

## Bureaucracy (Private v. Public)

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The characteristics of bureaucracy already exist in organizations outside of government. They also suffer from the same symptoms that many people complain about in government bureaucracy. Privatizing many public functions would not make the symptoms of bureaucracy any less, but would introduce new problems caused by inappropriate self interested actions.

In the basic definition of a bureaucracy, it comes from the French *bureaucratie*. The first part is French for desk. The last part is derived from the Latin roots of *cratia*, which is strength or power, as in governmental rule. Therefore the most straight forward definition of bureaucracy is the rule by desks. In the modern embodiment of a bureaucracy it is government power characterized by the specialization of functions, adherence to fixed rules, and a hierarchy of authority.

In the original root *cratia*, the meaning is only power. There really isn't anything that excludes this from situations outside government. In any circumstance where large scale management is required, producing a hierarchy, there is reason for a bureaucracy to develop. Indeed Max Weber recognizes the parallels between the public and private sectors in his description of the functions of modern officialdom. One characteristic is the principle of fixed and jurisdictional areas, which is defined by laws or administrative regulations. Second is the regular activities being distributed in a fixed way as official duties. Then methodical provisions are made for the regular and continuous fulfillment of these duties. In public government these elements constitute 'bureaucratic authority.' In private economic domination, they constitute bureaucratic 'management.'

With the need to complete a large work load, it would be a logical step for any organization to develop a system whereby certain tasks were delegated to appropriate experts. Also, with the regular occurrences of these tasks, it is logical to establish a routine for the process of handling such issues. This ensures the operation of the organization tightly to the intentions of the managing body. Possibilities of liability and loss for actions taken outside the management's design for the company are reduced. Risks are decreased by pre-planned, structured activities. The consistency produced is good industrial policy. NASA has fallen into this model out of concern for the loss of life and expensive equipment. Large companies have the same intentions of reducing risks in its own routine activities. The private sector has the same motivations for forming bureaucracies and therefore there are no guarantees that privatization will be any less bureaucratic.

Both the cause and the problems stemming from a large bureaucracy are the amount and the scope of the organization's workload. With smaller companies it is easier to go from the first contact to someone who can make a reactive decision. In larger organizations the workload requires the creation of layers to handle all of the anticipated tasks. These layers also make the organization less reactive, which is often a complaint against bureaucracies. The history of the American bureaucracy hasn't been very different. During the first 150 years the demands for the functioning of the government and services for citizens was much less. The original State, War, and Treasury departments were small and had limited duties. Since then, the U.S. population has greatly increased as well as the services expected by that population for government services. There is now demand for governmental service for the agricultural industry, postal, housing development, health, environmental protection, homeland security, and so on. So, bureaucracy isn't so much the problem as the size of it and the need to stay consistent across the many customers it serves.

There is one significant difference between public sector bureaucracies and private sector bureaucracies. In the private sector you will have the motivation of self-interest incentives. This is often the argument for privatizing public activities. With these motivations given to the workers, they are more likely to be more productive and efficient. However, the cost is the impartiality and fairness in the execution of the tasks.

One good example of a task improved by competitive incentives is tax preparation companies. A company like H&R Block gives monetary incentives to its employees for quick and accurate preparation of customers' tax filing. In turn the satisfied customers return their business and their friends' business to H&R Block. H&R Block's profits rise, and the company rewards its employees with further bonuses. The customers, the company, and the employees benefit from this system.

However if you took it one step further and privatized the tax collection agency, a less positive situation would result. If the firm was motivated for its own profits, it would be motivated to generate the greatest profit for itself and its client, the government. Its employees would be given incentives, for the benefit of the company, to collect the greatest amount of tax revenue. The citizens would have to be concerned about the aggressive nature of the tax collection agency, rather than the rule driven agency that is the Internal Revenue Service. The incentives in the private sector are private interest motivations. At the core incentives are for personal financial gain. A car company isn't motivated to produce a more efficient car unless there is a greater financial profit to be gained by producing that more efficient car. The efficiency motivation in the private sector is thus not always a benefit to the customer or society outside of that particular company.

In fact, there are a lot of characteristics of a bureaucracy to be valued. Many of these characteristics would not be present in a private company. Bureaucracies are immune to the whims of popular control. They are consistent and predictable. The focus on the role rather than the person creates an impersonal atmosphere. At first this sounds negative, but in this case impersonal means impartial and free from private interests. Moving back away from impartial governmental administration would be a throw back to patrimonialism. Before the establishment of impartial bureaucracies, government functions were delegated out through individual privileges and bestowals of favor. There may be reasons to be frustrated with a bureaucratic system, but the reintroduction of private interest into public functions isn't more desirable.

In the end, the question is what is to be gained by privatizing currently public functions of government? The usual response is efficiency and responsiveness. The structure of a bureaucracy is created in both the public and private sector in an effort to become more efficient. There is no reason to believe that a private sector organization will be any more likely to structure itself any more efficiently than a public sector organization would. Both sectors are motivated to streamline everyday tasks by developing routines. In addition, both sectors are motivated to produce an organization that minimizes risks by being consistent. On the other side of the question is what is to be lost by privatizing currently public functions of government? We want these functions carried out fairly, with every citizen being treated the same. Privatization introduces private interest and the risk of patrimonialism. While there is little likelihood of making gains from privatizing current bureaucratic functions, there is strong chance of a public loss.

## Bibliography

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