq b$. By construction, this can never be the case; therefore, no perfect Bayesian equilibrium exists.

We have, thus, shown that in this game there are two pooling equilibria and one separating equilibrium all in pure strategies. What we learn from these four propositions is that under the appropriate technical conditions, the separating equilibrium leads to the best outcome for the bureaucrat and Congress. That is, the high, professional-type bureaucrat advises Congress and Congress listens.

This separating equilibrium is also Pareto efficient. In fact, in equilibrium, there is no better outcome for either the bureaucrat or Congress. Costly signaling, allows for important information to be credibly and efficiently communicated.
Intuitively, what is happening here is that as the cost of getting informed goes up, the cost to the low type is getting so high that he finds it not in his best interest to get informed, and the two types separate in equilibrium.

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