Executive Summary

This dissertation analyzes the over-arching question of how the institutional and social context of public bureaucracy impact the choices of bureaucrats. These choices are introduced in the form of inertial-preferences and identity-driven preferences in the decision-making of bureaucrats. The study proposes theoretical frameworks to explain policy drift. These frameworks determine how “context-oriented preferences” moderate the trade-off between budget maximizing motivations and the policy choice of bureaucrats.

In order to understand the context of bureaucratic choices directly stemming from organizational, institutional and social factors, the study encompasses two generic research routes that are covered in the three content chapters.

In the first research route, the impact of history on present organizational structures is investigated with the theory of organizational imprinting. This refers to the process through which economic, social and institutional factors that prevailed at the time of founding shape present organizational forms and attributes.

The second research route builds on the notion that a bureaucratic organization is a formalized social system. The bureaucrats consider it as essential to comply with organizational goals in order to be considered as a member of the organization. In order to analytically seize the social context of the bureaucratic organization, the notion of identity is conceptually integrated into the decision calculus of the bureaucrat.

Apart from the introductory chapter, which sets the stage for the dissertation, there are three content chapters and a concluding chapter.

Chapter 2 provides a long-term temporal perspective on the persistence of organizational design. The long-term view on the matter allows us to better explore and explain why corruption and rent-seeking remain entrenched in many bureaucracies, although history has provided ample chances for an organization to change its path. The chapter identifies the triggers of bureaucratic rigidity with the help of the bureaucracy in Pakistan, which has not essentially changed over the last 150 years. It also provides an account of how certain

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practices during the colonial era of the Indian sub-continent led to unintended consequences in the form of bureaucratic power, corruption and control over economic policies.

Chapter 3 continues to follow the organizational imprinting theory and deals with the question of how organizational imprinting affects the choices of bureaucrats at the micro level. A rational choice model shows how the introduction of status quo/imprinting influences the policy choice of bureaucrats. They may be stuck with initial policy choices, which may lead to persistent inefficiencies. This chapter arrives at the conclusion that once bureaucracy acquires imprinted characteristics, the forces of inertia and institutionalizations contribute to policy rigidity/status quo bias in the decision-making of the bureaucrat.

Chapter 4 looks further into the choices of bureaucrats following the second research route. It builds on the theory of identity economics and uses the notion of situation-specific norms. The chapter explores the blueprints or scripts that bureaucrats internalize and which tell them how to behave in a specific situation. The analysis shows that in a game theoretic framework, a bureaucrat captures utility gains from behaving in a manner, which is in line with the established identity and experiences disutility when his behavior deviates from what is dictated by identity.

The concluding chapter provides the relevant policy insights. The analyses of the inertial and identity-driven choices point out that many well-known anomalies in the behaviour of bureaucrats are best explained with reference to contextual factors. These factors can either help to produce socially optimal choices or force policy choices that are non-optimal from a welfare point of view. Consequently, policy interventions might be necessary to enable bureaucrats to change choices, especially when these factors hinder optimal choices. However, when these factors facilitate optimal choices, no policy intervention is required; rather the focus must be to streamline the system in order for bureaucrats to act according to their organizational context. This final chapter summarizes the findings of this dissertation, points out the limitations and discusses paths for future research.