Allies and Adversaries: Appointees and Policymaking Under Separation of Powers

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Abstract

Public sector agencies are an important front in the day-to-day battle for political supremacy between the executive and the legislature. The executive’s key agents in this conflict are his appointees, who frequently play one of two roles: Congressional allies, where they help Congress implement policy and Congressional adversaries, where they fight with Congress to shift policy strongly toward the executive. This paper studies how these two roles arise and what implications they have for administrative policymaking. It highlights how intrinsically motivated bureaucrats combined with hierarchical control affect the ability of the political principals to control the execution of policy. I explore how this interaction shifts under alternative institutional forms, and how it leads appointees to “go native.” The model makes several predictions concerning Congressional oversight of bureaucratic agencies. An empirical analysis of audit reports released by the Government Accountability Office finds patterns of oversight consistent with these predictions.

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1 Introduction

Administrative policymaking in the United States is important, both politically and economically. Take the first session of the 107th Congress. There were 136 public laws passed, of which 27 were “major.” In the same period, administrative agencies made 70 “major” rule changes and 3,369 other rule changes, where “major” changes are those expected to have an impact of at least $100 million on the U.S. economy (Barshay, 2001). This is to say nothing of the countless specific adjudications, dispute rulings, and citations. For example, in FY2006 the FDA received 171 new drug submissions. Approval or delay is an administrative decision, and it can mean millions of dollars gained or lost. A number of studies have demonstrated that changes in Food and Drug Administration (FDA) policy can have significant economic effects on pharmaceutical research and drug submission (Peltzman, 1973, Wiggins, 1981). The FDA is not alone in its impact. There are dozens of administrative agencies that are just as powerful. If we care about the reality of policy, as experienced on the ground, rather than the generalities of legislation, then the manner and degree in which policy choice and implementation respond to the preferences of the various actors involved is a question of first-order importance.

This question is particularly complex in the U.S. system of separate powers, in which one party (the President) appoints the agency managers while another (Congress) dictates policy and oversees its implementation, together with the direct influence of the bureaucratic administrators themselves. Since the appointee is the only actor who interacts with every other actor, one particularly enlightening window into how the interests of these various parties resolve into policy comes by investigating the various roles played by Presidential appointees. Of course, each appointee reacts to her circumstances in her own idiosyncratic way, but most fall into one of two broad roles: Congressional “ally,” in which the appointee helps Congress in
overseeing a potentially recalcitrant agency; or Congressional “adversary,” in which the appointee fights with her Congressional overseers in an attempt to push policy as far toward the executive as is feasible.

The model below describes policymaking in a hierarchical bureaucracy with appointment. Policy is enacted by a street-level bureaucrat, whose decision is influenced by pressure from Congress or a supervisor. This supervisor is appointed by an independent executive and is also overseen by Congress. Every actor has policy preferences but is constitutionally and/or organizationally limited in his ability to affect policy. The executive carefully chooses a supervisor to affect Congress’s oversight costs. Specifically, he makes it relatively easy for Congress to drive the implementation of a policy close to the executive’s preferred policy by choosing an appointee with an intrinsic motivation to push for such a policy. Since Congress trades off between policy preferences and the opportunity cost of altering policy through oversight, policy will end up moving toward the executive. But this ability to shift policy is limited by Congress’s outside option of cutting the appointee out of the loop and dealing directly with the lower levels of the bureaucracy.

Which role the appointee ends up playing in this model will depend on the interaction of all three other actors. If Congress and the executive are fairly similar, ideologically, the supervisor is good for both of them. Congress gets an ally to help in overseeing the bureaucracy, and the executive is able to achieve a policy he likes. But, if the executive tries to move policy too far, by choosing a very extreme appointee, Congress will instead circumvent that appointee and oversee the lower levels of the bureaucracy directly. The executive, foreseeing this risk of losing control, will instead perch his appointee just on the edge of what Congress is willing to work with, creating an adversary. Throughout, the ideology of the bureaucratic agent and the ease of controlling him will enter into the determination of this cutoff.

The key theoretical contribution of this paper, and the central rationale for the
two roles, comes from an explicit recognition of the hierarchical nature of public bureaucracies. Hierarchy drives the central result: The executive accepts appointees who will not deliver his ideal point because the alternative is the exclusion of his appointee from the policymaking process. A model without hierarchy, where the agency is a unitary actor, would not deliver these results. Congress would have no choice but to deal with the executive’s appointee and so that appointee would always play the same role. All the action is in the interplay between the levels.

The model also provides a new explanation for the phenomenon of appointees “going native,” in which an appointee seems to shift her preferences toward those of the agency she has been appointed to lead. Wilson is presumably referring to such a preference shift when he tells of the “remarkable transfiguration” that occurs when some appointees take their oath of office. “Suddenly they see the world through the eyes of their agencies—their unmet needs, their unfulfilled agendas, their loyal and hard-working employees” (Wilson, 1989). This effect is jokingly referred to in Washington as “going native,” and even the most initially hostile appointees are not immune. Malcolm Baldridge was Secretary of Commerce under Reagan. During his first weeks, when asked if he could cut $300 million from Commerce’s budget, Baldridge responded “I’ll see your $300 and raise you $100.” Within two years, he was “fighting for every 35 cents and trying to get more.” He wanted to guarantee that “my guys back at Commerce don’t get their ox gored” (New York Times, February 14, 1988). According to my model, Baldridge did not change his preferences, but rather he recognized the importance of getting his underlings on board if he wanted to get anything accomplished at all. After all, they are the final implementors of policy.

Another result is that the executive benefits from an independent and ideologically extreme agent, since it makes Congress’s outside option worse and so enables the executive to manipulate policy more readily through appointment. Finally, in an extension that introduces Congressional confirmation of appointees, ex-post oversight
and ex-ante confirmation are shown to be strategic substitutes. Congress chooses to exercise its costly confirmation authority if and only if ex-post oversight of the agency will be difficult.

The paper’s empirical contribution is a demonstration that the distribution of Congressional oversight fits the pattern predicted by my organizational model. Specifically, I test a number of the model’s implications with regards to Congressional oversight by looking at a new data set on reports by the Government Accountability Office (GAO). Oversight of agencies increases in the degree of executive-Congressional conflict and increases in the degree of agency-Congressional conflict, and these two types of conflict combine to induce an even higher level of oversight than either would on its own. Although these empirical regularities need not be unique to my model, they are consistent with it and should add some confidence to the theoretical results.

In the next section, I briefly review what is known about political control of public bureaucracies and place the appointees’ two roles in context. In section 3, I lay out the basic model and characterize the parameter space in which the executive appoints administrators of the two sorts outlined above, the effects this choice has on policy, and the implications for the relative power of the executive versus Congress. I also derive empirical predictions concerning the degree of Congressional oversight. In section 4, I test three predictions of the model in the context of GAO reports and find patterns of oversight consistent with the model. In section 5, I extend the model to several alternative institutional forms, including Congressional confirmation, in order to highlight what is unique about the basic model and the American system. Section 6 summarizes the contributions and suggests future work.
2 The Roles in Context

The appointee as Congressional ally has played the dominant role in the literature on bureaucracy. Herbert Kaufman talks about Congress’s “awesome arsenal” to keep agency heads in line. According to Kaufman, “No external group or institution enjoyed quite so commanding a position as Congress” (Kaufman, 1982, p.184). Wilson (1989) notes that not many Presidents have made a determined effort to undermine this close relationship, despite the seemingly serious loss of control that it entails. My model suggests a reason for the executive’s equanimity. By choosing an appointee who reduces Congress’s cost of implementing a certain range of policies, the executive makes it easy for Congress to enact the executive’s preferred policy. To the outsider, it looks like the appointee is very responsive to Congress, doing the dirty work in supervising the agency, and she is. But the executive has carefully chosen the supervisor to induce Congress to implement his policy. I predict the Congressional “ally” to be more likely when the President and Congress are ideologically close, when Congress cares less about the policy, when the bureaucratic agent is difficult to oversee, when the agency is very ideologically committed, and when the agency is very ideologically extreme.

Although Congressional allies have received a lot of attention in the literature, U.S. political history is rife with examples of adversarial appointees heading important agencies. Philip Heymann tells the story of a successful reform of the Federal Trade Commission (Heymann, 1987). Caspar Weinberger took over a slumbering FTC in 1970. By all measures the FTC did very little enforcement on either of its mandates, anti-trust or consumer protection, prior to his arrival, and what little they did was focused on ancillary issues, such as fur and textile labeling. Weinberger, and later his successor Miles Kirkpatrick, formulated a broad strategy focused on stamping out deceptive advertising and succeeded in revitalizing the agency in the face of
serious opposition from the chair of the appropriations subcommittee which oversaw it. In my model, adversaries such as Kirkpatrick and Weinberger are selected by the executive when Congress and the executive are at odds. No appointee can alter Congress’s incentives enough to push policy all the way to the executive’s ideal point, and so the President selects the most extreme candidate who will not be excluded by Congress.¹ I find that adversaries are more likely when Congress and the President are ideologically divided, when policy is important to Congress, when the agent is easy to oversee, and when the agency is not very ideologically extreme or committed.

Recognizing that agency policymaking and implementation are at least as important as legislation, scholars have studied it for decades (Downs, 1964)(for a summary, see Spence (1997) or Moe (1997)).² More recently, several camps have formed, each with a preferred story of the dominant party in the policy struggle. The earliest of these modern theories represent a radically independent bureaucrat, able to impose his preferences due to a strong informational advantage (Niskanen, 1971, Stigler, 1971, Peltzman, 1976). Carpenter (2001) traces the historical evidence for and genesis of bureaucratic autonomy, while Carpenter (2004) suggests another reason the agent may influence policy, even if the agent is perfectly responsive to political pressure, since he may have an incentive to delay a decision if the decision is costly to reverse and information can be improved by waiting. Although my model gives the agent an advantage, since he alone can implement policy, the other actors have leverage, oversight influence from the Congress and appointment power from executive, and they are also able to guide policy.

The members of the Congressional Dominance camp (Weingast and Moran, 1983, McCubbins and Schwartz, 1984), by contrast, maintain that Congress has a variety of ex-ante and ex-post controls that allow them to keep the agency in line. Therefore, Congress is the dominant actor in administrative policymaking. Conditional on the Executive’s appointment decision, my model is in this broad spirit. Congress can,
if it chooses to expend sufficient influence, drive the implementation of literally any feasible policy. But Congress must work with the agency at hand and with the appointee the executive chooses, who may drastically affect the costs of implementing different policies, and these limitations curb its influence.

At a third extreme is what Spence calls the “Presidential Dominance” school (Moe, 1990, Moe and Wilson, 1994), which maintains that the President is truly in control of policy, as the constitutional head of the administration. In my model, the President is able to influence policy through appointment, but he is limited by Congress’s outside option to circumvent the appointee. As close to Presidential Dominance as occurs in my model is when the President’s ideal point is not too far from Congress’s, and he can appoint a Congressional “ally” who makes the President’s ideal policy the most attractive to Congress. Certainly, the President has other means of affecting policy beyond appointment, including executive orders, signing statements, and flexible budgeting (Nathan, 1983), but since the focus of this paper is on appointment, I’ll focus on this method of influence and leave aside those other channels. As will become apparent as the model progresses, the executive will find appointment to be quite effective at shaping policy.

In contrast to the models which look for a single dominant actor, some recent work finds that the terms of control vary, with different actors taking the lead in different situations. Most of the empirical evidence seems to support this view (Epstein and O’Halloran, 1996, Snyder and Weingast, 2000, Shipan, 2004, Whitford, 2005). The starkest of these models is Dixit, Grossman and Helpman’s 1997 multiple-principal model. In their model, unless the principals’ incentives are well-aligned, they cannot provide effective incentives to the agent. The introduction of a hierarchical system of control can improve these incentives, both in my model and in reality. Several other models also add some structure (Huber and Shipan, 2002, Shipan, 2004). These works focus on conflicts within the legislature and legislative policymaking. Bawn (1997)
and Shipan (2004), for example, concentrate on the interaction between the floor and the committees in Congress. When the executive appears, he is merely a veto player in the legislative process (Volden, 2002). I focus, instead, on what I perceive as the key feature of a separation of power system: the conflict between the executive and the Congress, especially the role of appointees as the fulcrum on which these various principals attempt to tip agency policy in their direction. Nevertheless, my paper is in a similar vein to these. I study how the Congress, the executive, and even the agency itself plays a strong role in shaping policy.

This paper is certainly not the first to consider the role of appointees in policymaking. Early models assumed or asserted that appointees have the same (or nearly the same) ideal point as the executive (Ferejohn and Shipan, 1990, Horn, 1995, Epstein and O’Halloran, 1999, Shipan, 2004). I show that this conclusion holds in a knife-edged case only, and more generally the appointee is chosen optimally to balance a number of forces. Another series of models focuses on the appointment and confirmation process (Hammond and Hill, 1993, Snyder and Weingast, 2000, Nixon, 2004), while I focus on the interaction of appointment and ex-post oversight. These appointment/confirmation models apply to the small fraction of appointments that require Senate approval (800 versus 5000 non-confirmed appointments, in 2001). Furthermore, some view the Senate approval process as little more than a rubber stamp, a chance to air grievances and nothing more, especially given the President’s ability to circumvent the process through temporary and recess appointments (Baker and Raines, 2001). Even the models which focus on the confirmation process, of course, respect the proposer advantage of the President, so my model represents the case where that advantage is particularly strong. Furthermore, in an extension, I show that the approval process and oversight can act as substitutes, and confirmation may be soft in anticipation of successful oversight of the appointee. Finally, a handful of models allow for a distinct appointee ideal point and post-appointment oversight by
Congress or the executive (Hammond and Knott, 1996, McCarty, 2004, Wiseman, 2009, Bertelli and Feldmann, 2007). The primary distinctions of my model are the more explicit role played by hierarchy and the recognition of one important risk of appointing an ideologically extreme supervisor: they could be cut out of the policymaking loop by a coalition of Congress together with agency personnel. In my model, this hierarchical risk provides the primary check on the executive’s authority.

Despite the role hierarchy plays in public administrations, few formal models of policymaking and implementation have taken it seriously.\footnote{The exceptions, such as Ting (2008) and Rose-Ackerman (1986), focus on implementation instead of the effects on policy choice. Notably, Carpenter (1996) focuses on hierarchy as an information-processing system and finds it to affect the alacrity with which agencies respond to changing demands from their political principals. Moving beyond explicitly public bureaucracies, economists have explored the role of hierarchies from a number of angles. Williamson (1967), Calvo and Wellisz (1978), and Qian (1994) are interested in hierarchies as monitoring devices, but focus more on the design question, while I take the structure of the hierarchy as fixed and ask what happens as the preferences of those included in the hierarchy change. Tirole (1986) is similar to this paper, in that respect, but he is looking at a strict hierarchy where the principal always works through the supervisor. Also, the supervisor in that model is fixed ex-ante, while in my model appointment of the supervisor is one of the key strategic choices.}

3 The Baseline Model

Imagine a public sector bureaucracy that must implement a single policy. This organization consists of two actors: a supervisor (S, referred to as “she”), and an agent (A, referred to as “he”). The supervisor is a Presidential appointee in a managerial role, while the agent is directly responsible for the implementation of the policy. In
addition, there is a Congressional overseer (C, referred to as “it”), perhaps the median member or chair of the committee overseeing the bureaucracy. Finally, there is an independent and distinct executive (E, also referred to as “he”) who affects policy by appointing the supervisor. The ideal points of the executive, Congress, and the agent are fixed and exogenous. Although the question of how agents select to serve in the agency is an interesting one, this is a medium-run model in which the composition of the civil service bureaucracy is fixed (Prendergast, 2007, Gailmard and Patty, 2007).

The policy is chosen from a single-dimensional policy space, along which each actor has an ideal point $\theta_i$, where I assume without loss of generality that $\theta_C = 0 \leq \theta_A$. The ideal points of the other two actors $\theta_E$ and $\theta_S$ can take any real value. If policy $x$ is implemented, actor $i$ receives a policy/ideological payoff $-\alpha_i(x - \theta_i)^2$. Here, $\alpha_i$ represents how important this policy is, relative to the costs of supervision and oversight, which are introduced below.

In addition to intrinsic returns from policy, the agent and supervisor are influenced by the oversight efforts of Congress. Given some level of oversight by Congress $o_A$ (which may be positive or negative, depending of the direction of the influence), and implemented policy $x$, the agents obtain additional utility $o_A x$. The Supervisor will be similarly affected if overseen, but according to a different oversight effort $o_S$. In both cases, the overseen actors suffer some costs from moving the policy away from Congress’s preferred direction, and the cost is increasing in the intensity of oversight.

Oversight is costly, since there is an outside option for Congress’s time or that of its staff. Think of oversight here broadly, including both the committee’s time, in terms of hearings, and also the allocation of members’ staff resources, committee staff resources, and investigative resources of Congressional organs such as the GAO. We can think of $o_S$ as measuring the amount of oversight resources dedicated to reviewing the management practices in the division which has a quadratic opportunity cost of $\chi_S o_S^2$, where $\chi_S > 0$, while $o_A$ represents the resources allocated to accounting for
actual policy implementation with opportunity cost $\chi A o_A^2$, where $\chi A > 0$. Note that, in general, these functions are different, so Congress may be better at overseeing the supervisor or the agent.\(^8\)

Just as Congress can influence the agent’s choice of policy, so can the supervisor. These influence activities are modeled very similarly to Congress’s. The supervisor can decide how much effort to put into influence ($s$, which can be positive or negative, depending on the direction of the influence). If supervisory effort is $s$, and the action undertaken is $x$, then the agent receives a utility benefit of $xs$, and supervision effort costs the supervisor $\sigma s^2$, where $\sigma > 0$. Just like oversight, supervision is costly in terms of the supervisor’s time. The difference between supervision and oversight is two-fold. First, the supervisor may be differentially able to influence the agent (since $\sigma \neq \chi A$ in general). Second, the supervisor’s ability to influence the agent depends on Congress delegating that authority.

Congress can either oversee the agent directly, or it can delegate that responsibility to the supervisor and, instead, oversee the supervisor ($d \in \{0, 1\}$). If Congress chooses to oversee directly, it sets a level of oversight $o_A$, and only its influence activities have any effect on the agent’s choice. If Congress chooses to delegate, it still sets a level of oversight $o_S$, but this pressure is now exerted on the appointee, instead of the agent.\(^9\)

Congress's ability to cut out the supervisor and deal directly with the agent may seem odd, but such action is observed from time to time. First, the logical possibility is clear from the day-to-day affairs of Congressional committees: oversight hearings involve testimony from myriad witnesses from various levels of the bureaucracy, from department secretaries all the way down to the heads of small offices buried deep within the bureaucracy. Second, there are rare examples of low-level agency employees subpoenaed by Congress to talk about the policy they were forced to enact by the political machinations of their supervisors. Endnote 1 discussed such a situation at the EPA. Furthermore, The extreme assumption that Congress can shut down the
appointee’s influence completely is a modeling convenience. Any significant weakening of their influence would suffice.

The timing of the game is as follows. First, the executive chooses a supervisor. I assume the executive can simply choose any ideal point he wishes. All potential appointees will accept the position and have identical $\alpha_S$. In this base model, Congress does not have confirmation authority, but I consider that extension below. Once the supervisor is selected, Congress chooses whether to delegate to the supervisor, and its degree of oversight ($o_A$ or $o_S$). The supervisor then chooses her degree of supervision ($s$), although this decision affects the policy outcomes only if authority has been delegated. The agent, observing oversight and supervision choices, chooses the policy. Figure 1 illustrates the timing.

The next two subsections solve formally for the equilibrium of the model, followed by a subsection discussing the intuitions and implications of the equilibrium.

3.1 Equilibrium

Definition 1. A subgame-perfect Nash equilibrium in the game described above consists of a strategy profile $(\theta^*_S, d^*(\theta_S), o^*_A(\theta_S), o^*_S(\theta_S), s^*(\theta_S,d,o_S), x^*(d,o_A,s))$, in which each player’s actions maximize his utility in each subgame.

First consider the agent’s decision. Taking the oversight level and delegation decision as given, the agent’s optimal choice is given by

$$x^*(d,o_A,s) = \theta_A + \frac{ds + (1 - d)o_A}{2\alpha_A}$$

(1)

This expression simply indicates that the policy enacted by the agent diverges from
his preferred policy to the extent that he faces pressure from either the supervisor or Congress.

Consider, next, the game played just between the agent and supervisor, assuming Congress has delegated supervision authority. The supervisor solves the problem

$$\max_x -\alpha_S(x - \theta_S)^2 - \sigma 4\alpha_A^2(x - \theta_A)^2 + xo_S, \quad (2)$$

where the second term is the cost of choosing $s$ large enough to induce the agent to choose $x$, from (1). The resulting policy satisfies

$$x = \frac{\alpha_S \theta_S + 4\alpha_A^2 \sigma \theta_A}{\alpha_S + 4\alpha_A^2 \sigma} + \frac{\alpha_S}{2[\alpha_S + 4\alpha_A^2 \sigma]}$$ \quad (3)$$

Once again, this expression indicates that the policy the supervisor will drive the agent to select will diverge from her favorite policy to the extent that she is influenced by Congress and bears the cost of influencing the agent. Of particular interest is the choice the supervisor will make when delegated authority but not overseen at all ($d = 1, o_S = 0$). Label this policy

$$\tau(\theta_S) = \frac{\alpha_S \theta_S + 4\alpha_A^2 \sigma \theta_A}{\alpha_S + 4\alpha_A^2 \sigma}$$

and note that it is a weighted average of $\theta_A$ and $\theta_S$. So even in the absence of Congressional influence, the supervisor will not simply select her favorite policy, because she also takes into account the costs of influencing the agent away from his favorite policy.

The Congress, then, has two methods for inducing the implementation of a given policy. First, it can ignore the supervisor completely and directly induce policy changes by setting $o_A$ sufficiently high. Second, it can work through the supervisor, by setting $o_S$ to induce the supervisor to do the supervision herself.
I refer to these two methods as the direct and indirect oversight regimes, respectively, and let \( c^D(x) \) and \( c^I(x|\theta_S) \) represent the cost to Congress of implementing prescription \( x \) in the appropriate regime. From (1) and (3), the cost functions are given by

\[
\begin{align*}
    c^D(x) &= 4\alpha_A^2 \chi_A (x - \theta_A)^2 \\
    c^I(x|\theta_S) &= 4\chi_S [\alpha_S (x - \theta_S) + 4\alpha_A^2 \sigma (x - \theta_A)]^2.
\end{align*}
\]

The first cost function is minimized at \( x = \theta_A \), while the second is minimized at \( x = \pi \), the policy that would result from the supervisor and agent setting policy among themselves in the absence of any oversight. Both costs are zero at their minimum, and both are strictly increasing as you move away for \( \alpha > 0 \). See Figure 1 for a graphical depiction of the cost curves.

Congress optimizes over policies, taking these costs into account. A revealing approach is simply to calculate its best policy under each oversight regime and compare them. Let Congress’s indirect utility function under each delegation regime be given by

\[
V^C_j = \max_x \{-\alpha_C x^2 - c^j(x)\},
\]

and label the policy choice which attains this maximum \( x^*_j \). It follows from (5) and (4) that

\[
\begin{align*}
    x^*_D &= \frac{4\alpha_A^2 \chi_A \theta_A}{\alpha_C + 4\alpha_A^2 \chi_A} \\
    x^*_I(\theta_S) &= \beta_A \theta_A + \beta_S \theta_S.
\end{align*}
\]
where
\[
\begin{align*}
\beta_A &= \frac{4\alpha_A^2\sigma}{\alpha_S + 4\alpha_A^2\sigma + \frac{\alpha_C}{4x_s[\alpha_S + 4\alpha_A^2\sigma]}} \\
\beta_S &= \frac{\alpha_S}{\alpha_S + 4\alpha_A^2\sigma + \frac{\alpha_C}{4x_s[\alpha_S + 4\alpha_A^2\sigma]}}
\end{align*}
\]
are weights such that \(0 < \beta_j < 1\) and \(\beta_A + \beta_S < 1\).

Figure 3 represents these two utilities, as a function of \(\theta_S\), the identity of the supervisor. Under direct oversight, Congress's utility is independent of the supervisor's identity, so appears as constant in the figure. Under indirect supervision, however, the supervisor plays a very important role. For a supervisor which perfectly balances the agent (\(\theta_S = -\frac{\beta_A}{\beta_S} \theta_A\)), Congress can receive its favorite policy with no oversight at all. Certainly, in this situation, Congress prefers indirect oversight; but as the supervisor’s ideal point diverges from this ideal supervisor, indirect oversight becomes less and less attractive, eventually becoming even less attractive than direct oversight.

Intuitively, Congress finds some supervisors hard to work with and some easier. A supervisor is hard to work with if it takes a lot of Congressional influence to cause her to shift the policy close to Congress’s favorite. If a supervisor is a good balance for the agent, she is quite easy to work with, and helps Congress to obtain a policy that Congress likes. Sometimes agents are hard to work with too, even if Congress deals with them directly, so Congress may be willing to take the lesser of two evils by working with a less-than-ideal supervisor to help control an even worse agent. Of course, the worse the agent is, the more extreme supervisor the Congress is willing to work with. For any given agent we can find the most extreme supervisor that Congress is willing to work with, and any more extreme supervisor than that would be excluded.

The following lemma formalizes this result.

**Lemma 1.** Take any \(\theta_A > 0\). Congress delegates to the appointee for \(\theta_S \in [\theta_S, \bar{\theta}_S]\),
where
\[ \theta_S < -\frac{4\alpha_S^2 \sigma}{\alpha_A} \theta_A < \theta_S \]
It sets \( o_S = 2[\alpha_S(x^*_I(\theta_S) - \theta_S) + 4\alpha_S^2 \sigma(x^*_I(\theta_S) - \theta_A)], \) and \( o_A = 0. \) This induces the supervisor to set \( s = 2\alpha_A(x^*_S(\theta_S) - \theta_A), \) which in turn induces the agent to choose \( x = \beta_S \theta_S + \beta_A \theta_A. \) If \( \theta_S \) is outside the given range, Congress does not delegate, sets \( o_S = 0, \) and sets \( o_A = 2\alpha_A(x^*_D - \theta_A). \) This choice induces the agent to set \( x = \frac{4\alpha_A^2 \chi_A \theta_A}{\alpha_C + 4\alpha_A^2 \chi_A}. \)

**Proof.** For \( \theta_A > 0, \) \( V^C_\star < 0, \) since \( c^D(x) = 0 \iff x = \theta_A, \) at which point \( -\alpha_C x^2 < 0. \) While when \( \theta_S = -\frac{4\alpha_S^2 \sigma}{\alpha_A} \theta_A, \) \( x = 0, \) so \( c^I(0) = 0 \) and \( V^C_\star = 0. \) Using the envelope condition \( dV^C_\star/d\theta_S = -dc^I(x)/d\theta_S = 2\alpha_S(c''(x^*_I)) \geq 0 \) as \( x^*_I \geq \bar{x}. \) Take the case when \( \theta_S > -\frac{4\alpha_S^2 \sigma}{\alpha_A} \theta_A, \) so \( \bar{x} > x^*_I > 0. \) Then Congress’s utility is strictly decreasing in \( \theta_S, \) guaranteeing a unique cutoff. Finally, the unboundedness of \( c''(x|\theta_S) \) for all \( x \) as \( \theta_S \to \infty \) guarantees that that the utility of indirect oversight will eventually drop below that of direct oversight. The argument for \( \theta_S \) is identical. \( \square \)

According to Lemma 1, for a fixed agent and Congress we should expect policy to be a non-monotonic function of the supervisor’s ideal point. There is a middle range, when the supervisor is helpful to Congress in implementing policy, Congress uses indirect oversight, and policy is responsive to the supervisor’s preferences. But if the supervisor becomes too extreme, Congress will shift to a direct oversight regime, and work directly with the agent. Figure 4 presents an illustration of policy as a function of the supervisor’s ideal point.

<<COMP: Place Fig. 4 about here>>

### 3.2 Appointment

Returning to appointment by a distinct executive, we know equilibrium policy responds to the executive’s choice of supervisor only as long as \( \theta_S \) is in the range given
by Lemma 1. Outside this range, equilibrium policy reverts to \( x^*_D \). So the executive needs to take into account not only the way the interaction with Congress and the agent transforms policy, but also Congress’s direct oversight outside option. If too extreme a supervisor is selected, Congress will circumvent her.

Although it is possible, in principle, that the policy implemented under direct oversight is outside the range of policies implemented under indirect oversight, we will concentrate here on the more interesting case in which the direct oversight policy is within the span of policies which can be implemented in the indirect oversight regime. Formally, it suffices that

\[
\chi_S > \left( \frac{\alpha_A}{\alpha_S + 4\alpha_A^2\sigma} \right)^2 \chi_A, \tag{8}
\]

which guarantees that

\[
c''_I(x) > c''_D(x).
\]

Informally, as long as overseeing the supervisor is not too easy, compared to overseeing the agent, Congress’s cost of indirect oversight will be more convex than that of direct oversight, and the direct oversight policy will be within that span of indirect oversight policies.

**Remark 1.** If \( c''_I(x) > c''_D(x) \), then \( x^*_I(\theta_S) \leq x^*_D \leq x^*_I(\theta_S) \).

**Proof.** Since \( \theta_S < -\frac{4\alpha_A^2\sigma}{\alpha_S} \theta_A \), \( x^*_I(\theta_S) < 0 < x^*_D \). It remains to show that \( x^*_D \leq x^*_I(\theta_S) \).

By the definition of \( \theta_S \), we know that \( -\alpha_c x^2_D - c_D(x^*_D) = -\alpha_c (x^*_I)^2 - c_I(x^*_I) \). By the principle of maximization, this requires that \( c_j(x^*_j) \leq c_{-j}(x^*_j) \), since otherwise Congress could deliver that same policy with less oversight cost using the other delegation policy and so would not be indifferent between policies. Furthermore, we know that \( x^*_j \leq \pi \) since otherwise, Congress could improve both ideological and oversight payoffs by moving to \( x = \pi \) and indirect oversight. Since \( c''_I(x) > c''_D(x) \) and
$c_I(x) = 0$, $c_I$ and $c_D$ can cross at most once between 0 and $\bar{x}$. They must cross because $c_D(x^*_D) \leq c_I(x^*_D)$. Altogether these facts imply that $x^*_D$ is no more than the policy where $c_D(x) = c_I(x)$ and $x^*_I$ is no less than it, so $x^*_D \leq x^*_I$. \hfill \Box

Since the executive cares about policy only, and he can guarantee any feasible policy under indirect oversight with this restriction, the following proposition completes the characterization of the equilibrium.\footnote{11}

**Proposition 1.** Assuming (8) holds, the executive always induces indirect oversight by setting $\theta_S$ according to

$$
\theta_S = \begin{cases} 
\theta_S & \text{, if } \theta_E \leq -\theta_A \sqrt{(\beta_A + \beta_S)\frac{4\alpha_C^4 \chi_A}{\alpha_C + 4\alpha_A^2 \chi_A}} \\
\frac{\theta_E - \beta_A \theta_A}{\beta_S} & \text{, if } \theta_E > \theta_A \sqrt{(\beta_A + \beta_S)\frac{4\alpha_C^4 \chi_A}{\alpha_C + 4\alpha_A^2 \chi_A}} \\
\theta_S & \text{, otherwise}
\end{cases}
$$

**Proof.** When feasible, the supervisor is selected such that $x^*_I(\theta_S) = \theta_E$, but when this choice would require a supervisor who is beyond the indirect oversight bounds $[\theta_S, \theta_S]$, the feasibility constraint binds and the executive chooses the supervisor to make the Congress indifferent between indirect and direct oversight.

To find exactly where these bounds are, note that under direct oversight $V_{D}^{C^*}(\theta_A) = -\alpha_C(x^*_D)^2 - c^D(x^*_D)$, which simplifies to

$$
V_{D}^{C^*}(\theta_A) = -\theta_A^2 \frac{\alpha_C 4\alpha_A^2 \chi_A}{\alpha_C + 4\alpha_A^2 \chi_A}.
$$

In order for the executive to induce $x^*_I = \theta_E$, he must choose $\theta_S = \frac{\theta_E - \beta_A \theta_A}{\beta_S}$. Given these choices, indirect oversight yields $V_{I}^{C^*}(\theta_A, \theta_E) = -\alpha_C(\theta_E)^2 - c^I(\theta_E) \frac{\theta_E - \beta_A \theta_A}{\beta_S}$ which simplifies to

$$
V_{I}^{C^*}(\theta_E, \theta_A) = -\theta_E^2 \frac{\alpha_C}{\beta_A + \beta_S}.
$$

The ideal point of the agent disappears, since the supervisor is chosen to perfectly
offset him. Comparing these two payoffs gives the threshold $\theta_E$, beyond which the executive will begin appointing adversaries.

Figure 5 illustrates equilibrium policy for a fixed Congress and agent, for various executive ideal points. For the middle range, the executive is able to induce the implementation of his ideal policy, but as his preferences diverge from those of Congress he can no longer obtain it. The supervisor who would induce such an extreme policy is too extreme for Congress to work with. The best the executive can do, then, is to perch his supervisor at the edge of the acceptable range and make Congress just indifferent between using her and not. This choice shifts policy as far as possible toward the executive.

3.3 Discussion

Before looking at the roles played by the appointee, note one fact about the administrative subgame played between Congress, the supervisor, and the agent. When Congress spends no effort on oversight, the supervisor does not simply implement her favorite policy. Even without Congressional influence, she still has to work with the agent to implement something, and she internalizes the costs of influencing the agent when determining which policy to enact. In fact, the best she can do is the policy given by $\bar{y}$ which satisfies (3), a weighted average of her own favorite policy and the agent’s. To Congress, and to an executive predicting Congress’s oversight choices, the supervisor comes to look like an actor with an ideal point at $\bar{y}$. She looks like her preferences have shifted toward the agent’s, like she has “gone native.” Note that this is a new explanation based on incentives and constraints, quite different from a more standard socialization story (Peters, 1981). The appointee’s underlying preferences do not actually change. They only seem to change as she takes into account the
supervision costs of driving the agent to implement policy.

Turning to the appointment stage, the appointee in this model plays the two distinct roles observed in reality: ally and adversary. Which role is active depends on the ideological position of the executive, with respect to Congress and the agent. When Congress and the executive share the same ideal point, the executive will choose a supervisor at \(-\frac{\theta_A}{\beta_S} \theta_A\), in which case the supervisor drives implementation of Congress’s ideal policy at no cost to the Congress. As long as Congress and the executive are relatively close, this ally relationship will continue, and the implemented policy will continue to be the executive’s favorite policy. But if the executive moves too far from Congress, too extreme an appointee would be required to deliver his favorite policy- so extreme, in fact, that Congress would instead prefer to deal directly with the agent. Foreseeing this possibility, the executive chooses an appointee who perches at the edge of the feasible range, and her role changes to adversary. Note, finally, the importance of Congress’s outside option of direct oversight. Lacking that option, there would be no limitation on the executive’s ability to affect policy through appointment, and these two roles would never arise. The appointee would always play the same role, delivering the executive’s ideal policy.

**Congressional Ally** When \(\theta_E^2 < \theta_A^2 (\beta_A + \beta_S) \frac{4 \alpha_A^2 \chi_A}{\alpha_C + 4 \alpha_A^2 \chi_A}\), the executive chooses a supervisor with ideal point strictly between \(\theta_S\) and \(\overline{\theta}_S\) and induces indirect oversight. I refer to this as the *Congressional ally* range. Here, the role of the supervisor is to shift policy, by reducing the costs to Congress. To the outside observer it looks as if the supervisor is simply doing Congress’s dirty work. But in fact, by appointing a carefully chosen supervisor, the executive is able to obtain his ideal policy.

The “width” of the ally range is increasing in \(\theta_A, \alpha_A, \alpha_S, \chi_A, \chi_S, \sigma_S\), and decreasing in \(\alpha_C\). Allies occur more frequently when the agent is ideologically extreme, committed, or difficult to influence, because they are more difficult for Congress to
oversee directly, making working through the supervisor relatively attractive. Allies are also more common when the supervisor is ideologically committed, since she is willing to work hard at overseeing the agent, and when Congress does not care too much about policy or is bad at oversight, since it is more willing to lose on policy for a reduced influence expenditure.

I refer to appointees playing this role as allies because they make life easier for Congress. Congress chooses to use these appointees to help with oversight because it is less costly, in policy and oversight terms, than directly overseeing the agency. If this role is played by most appointees, either there is broad consonance in ideal points between Congress and the executive, Congress does not care too much about policy, relative to oversight costs, and/or the agents are relatively difficult to control and ideologically motivated. Although the executive does very well in this range (achieving his ideal point), so does Congress, justifying the Congressional ally label.

**Congressional Adversary** When \( \theta_E^2 > \theta_A^2 (\beta_A + \beta_S) \frac{4\alpha_A \chi_A}{\alpha_C + 4\alpha_A \chi_A} \), the executive chooses a supervisor with ideal point \( \overline{\theta_S} \) or \( \underline{\theta_S} \), respectively, and induces indirect oversight. I refer to these intervals as the Congressional adversary range, and they consist of the two corner solutions from the ally range. The supervisor is perched at the very edge of the indirect oversight regime. The executive would prefer to push policy even further in the appropriate direction, but any further move would lead Congress to circumvent the supervisor and deal with the agent directly.

The “width” of the adversary range is the inverse of the ally range. And so adversaries are more likely when the agent is ideologically near Congress and not too ideologically motivated, when Congress cares strongly about policy, and when the agent is relatively easy to control. When the executive appoints an adversary, Congress’s scrutiny of the appointee reaches its maximal level, because that sort of appointee has the strongest incentive to deviate from the prescribed policy. All this
oversight suggests a quite rocky relationship, justifying the Congressional adversary label.

It should now be apparent that the assumption of a “hands-off” executive who influences the policy implemented only through his appointee is a relatively mild one. In equilibrium, the executive ends up being quite powerful, receiving his preferred policy when he can choose an appointee in the ally range. In this case, even if he had the power to directly influence policy he would have little incentive to use it if such influence was costly. In the adversary range, equilibrium policy diverges from the executive’s ideal point, but attempts to further influence the supervisor would be ineffective, since they would drive Congress to switch to direct oversight. The reason direct executive influence is unattractive is straightforward—since the executive has such broad scope to choose the supervisor, there is no reason to also influence the supervisor he has selected. In reality “appointing” a supervisor may be some combination of selecting and influencing, but since the primary interest is in the interactions among the actors, the model sweeps the whole process together into a simple choice for the executive.

Finally, the agent has a profound effect on which of these roles arises and how much the executive is able to swing policy in his direction. As the agent becomes more extreme, he reduces Congress’s outside option. This reduction allows the executive more flexibility in choosing his supervisor. So while Presidents may bemoan ideologically motivated civil servants, they may actually benefit from more extreme agents. A similar phenomenon occurs as the agent becomes more difficult to control. Lewis (2003), in his discussion of the politics of agency design, notes that Presidents often push for greater administrative independence, and the interaction outlined here suggests a reason for their exhortations.
3.4 Empirical Predictions

With respect to the types of appointees that will arise, the model makes predictions both among agencies, for fixed principals, and within agencies, over time. In the cross-section of agencies, for a fixed executive and Congressional committee, the model predicts adversarial appointees to occur when the agency is not very ideological and is easy to control, and ally appointees to occur when the opposite holds. For a fixed agency, over time, we expect adversarial appointees when the executive and committee have strongly divergent ideological preferences.

Empirically identifying which appointees are adversaries and which are allies may be difficult. Fortunately, the predictions on appointee roles map into predictions about the degree of Congressional oversight, which may be easier to measure. Since, in equilibrium, we only observe indirect oversight, oversight should be minimized when Congress gets its perfect supervisor and policy is at Congress’s ideal point. As the executive moves away from Congress, he will appoint a more extreme supervisor, which will lead to more oversight. The level of oversight will be maximized when the supervisor reaches the edge of the feasible space and begins playing the role of adversary.

Formally, in equilibrium, the model predicts oversight given by

\[
Oversight = \begin{cases} 
\alpha_C \theta_E^2 \left[ \frac{1 - \beta_S - \beta_A}{\beta_S + \beta_S} \right], & \text{if } \theta_E^2 < \theta_A^2 (\beta_A + \beta_S) \frac{4 \alpha^2 \chi_A}{\alpha_C + 4 \alpha_C \chi_A} \\
\alpha_C \theta_A^2 [1 - \beta_A - \beta_S] \frac{4 \alpha^2 \chi_A}{\alpha_C + 4 \alpha_C \chi_A}, & \text{otherwise}
\end{cases}
\]

For a fixed agency, oversight should increase as the preferences of Congress and the executive diverge but should level out after a point (since the most extreme policy the executive can induce is limited by Congress’s outside option). In the cross-section of agencies, for a fixed Congress and executive, a similar pattern should hold, with oversight increasing as the agency’s preferences diverge from Congress’s.
pattern occurs because more extreme agencies will allow the executive to exercise greater influence before the Congress reverts to direct oversight. When $\theta_A$ is small enough that constraint in 9 binds, increasing $\theta_A$ will increase oversight.

Furthermore, in a panel, the two sorts of conflict should be complementary in the “production” of oversight, because the executive has more flexibility to shift policy when the agency is more extreme, and an increase in agency extremism only increases oversight when the executive and Congress are already sufficiently divided. Finally, oversight is decreasing in measures of how hard the agency and supervisor are to control ($\sigma$ and $\chi_S$) and in the degree of ideological commitment of the supervisor and agent ($\alpha_A$ and $\alpha_S$). It is always higher when Congress cares more about the policy ($\alpha_C$).

Any reasonable model of the determination of oversight would predict more oversight in the presence of Congressional-executive conflict, at least for a fixed statutory regime (Aberbach, 1991, Ogul and Rockman, 1990). The novel predictions concern the effects of conflict between Congress and the bureaucratic agent in the presence of hierarchical control and the interaction of the two forms of conflict.

In a model in which the executive’s supervisors completely determined policy, the ideology of the agent would not be expected to influence equilibrium oversight. Without the outside option of direct oversight, recalcitrant agents are a problem for the supervisor to manage, and should have no impact on Congress’s oversight effort. In 9, if the direct-oversight constraint does not bind (as it never would if direct oversight were impossible), $\theta_A$ has no influence on the level of Congressional oversight. An empirical finding of increasing oversight as agents become more extreme bolsters the importance of direct oversight of the lower levels of the bureaucracy as an outside option for Congress.

Furthermore, in a model in which the agents and supervisors were not arranged hierarchically, but instead engaged in separate tasks in parallel, ideological conflict
with the supervisor and with the agent would probably act as substitutes in the production of Congressional oversight. Assuming the marginal cost of oversight is increasing in the parallel-task model, an increase in the extremism of an agent would lead to a smaller increase in oversight from Congress when Congress has to spend time overseeing an extreme supervisor. When the supervisor is more moderate, and Congress does not have to split its attentions between the two, the increase in Congressional oversight for a given increase in agent extremism would be larger. An empirical finding of complementarity in the production of oversight suggests than the hierarchical model is more appropriate than the parallel alternative.

The next section presents some suggestive evidence for the oversight predictions of the model, evidence that is consistent with each of the three predictions.

4 Empirical Determinants of Oversight

The basic model makes three central predictions about the determinants of Congressional oversight. First, for a given agency, oversight should be higher as the President and Congress (or the Congressional committee) are more ideologically divided. Second, for a given committee/President pair, oversight should be higher as the agency is more ideologically extreme. Finally, these two measures of conflict should interact positively. Increasing conflict on one dimension increases oversight even more if there is greater conflict on the other dimension. This section provides some simple tests of those three propositions, in the context of oversight by the GAO, the primary organ of Congressional oversight.

The modern study of Congressional oversight is generally traced to Ogul (1976) and Aberbach (1991), who concerned themselves primarily with the use of hearings and committee staffs as instruments of Congressional oversight. Many scholars came away from these, and other similar works from the period, wondering why we observe
so little explicit oversight. This observation led to a whole stream of literature contrasting police patrol and fire alarm oversight, kicked off by McCubbins and Schwartz (1984), suggesting why low levels of equilibrium oversight may still be effective in maintaining control of bureaucracy. More recent work has begun to trace the political, economic, and institutional determinants of oversight (Smith, 2003, Gailmard, 2006). Smith (2003) measures oversight by both number of committee days spent on oversight hearings and percent of hearing days spent on oversight. He finds that the first is higher under under divided government, while the second is not affected. Gailmard (2006) concentrates on oversight share of House hearing days and finds an increase when the President and House are divided.

Unappreciated in most of this work is the important role of an institution created by Congress for the primary purpose of managing oversight, the Government Accountability Office (formerly General Accounting Office). Founded in 1921, the GAO’s stated purpose is to “gather information to help Congress determine how well executive branch agencies are doing their jobs” (Government Accountability Office, 2007). Currently, the GAO employs over 3200 employees, most of whom are involved in the compilation of audits of executive-branch agency activity. The GAO issues a steady stream of products, including more than 1,000 reports and hundreds of testimonies by GAO officials each year (Government Accountability Office, 2006). The majority of these reports are in response to requests from members of Congress, with precedence given to (in order): 1) statutory or Congressional mandates, 2) Congressional officers and committee chairs and/or ranking members, 3) individual members (Government Accountability Office, 2004). Despite the central role the GAO plays in the Congressional oversight process, to my knowledge, the only work which has explored GAO reports as a measure of Congressional oversight is an unpublished dissertation by Joseph (2002).

GAO reports have a big advantage over hearing-based measures of oversight be-
cause they represent actual audits of agency performance. The GAO sends investigators to the agency and the field, interviews both staff and outsiders affected by the agency, reviews documents, and independently verifies the accuracy of the agency’s reports. In a sense, they provide and/or verify the facts around which oversight hearings turn. With Congressional hearings, by contrast, it can be difficult to untangle pure oversight from political grandstanding or point-scoring. If a minority member spends an additional hour on the soapbox during an oversight hearing, does that really represent more oversight? An additional investigation by the GAO almost certainly is.13

In this section, I use the number of reports produced by the GAO concerning an agency as a measure of the degree of Congressional oversight of that agency.

### 4.1 Data and Descriptive Statistics

The dependent variable for these analyses is the number of GAO reports written about each agency, \( i \), for each year, \( t \), from 1980 to 2006 (\( \text{count}_i \)). A complete history from 1980 to 2006 was available for 33 large agencies. Table 2 lists these agencies, together with the total number of reports by agency for the period. The key independent variables for the first test are several measures of ideological division between Congress and the President. The simplest approach is to look for an effect of divided government. I include an indicator variable (\( \text{conflict}_t \)) set to be equal to 1 if the President is one party and both chambers of Congress are another, and 0 otherwise.

Table 3 presents descriptive statistics for the entire sample broken down by the presence or absence of this conflict. Details concerning the sources and construction for all the variables in this analysis are included in the Data Appendix. The de-
scriptive statistics offer suggestive evidence for increased oversight in times of strong political conflict. The mean number of reports is about 35 percent higher in times of high political conflict.

For multiple regression in the next section, I also break this measure of conflict into its constituent parts. I define a dummy for a Democratic President \((dempres_{it})\), a Democratic House \((demhouse_{it})\), and a Democratic Senate \((dmsen_{it})\). Furthermore, for each agency, I use the number of reports requested by each committee to identify which committee of each chamber has primary oversight responsibility for that agency. For each agency, I then code the first dimension Poole and Rosenthal (2006) DW-NOMINATE score for the committee chair of the appropriate House and Senate oversight committees as a measure of Congressional preferences \((housechair_{it}, senchair_{it})\). More positive DW-NOMINATE scores indicate more conservative ideology. The effect of these variables on oversight depends on the ideology of the President, so I will interact them with the indicator for a Democratic President.

For the second hypothesis, the impact of Congressional-agency conflict, we need a measure of agency ideology. Clinton and Lewis (2007) outline the state of the art and highlight the problems with each approach. They then implement an alternative measure, the measure used here, based on a survey of experts in bureaucratic politics (academics, journalists, and think tanks). The details for the estimates are outlined in their paper, but in brief, they adjust for individual-rater heterogeneity and the agencies’ political origins in a multi-rater item response model. I use their measures of agency ideology \((idea_{it})\), which cover 24 of the agencies in the sample and are reported in Table 2. As with DW-NOMINATE, higher ideological scores represent more conservative agencies. Table 3 splits the sample into the more and less ideologically extreme agencies, in terms of absolute ideology. On average, more extreme agencies receive more oversight, a difference of about 30 percent.
Finally, since variation in ideology is available only cross-sectionally, I sometimes collapse the oversight measure for all 26 years into a single measure \( \text{totreports}_i \) and control for civilian agency employment in 2006 \( \text{emp2006}_i \) (Office of Personnel Management, 2006). Alternatively, I control for the size of the agencies’ outlays \( \text{budget}_i \) or, in the cross-section, the average outlays over the sample period \( \text{avgbudget}_i \), as a measure of the level of activity. These variables are both measured in millions of 1983 dollars from the OMB budget (Office of Management and Budget, 2007). Sample means by agency for these variables are also included in Table 2.

### 4.2 Congress-Executive Conflict

From (9), \( \partial \text{Oversight} / \partial |\theta_E| \geq 0 \), which leads to the first hypothesis to test empirically.

**Hypothesis 1.** For a fixed agency, the level of Congressional oversight, as measured by number of GAO reports, is increasing in the degree of Congress-executive conflict.

I test this hypothesis in three ways. First, I look at a macro-level measure of Congress-executive conflict. Second, I untangle how the correlation found in the broad measure varies under different combinations of political control. And finally, I use a more focused measure of conflict, looking at individual oversight committees. In all of these tests, the general hypothesis bears out: more Congress-executive conflict is correlated with more GAO oversight.

The simplest measure of Congress-executive conflict is presence of strong conflict as defined above. If this conflict has any effect on oversight, the effect likely takes the form of proportional changes, with different agencies starting from different baselines, and so a log-linear specification with agency fixed effects seems most appropriate. Since these large agencies have no zero-report years, a log-linear specification is feasible. Conflict may be related to the amount of agency activity, which in turn
spurs oversight. Since we are concerned primarily with the direct effect of conflict on oversight, I control for agency outlays, although the estimated coefficient on conflict does not change much with the inclusion of this control. Finally, since there may be a time trend in oversight and in conflict, I include a cubic trend in years. Year fixed-effects are not feasible, since political conflict varies, at most, yearly. I will estimate the following regression equation:

\[ \ln \text{count}_{it} = \beta \text{conflict}_t + \phi \text{outlays}_{it} + \gamma_1 \text{year}_t + \gamma_2 \text{year}_t^2 + \gamma_3 \text{year}_t^3 + \delta_i + \epsilon_{it} \]  (10)

The model predicts \( \beta > 0 \), and column 1 of Table 4 presents the OLS estimates for this equation. The results comport well with the difference in means from Table 3. In fully divided government, all else equal, the number of GAO reports increases by about 40 percent as compared to either weakly divided or unitary governments.\(^{14}\)

Although there is no direct prediction from the model, we may wonder if the correlation between conflict and oversight is the same for a Republican or Democratic President. Table 4 includes OLS estimates of the following equation.

\[ \ln \text{count}_{it} = \beta_1 \text{conflict}_t + \beta_2 \text{dempres}_t \times \text{conflict}_t + \beta_3 \text{dempres}_t + \phi \text{outlays}_{it} + \gamma_1 \text{year}_t + \gamma_2 \text{year}_t^2 + \gamma_3 \text{year}_t^3 + \delta_i + \epsilon_{it}. \]  (11)

According to the results presented in columns 2 and 3 of Table 4, oversight is about 20 percent higher under a Democratic President, even in the absence of strong political conflict. Furthermore, the added increase in oversight associated with conflict is smaller under a Democratic President than a Republican, but in both cases strong political conflict is still associated with higher levels of oversight: a nearly 50 percent increase with a Republican president and nearly 30 percent increase with a Democratic President.
Neither does the theoretical model directly touch on the bicameral nature of the U.S. Congress, but the data can suggest whether conflict in one chamber or the other is more important. The final macro-level regression tries to disentangle the change in oversight of “weak conflict,” in which only one chamber is controlled by a party different from the President, and whether the oversight associated with conflict is symmetric across chambers. The final regression in Table 4 is

\[ \text{Incount}_{it} = \beta_1 \text{dempres}_{it} + \beta_2 \text{demhouse}_{it} + \beta_3 \text{demhouse}_{it} \cdot \text{demsen}_{it} \]

\[ + \beta_5 \text{dempres}_{it} \cdot \text{demhouse}_{it} \cdot \text{demsen}_{it} + \phi \text{outlays}_{it} \]

\[ + \gamma_1 \text{year}_{it} + \gamma_2 \text{year}^2 + \gamma_3 \text{year}^3 + \delta_i + \epsilon_{it}. \]  

(12)

This equation does not include all logically possible interactions of the control indicators, because, in this period, there was never a time when the Democrats controlled the Senate without also controlling the House or with a Democratic President and Democrats controlling only a single chamber of Congress. The excluded category is complete Republican control. All the coefficients are large, significant, and in the expected direction. Starting with complete Republican control, if the House switched to Democratic we would predict more than doubling in the level of oversight. If the Senate also went Democratic, oversight would increase by another 35 percent. Starting again from all Republican control, if a Democrat won the presidency, we would predict oversight to more than double. The only remaining mystery is why full Democratic control does not result in lower levels of oversight. With a Democratic President, going from full-Republican to full-Democratic control has no significant impact on the level of oversight.

With respect to the bicameral nature of Congress, it seems like getting control of the House is enough to spur a large jump in oversight, while the Senate has a
smaller (although statistically significant) effect. Returning briefly to the theoretical determinants of oversight, if agency policy is more important to the Congressional principal ($\alpha_C$ larger) compared to his outside option, then a given shift in $\theta_E$ will have a bigger impact on oversight. Perhaps overseeing one particular agency is less important to Senators than to House members, since they are less specialized and have more responsibilities elsewhere.

The foregoing estimates looked at broad ideological conflict between Congress and the President, but since GAO oversight is primarily triggered by members of the committees which oversee the agency, a potentially more productive approach is to look at ideological conflict at the committee level. Since committee chairs have priority in the GAO oversight process, I here consider conflict between the President and committee chairs. Dropping down to committee level, the model indicates the estimation of an equation of the form

$$
\ln\text{count}_{it} = \beta_1\text{housechair}_{it} + \beta_2\text{dempres}_{it} \ast \text{housechair}_{it} + \beta_3\text{senchair}_{it} \\
+ \beta_4\text{dempres}_{it} \ast \text{senchair}_{it} + \phi\text{dempres}_{it} + \phi\text{outlays}_{it} \\
+ \gamma_1\text{year}_{t} + \gamma_2\text{year}_{t}^2 + \gamma_3\text{year}_{t}^3 + \delta_i + \epsilon_{it}. 
$$

(13)

If the model is correct, $\beta_1$ and $\beta_3$ should be negative, while $\beta_1 + \beta_2$ and $\beta_3 + \beta_4$ should be positive. Table 5 presents results which are broadly consistent with this expectation. All the signs are in the predicted direction and the joint null is rejected in all three specifications. In terms of magnitudes, a one standard deviation rightward shift in both oversight committees under a Republican president would be correlated with a 35 percent drop in the number of GAO reports. A similar shift under a Democratic President predicts a 5 percent increase. Democratic Presidents again
have a direct influence on oversight, as their presence is associated with a large and significant increase. Perhaps Democratic Presidents were more ideologically divided from their average committee chair than Republican Presidents were, in this period. Furthermore, the marginal impact of conflict is relatively small under Democratic Presidents ($\beta_1 + \beta_2$ and $\beta_3 + \beta_4$ both are relatively small). A configuration with Democratic Presidents perched near the edge of the “ally” zone is consistent with these results.

The results on divided government contrast with some early work on the determinants of oversight. In particular, Mayhew (1991) finds little evidence that divided government leads to increases in major investigations. However, they do fit well with more recent work on Congressional oversight hearings (Smith, 2003, Gailmard, 2006). Contrary to common wisdom, ideological conflict has little effect on major investigations but instead affects day-to-day oversight.

4.3 Congress-Agency Conflict

The second hypothesis also comes directly from (9), since $|\partial\text{Oversight}/\partial|\theta_A| \geq 0$).

**Hypothesis 2.** For a fixed executive, the level of oversight is increasing in the degree of Congressional-agency conflict.

At the level of our data, more ideologically extreme agencies (relative to Congress) lead to more oversight. Using Clinton and Lewis’s measure of agency ideology and the collapsed measure of oversight, a simple approach is to estimate either of

\[ \ln(\text{totreports}_i) = \beta|\text{ideo}_i| + \gamma_1\ln(\text{emp}_i) + \gamma_2\ln(\text{avgbudget}_i) + \epsilon_i \]  
\[ \ln(\text{totreports}_i) = \beta\text{ideo}_i^2 + \delta\text{ideo}_i + \gamma_1\ln(\text{emp}_i) + \gamma_2\ln(\text{avgbudget}_i) + \epsilon_i. \]

<<<COMP: Place Table 6 about here>>>

33
In both cases, the model predicts $\beta > 0$, i.e., more extreme agencies induce more oversight. Of course, using the absolute value implicitly assumes that the average Congressional ideology is near zero, and we have no particular reason to believe that to be true. The quadratic specification allows the minimal point to be anywhere on the real line. It can also estimate both the contribution of the extreme agencies ($\beta$) and oversight-minimizing agency ideology ($-\frac{\delta}{2\beta}$). The first two columns of Table 6 present the OLS estimates of these regressions. In either specification, there is a positive relationship between ideologically extreme agencies and high levels of oversight. In the first specification, a one standard-deviation increase in the absolute ideology predicts a nearly 40 percent increase in oversight. From the second specification, the oversight-minimizing ideology is approximately 0.15, which is more conservative than the average agency, according to Clinton and Lewis (2007). This pattern fits with the conventional wisdom that federal bureaucratic agencies slant slightly liberal, relative to Congress. This oversight-minimizing value is approximately the ideological score of the Department of Agriculture. As a caveat, the defense agencies explain much of this relationship; limiting to civilian agencies weakens the results considerably, although the sign remains positive ($\beta = .33$, s.e. = .23 for the absolute-value case).

By taking a firmer stand on measuring agency-Congress ideological distance, we can consider a more focused test of the second hypothesis. Since the model measures ideological extremism relative to Congress’s ideal point, it make more sense to assume that the agency’s ideal point is fixed but becomes more “extreme” as its committee moves away from it. As a rough estimate, define

$$ideodist_{it} = housechair_{it}[1(ideo_i < 0) - 1(ideo_i > 0)],$$

where $1()$ is an indicator function. For a conservative agency, for example, this measure is increasing as the oversight committee becomes more liberal and decreasing.
as it becomes more conservative. This measure would be exactly correct if every agency were more extreme than every House committee chair, but with the inclusion of agency-level fixed effects it should not be too far off. Importantly, I am not taking differences in two ideology scores, since with the scale differences this would not be sensible. This panel specification has the advantage of allowing the inclusion of agency fixed effects, as well as fixed effects for each Congress. Now consider the regression

\[
\ln(\text{count}_{it}) = \beta \text{ideodist}_{it} + \delta_{i} + \pi_{t} + \gamma_{1} \text{year}_{t} + \gamma_{2} \text{year}_{t}^{2} + \gamma_{3} \text{year}_{t}^{3} + \epsilon_{it},
\]

where \( \pi_{t} \) are Presidential fixed-effects. The model predicts oversight to be increasing in ideological distance \( \beta > 0 \), and the estimates in columns 3 and 4 of Table 6 bear that out. A standard deviation increase in ideological distance would predict an increase in GAO reports of about six percent.

One additional caveat must be kept in mind for all the regressions that include agency ideology. Although I believe I am using the best measure of agency ideology available, it is still likely to be contaminated with quite a bit of measurement error. This error has certainly attenuated the results, and so the true effect of agency ideology on oversight is likely to be much larger than that estimated here.

### 4.4 Complementary Conflict

Finally, in addition to direct predictions on Congress-executive and Congress-agency conflict, these conflicts should be complements in the “production” of oversight, i.e.

\[
\frac{\partial \text{Oversight}(\theta_{A})}{\partial |\theta_{E}|} \geq \frac{\partial \text{Oversight}(\theta'_{A})}{\partial |\theta'_{E}|}, \text{if } |\theta_{A}| > |\theta'_{A}|.
\]

**Hypothesis 3.** An increase in the degree of Congressional-executive conflict should induce a larger increase in oversight for agencies which are further from Congress,
ideologically.

The complementarity occurs because, beyond a point, increasing the degree of executive-Congressional conflict has no effect on equilibrium oversight, but that point is further from Congress’s ideal point if the agency is further as well. To empirically identify the cross effects, I combine the direct terms with a cross term for the degree of complementarity. Specifically

\[
\ln(\text{count}_{it}) = \beta_1 \text{absideo}_i + \beta_2 \text{conflict}_t + \beta_3 \text{absideo}_i \times \text{conflict}_t + \phi \text{budget}_{it} \\
+ \gamma_1 \text{year}_t + \gamma_2 \text{year}^2 + \gamma_3 \text{year}^3 + \epsilon_{it}
\] (17)

\[
\ln(\text{count}_{it}) = \beta_2 \text{conflict}_t + \beta_3 \text{absideo}_i \times \text{conflict}_t + \phi \text{budget}_{it} \\
+ \delta_i + \gamma_1 \text{year}_t + \gamma_2 \text{year}^2 + \gamma_3 \text{year}^3 + \epsilon_{it}
\] (18)

and the squared-ideology variants. The second, fixed effects, specification has the advantage of controlling for all agency-specific factors which may be correlated with agency ideology, but the first has the advantage of presenting all three hypotheses in one regression. The central prediction of the model that these regressions test is \( \beta_3 > 0 \); more ideological agencies induce more oversight when there is political conflict between the executive and Congress. Table 7 presents the results of OLS estimates of these regressions. The signs are as predicted by the model, but the statistical evidence for this hypothesis is weak. A one standard deviation increase in absolute ideology increases predicted oversight by 10 percent more under political conflict than it does otherwise. And, when there is political conflict the net increase in oversight of such a “shift” is about 40 percent. We can certainly reject the alternative hypothesis that these two types of conflict are strong substitutes in the “production” of GAO oversight.
Taken together, the data on GAO oversight offer some support for the three hypotheses provided by the model. The evidence for the first two hypotheses is stronger than that for the last, but even in that case the data do not conflict with the story suggested by the model. With some empirical support for the base model, the next section investigates how the results might change under several alternative institutions.

5 Alternative Institutional Forms

The context for the basic model and the empirics is a Presidential system with completely separate appointment and oversight authority, a hierarchical bureaucracy that is subject to appointment at the top only, and administrative policymaking that is always subject to Congressional oversight. The roles I find appointees playing are a product of this institutional environment. To highlight the importance of each feature of the Presidential system for our results, and to shed some light on how differences in institutional details could affect policymaking, this section compares the outcomes that would occur under alternative institutional systems. I discuss three variants which are both common and simple to analyze: a stylized parliamentary system, strict hierarchy, and appointment with Congressional confirmation.

Consider, first, a stylized parliamentary system, in which the legislature both appoints the supervisor and oversees her. Otherwise, the game is identical to the baseline model. From the envelope theorem on Congress’s utility function we have $\theta^*_s = -\frac{\beta_A}{\beta_s} \theta_A$, and Congress uses indirect oversight and receives its ideal policy for “free.” Furthermore, the supervisor always plays the ally role. Wilson touches on this point when he notes that “[the U.S. separation of powers system] contributes to the adversarial nature of bureaucratic politics in this country” (Wilson, 1989, p.299). Only in rare circumstances of strong ideological coherence between the Congress and
the executive would separation of powers produce as helpful an appointee as the parliamentary system always produces.

There is some evidence for this prediction cross-nationally, at least at the level of case study. Parliamentary democracies such as Great Britain (Vogel, 1986), Sweden (Kelman, 1981), West Germany (Brickman et al., 1985), and Japan (Wilson, 1989) seem to define the roles and tasks of bureaucrats much more broadly than in Presidential systems, such as the United States. If we think of oversight as time spent setting rules of conduct and enforcing those rules, the basic model unambiguously predicts tighter rules on bureaucrats in a Presidential system. In a parliamentary system, little oversight is required by the legislature, since the supervisor is carefully selected to implement the legislature’s preferred policy without any oversight at all.

Perhaps the opposite extreme is a strict hierarchy. In a strict hierarchy, where the executive appoints a supervisor whom Congress is required to utilize, the executive can always obtain his ideal point. Since Congress no longer has the outside option of dealing directly with the agent, the executive is no longer bound by the feasibility constraint. He chooses $\theta^*_S = \frac{1}{\beta_S}(\theta_E - \beta_A \theta_A)$, which induces the implementation of the executive’s ideal policy. The appointee is neither an ally nor an adversary, but rather an outright enemy of Congress. She actually undermines Congress’s position, since it could do better by dealing directly with the agent.

This institutional setup is isomorphic to one in which there is no supervisor and the executive simply appoints the agent (or there is no agent, and the supervisor directly implements policy herself). This simple unitary agency, which has been the subject of most of the research on political control of agency policymaking, can never produce any checks on the executive or, therefore, the two roles we observe appointees playing. We do not believe that the executive always gets his preferred policy, and studies by Weingast and Moran (1983) and Moe (1985), among others, demonstrate an effect of Congress’s preferences on agency policymaking. So models of a unitary
agency must include an additional check on the executive, the most common of which is Senate confirmation, which we now consider.

5.1 Congressional Confirmation

One aspect of the U.S. system of divided government which is absent from the basic model presented above is the Constitutional provision for the confirmation by Congress of key Presidential appointments. Since this provision is an ex-ante check on the executive’s appointment authority, its inclusion may interact with the ex-post check outlined above in interesting ways. In fact, if ex-post oversight is sufficiently effective, Congress may never use its confirmation powers.

Rather than model all the institutional complexities of the appointment process, consider a reduced-form simplification in which Congress can limit the executive’s range of appointees at a cost. Specifically, before the baseline game begins, Congress can pay a cost \( d \geq 0 \) in order to restrict the range of available appointees to the set

\[
-\frac{\beta_A}{\beta_S} \theta_A - D \leq \theta_S \leq -\frac{\beta_A}{\beta_S} \theta_A + D.
\]

In other words, Congress can guarantee that the supervisor appointed will not diverge too far from its ideal appointee, but that guarantee comes at a cost. This condition could easily arise as an equilibrium of an appointment/monitoring game between the Congress and the executive, the details of which I leave unmodeled (Semenov, 2008).

The costs of confirmation are fixed and exogenous for every constellation of agent and executive preferences (\( \theta \)’s and \( \alpha \)’s) and supervision difficulties (\( \sigma \) and \( \chi \)’s), but the benefits of confirmation depend on all these parameters. So the attractiveness of the confirmation process depends crucially on both the degree of preference divergence and the effectiveness of ex-post oversight. Specifically, Congress is less likely to subject an appointee to confirmation if that agency is easy to control, ex-post, or if the
executive is closely aligned with Congress.

Formally, consider an agency for which \( \theta_S < -\frac{\beta_A}{\beta S} \theta_A + D \), so the most extreme supervisor that Congress will work with is actually less extreme than the most extreme who will win confirmation. In this case, the Congress gains nothing from subjecting the appointee to confirmation, since the executive is already constrained to select a supervisor within the confirmation range due to the effectiveness of Congress’s ex-post oversight. Similarly, if the executive’s ideal policy is within the range of policies induced by confirmable appointees \((-D\beta_S < \theta_E < D\beta_S)\), Congress gains nothing from subjecting the appointee to confirmation, since the executive always chooses an appointee within the confirmation range without any intervention by Congress. The executive never wants a policy which is more extreme than his ideal point. Confirmation involves a trade-off for Congress only if neither of these conditions holds: i.e., when ex-post oversight is relatively ineffective and the executive’s ideal policy is quite different from Congress’s. In this case Congress’s behavior is characterized by the following proposition.

**Proposition 2.** If \( D\beta_S > \min\{\theta_E, \beta_A \theta_A + \beta_S \theta_S\} \), Congress never chooses to use the confirmation process. If \( D\beta_S < \min\{\theta_E, \beta_A \theta_A + \beta_S \theta_S\} \), Congress subjects the appointment to confirmation if and only if

\[
d \leq \frac{\alpha_C}{\beta_A + \beta_S} \left[ \min \left\{ \theta_A^2 (\beta_A + \beta_S), \frac{4\alpha_A^2 \lambda_A}{\alpha_C + 4\alpha_A^2 \lambda_A}, \theta_E^2 \right\} - (D\beta_S)^2 \right].
\]

If Congress chooses confirmation, the executive will choose a supervisor at the appropriate extreme of the confirmable range, Congress will use the indirect oversight regime, and the equilibrium policy will be \( \pm D\beta_S \). Without confirmation, Proposition 1 governs equilibrium action.

**Proof.** If the confirmation requirement does not bind, as discussed above, it will never be used. Consider, then, the case in which \( D\beta_S < \min\{\theta_E, \beta_A \theta_A + \beta_S \theta_S\} \); the case
when $\theta_E < 0$ is similar. If the confirmation process is not used, Congress receives the payoff derived in the base model— the maximum of its payoffs under direct and indirect supervision, $V^C_\theta(\theta_A)$ and $V^C_{1}(\theta_E, \theta_A)$, as defined in the proof to Proposition 1. If the confirmation process is used, Congress will pay $d$, face a supervisor of type $-\frac{\beta_A}{\beta_S}\theta_A + D$, and receive equilibrium policy $x = D\beta_S$. Note that this means it receives the same payoff as if it faced an executive with preferences $D\beta_S$ who could deliver his favorite policy, i.e. $V^C_{1}(D\beta_S, \theta_A)$. The condition in the proposition simply represents the minimum cost $d$ for which these two payoffs are equal.

The intuition for the case when confirmation does not bind is outlined above. If confirmation does bind, its use will depend on the cost to Congress of exercising it. If we let $d^*$ be the cost of confirmation which makes Congress indifferent, it becomes a measure of how attractive confirmation hearings are to Congress. Within the range for which there is a trade-off for Congress, the comparative statics on $d^*$ are instructive. With an adversarial appointee, the only time the agency ideology matters, the more ideologically extreme (higher $\theta_A$) or ideologically committed is the agency (higher $\alpha_A$), the more attractive are confirmation hearings. The intuition is that when ex-post oversight is difficult because of a particularly recalcitrant agent, ex-ante control is particularly attractive. The most ideologically extreme agency given by Clinton and Lewis (2007) is the Department of the Navy, which has 7 appointees requiring approval out of 48 total (16 percent), while the least ideological, NASA, has 4 out of 138 (2 percent).

Similarly, the harder agencies are to control directly (high $\chi_A$), the more attractive are confirmation hearings. This result obtains because the ex-post check of threatening to exclude the appointee is relatively weak when Congress has a difficult time overseeing directly. Although outside the model, Federal Judges might very well be the extreme of this case: Congress cannot control them at all, ex-post, and so they al-
ways require confirmation. A slightly less extreme example is U.S. District Attorneys. They are very difficult to oversee because so much of their job is discretion and judgment. Instead, Congress requires consent in their appointment. In the Department of Justice, 222 of the 569 appointees required confirmation in 2004 (39 percent). At the opposite extreme is the Department of Health and Human Services, in which only 19 of 418 appointments require Senate approval (4 percent). Here agency policymaking is much easier to observe. If Medicare is not being implemented as specified, Congress will hear from its constituents immediately. Of course, a complete test of the confirmation hypotheses produced by the model would look not only at *de jure* authority, but *de facto* exercise. Binder and Maltzman (2002) and Chang (2001) suggest a potentially fruitful approach, looking at the length of the confirmation process.

6 Conclusions

By taking hierarchy seriously in administrative agencies, we can shed light on the way appointment and administrative policymaking work in a separation of powers system. Specifically, I explain why some appointees end up playing the role of Congressional allies, while others maintain an adversarial position vis-a-vis Congress and push the policy at the agency they lead away from Congress’s preferences. This dichotomy is closely related to an under-appreciated check on the executive’s appointment power brought about by Congress’s oversight authority. Neither result holds when dropping either the separation of powers assumption (as in a parliamentary democracy) or the hierarchical agency assumption (as when the executive selects the agent). In this simple model, ex-post oversight and ex-ante appointee confirmation are substitutes, and I outline the conditions under which each is attractive. Furthermore, the phenomenon of “going native” arises endogenously in the model, when the supervisor internalizes the costs of inducing implementation by the agent. Although the mod-
eling framework is the primary contribution of this paper, the empirical evidence on the determinants of Congressional oversight, as measured by GAO reports, follows the general pattern predicted by the model. Specifically, oversight is increasing in Congress-executive conflict and increasing in Congress-agency conflict, and these two forms of conflict are complementary in the “production” of oversight.

Future work should continue to put the organizational nature of bureaucratic agencies at the fore. One especially attractive future step is to endogenize the ideology of the agent. The Department of Defense is more conservative than the EPA for a reason. Certainly, tasks play an important role. To build a theory of endogenous agency preferences requires a model of organizational design, and I hope the model outlined here might serve as a fruitful jumping off point for such an endeavor. Finally, the empirics presented here are bare-bones. A fuller investigation must consider the appointees directly. Nixon (2004) made a few steps, but more needs to be done. The section on alternative institutions offered some stylized facts suggesting the plausibility of its conclusions, but a more robust empirical approach should help bound the model’s applicability.

7 Data Appendix

GAO Reports: This count includes both written testimony submitted to Congress and larger formal reports distributed more widely. It was compiled by a script-based search of the GAO web site’s reports database in the spring of 2007. The sample includes only agencies with complete histories, which presumably are those for which the GAO does a lot of oversight, so selection may be an issue. A single report often discusses two or more agencies, in which case it is counted as a report for all of them. This duplication is especially worrying in the case of sub-agencies, such as the Army and Air Force, since many reports
written about the Army also refer to the Department of Defense, and so the measures for the DoD and Army are strongly correlated. It is not, however, the case that all sub-agency reports are included in the count of their parent agency; they are included only if both are explicitly referred to in the report. Note, for example, that the IRS has 1186 reports, while the Treasury has only 1012.

House/Senate Chair Ideology: I used the most recent DW-NOMINATE scores from www.voteview.com. The DW-NOMINATE procedure uses roll call votes to place legislators on an s-dimensional policy space, where the first dimension fits fairly well with the traditional left-right continuum. Committee assignments are from Nelson (2005) and Stewart and Woon (2005). For certain agencies, their primary oversight committee came into existence after the beginning of the sample period or went out of existence before the end. For these agencies, there is no committee chair ideology for those years, and so the observations are dropped.

Agency Ideology: Clinton and Lewis ask,

Please see below a list of United States government agencies that were in existence between 1988–2005. I am interested to know which of these agencies have policy views due to law, practice, culture, or tradition that can be characterized as liberal or conservative. Please place a check mark in one of the boxes next to each agency— ‘slant Liberal, Neither Consistently, slant Conservative, Don’t Know.’

Where their predictions overlap with those of prior methods, the results are broadly similar. The strongest feature of this method is its broad applicability—they come up with ideological estimates for 82 executive agencies. The biggest
weakness, shared by every method, is that it cannot identify variation over time in agency ideology.

Notes

1 In addition to successful adversaries, there is infrequently an appointee who is too ideologically extreme to effectively influence policy at the agency: a failed adversary. Here, the paradigmatic example is Reagan EPA appointee Anne M. Gorsuch (later Burford). Ms. Gorsuch was continuously denounced in Congress and the press for being anti-environmental, for undermining the efforts of the regulators below her, and finally for cutting “sweetheart deals” with business. Finally, she was charged with contempt of Congress and resigned. As these allegations surfaced, Congress, led by Rep. John Dingell, held closed-door hearings with EPA staff and subpoenaed thousands of documents. Congress took over the oversight of the EPA, cutting Gorsuch out of the loop (New York Times, March 10, 1983). Exactly this threat of cutting the appointee out of the loop limits the executive’s attempts to shape policy through appointment.

2 An important strand of this literature has explored the rationale for and degree of delegation of policymaking (Epstein and O’Halloran, 1999, Huber and Shipp, 2002, Bendor and Meirowitz, 2004). In this paper, I take as given that policymaking occurs at the administrative level, and focus instead on the degree to which various actors are able to influence that policy.

3 This idea is commonly referred to as the “Ally principle.” My usage of Congressional “ally” differs from this usage, as it refers to an appointee who is useful for Congress.

4 Hierarchy’s minor role in most models of administrative policymaking seems strange. Public administrations are nothing if not hierarchical. The FDA has hundreds of investigators whose central task is to monitor the production of seafood for human consumption. These inspectors are overseen by over 50 specialists, all housed in the Program and Enforcement Branch, in the Division of Programs and Enforcement Policy, which is housed in the Office of Seafood, in the Office of Programs, in the Center for Food Safety and Applied Nutrition, and on up to the Department of Health and Human Services. All told, there are at least 10 formal layers of hierarchy between the investigators and the head of the public administration, the President. Most other federal and state agencies are just as deeply hierarchical. Sociologists, especially, have been documenting and characterizing the degree of hierarchy in public agencies for years, including important work by Blau,
Crozier (1964), and of course Max Weber (1978).

5 Alternately, we could think of the agent as a career manager, one who is simply closer to the site of policy implementation, such as an office head. In this second interpretation, I leave the details of implementation below the agent unmodeled, although that hierarchical interaction could be quite complex. I prefer this second interpretation, since Congressional oversight makes more sense in this setting, but the first may be easier to digest quickly. This three-tiered setup mirrors Tirole (1986) and Laffont and Tirole (1991), although they are concerned exclusively with policy implementation in a strict hierarchy.

6 Bureaucrats having ideological or policy preferences that affect their decisions should be uncontroversial: It has been demonstrated in widely varying situations, including Federal Judges (Sunstein et al., 2004), case workers in job training centers (Heckman et al., 1996), and NLRB staff (Moe, 1985). Prendergast (2003), 2007, Besley and Ghatak (2005), and Gailmard and Patty (2007) look theoretically at the effects of intrinsically motivated agents on policy implementation.

7 There are many ways to think about these influence activities. They could be investigations in order to publicize an agency’s failure to act in accordance with statute, simple hassling by an oversight committee, budgetary threats, or even a contempt of Congress investigation. The key is that the pressure increases as Congress devotes more resources to oversight and influence, and any mechanism that has that feature would suffice for the purposes of this paper.

8 The quadratic cost specification is necessary for closed-form solutions, although generic convex functions deliver qualitatively similar results. The key is that cost functions like those in Figure 2 will always give indirect utility functions like those in Figure 3. This means there will always be a range of supervisors with whom Congress is willing to work, centered around the supervisor for whom $\pi = 0$.

9 In the basic model, Congress oversees either the agent or the supervisor, but not both. We could allow Congress to oversee both the agent and the supervisor when oversight has been delegated. None of the qualitative results below would be affected, but indirect oversight would become more attractive, in general, broadening the range of acceptable appointees. What is central to the argument is Congress’s ability to shut down the influence of the supervisor under direct oversight, although a significant weakening of the supervisor’s influence would suffice.

10 This is not uncontroversial. Surely the talent pool is not limitless (Dewan and Myatt, 2010) and there is some evidence of a tradeoff between ideology and effectiveness (Lewis, 2008).

11 Without restriction (8), it’s possible that $x^*_D > x^*_I(\theta_S)$. If this occurs, the equilibrium will
look a lot like that in proposition 1, except that once $\theta_E$ gets above $(x^*_D + x^*_I(\theta_S))/2$, the executive will purposely choose a supervisor who will be excluded and force Congress into direct oversight. Since this outcome does not seem very reasonable, I focus on the other case. That being said, an anonymous referee aptly pointed out that there have been some occasions in which a President seems to have purposefully avoided providing an appointee, thereby forcing Congress to engage in direct oversight. Nixon’s laggardly appointment of the first set of commissioners to the Consumer Products Safety Commission being an example.

12For $\theta_E$ in the ally range, $x^* = \theta_E$, and from the proof of Proposition 1, $V^C = -\theta_E^2 \frac{\alpha C}{\beta A + \beta S} = -\alpha C \theta_E^2 - \text{Oversight}$, from which one can solve directly for the level of oversight. For $\theta_E$ outside the ally range, the executive acts exactly like an executive perched on the edge of the ally range, so the level of oversight will be exactly the same as for $\theta_E = \theta_A \sqrt{(\beta_A + \beta S) \frac{4\alpha_A^2 \chi_A}{\beta A + 4\alpha_A^2 \chi_A}}$ (the boundary of the ally range, from Proposition 1).


14The best treatment of standard errors in this setting is not completely clear. In all the results, I cluster on agencies, since within-agency autocorrelation and between-agency heteroskedasticity seem the biggest concerns. However, independence across agencies is unlikely to be strictly satisfied, since there is likely some covariance between agencies. An alternative approach is to cluster on years. This assumption would allow any complex covariance matrix among the agencies but assumes the years are independent. This covariance structure seems less likely and, in the end, gives stronger results.

15Perl script available from author by request. The search form can be found at http://www.gao.gov/docsearch/agency.php
References


Figure 1: Timing of the Game

Figure 2: Direct and Indirect Cost Functions

Figure 3: Congress’s Utility under Direct and Indirect Oversight

Figure 4: Prescribed Policy as a Function of the Supervisor’s Ideal Point, for a Fixed Agent

Figure 5: Equilibrium Policy, as a Function of the Executive’s Ideal Point
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<th>Action</th>
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Table 2: Agencies in Sample

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<td>Department of Defense</td>
<td>4847</td>
<td>200,110</td>
<td>2.21</td>
<td>678,327</td>
</tr>
<tr>
<td>Department of the Navy</td>
<td>1440</td>
<td>63,940</td>
<td>2.4</td>
<td>176,344</td>
</tr>
<tr>
<td>Army Corps of Engineers</td>
<td>282</td>
<td>2894</td>
<td></td>
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</tr>
<tr>
<td>Bureau of Indian Affairs</td>
<td>156</td>
<td>1116</td>
<td></td>
<td></td>
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<tr>
<td>Bureau of Land Management</td>
<td>299</td>
<td>763</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Aviation Administration</td>
<td>734</td>
<td>5228</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>412</td>
<td>506</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Service</td>
<td>423</td>
<td>2334</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal Revenue Service</td>
<td>1186</td>
<td>14,963</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Park Service</td>
<td>229</td>
<td>1096</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States Fish and Wildlife Service</td>
<td>255</td>
<td>732</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>988.82</td>
<td>38,592</td>
<td>0.31</td>
<td>55,303.72</td>
</tr>
<tr>
<td>SD</td>
<td>840.53</td>
<td>69,987</td>
<td>1.17</td>
<td>56,135.57</td>
</tr>
</tbody>
</table>
Table 3: Summary Statistics by Political Conflict and Agency Ideological Extremism

|                        | Overall (12 years) | No Strong Conflict (15 years) | | Ideology| >1 (12 agencies) | | Ideology| <1 (12 agencies) | n |
|------------------------|--------------------|-------------------------------|-----------------|-------------------|-------------------|-------------------|-------|
| ln(#GAO Reports)       | 3.23 (0.89)        | 3.41                          | 3.09            | 3.65              | 3.38              | 891               |
| House Committee Chair DW-Nominate | -0.02 (0.43) | 0.01                          | -0.05           | -0.005            | -0.05             | 891               |
| Senate Committee Chair DW-Nominate | 0.04 (0.32) | 0.03                          | 0.05            | 0.05              | 0.02              | 891               |
| Agency-Committee Ideological Distance | 0.000 (0.44) | -0.006                        | 0.005           | -0.03             | 0.03              | 648               |
| ln(Annual Agency Outlays M1983$) | 8.85 (2.15)   | 8.84                          | 8.86            | 10.18             | 8.61              | 879               |
| Dem. Pres Dummy        | 0.33 (0.48)        | 0.5                           | 0.2             | 0.33              | 0.33              | 27                |
| Strong Political Conflict | 0.44 (0.50) | 1                             | 0               | 0.44              | 0.44              | 27                |
| Agency Ideology Score  | 0.33 (1.13)        | 0.33                          | 0.33            | 0.47              | 0.21              | 24                |
| |                           | 0.95 (0.73)        | 0.95                          | 0.95            | 1.55              | 0.34              | 24                |
| Committee-Agency Ideological Distance | 0.00 (0.44) | -0.01                         | 0.00            | -0.03             | 0.03              | 648               |
| ln(Total GAO Reports 1980-2006) | 5.93 (0.91)   | 5.93                          | 5.93            | 6.52              | 5.93              | 24                |
| ln(2006 Agency Employment) | 10.48 (1.43)  | 10.48                         | 10.48           | 10.74             | 9.86              | 24                |

Overall sample includes 33 executive branch agencies from 1980-2006. Ideological measures are available for 24 agencies. Agency Ideologies are derived from Clinton and Lewis (2007), Congressional Chair DW-NOMINATE scores from www.voteview.com (Poole and Rosenthal). GAO Reports were collected from the GAO website, agency employment from the Office of Personnel Management, and Agency Outlays from the OMB historical budget series, which did not offer disaggregated budgets for the defense agencies for 1980-1983.
### Table 4: Effects of Broad Executive-Congressional Conflict on Oversight

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent:</strong> ln(#GAO Reports)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong Political Conflict</td>
<td>0.35</td>
<td>0.34</td>
<td>0.40</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.03)**</td>
<td>(0.03)**</td>
<td>(0.05)**</td>
<td></td>
</tr>
<tr>
<td>Dem. President</td>
<td>0.17</td>
<td>0.24</td>
<td>0.81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.03)**</td>
<td>(0.04)**</td>
<td>(0.06)**</td>
<td></td>
</tr>
<tr>
<td>Dem. President x Strong Political Conflict</td>
<td>-0.15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.07)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dem. House</td>
<td>0.89</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.11)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dem. House x Dem. Senate</td>
<td>0.29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.05)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dem. House x Dem. Senate x Dem. President</td>
<td>-1.13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.07)**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ln(Annual Agency Outlays M1983$)</td>
<td>0.35</td>
<td>0.34</td>
<td>0.34</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>(0.10)**</td>
<td>(0.10)**</td>
<td>(0.10)**</td>
<td>(0.10)**</td>
</tr>
<tr>
<td>cubic year</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>agency effects</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.79</td>
<td>0.79</td>
<td>0.80</td>
<td>0.81</td>
</tr>
<tr>
<td>n</td>
<td>879</td>
<td>879</td>
<td>879</td>
<td>879</td>
</tr>
</tbody>
</table>

All equations have the natural log of annual number of GAO reports, by agency, as the dependent variable. All regressors are dummy variables for Democratic control, except conflict which is equal to 1 when one party controls both chambers of Congress and the other party controls the Presidency. Robust standard errors are in parentheses, clustered at the agency level. A single asterisk indicates .05 significance, while two indicates .01.
### Table 5: Effects of Presidential-Committee Conflict on Oversight

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent: ln(#GAO Reports)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Chair DW-Nom</td>
<td>-0.77</td>
<td>-0.76</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.14)**</td>
<td>(0.14)**</td>
<td></td>
</tr>
<tr>
<td>Dem. Pres x House Chair DW-Nom</td>
<td>0.79</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)**</td>
<td>(0.16)**</td>
<td></td>
</tr>
<tr>
<td>Senate Chair DW-Nom</td>
<td></td>
<td>-0.10</td>
<td>-0.09</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.14)</td>
<td>(0.13)</td>
</tr>
<tr>
<td>Dem. Pres x Senate Chair DW-Nom</td>
<td>0.43</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.21)*</td>
<td>(0.28)</td>
</tr>
<tr>
<td>Dem. Pres</td>
<td>0.23</td>
<td>0.24</td>
<td>0.25</td>
</tr>
<tr>
<td></td>
<td>(0.04)**</td>
<td>(0.06)**</td>
<td>(0.06)**</td>
</tr>
<tr>
<td>ln(Annual Agency Outlays M1983$)</td>
<td>0.35</td>
<td>0.34</td>
<td>0.35</td>
</tr>
<tr>
<td></td>
<td>(0.10)</td>
<td>(0.10)**</td>
<td>(0.10)**</td>
</tr>
<tr>
<td>cubic year</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Congress Effects</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>agency effects</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>F Test p-value:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Chair DW-Nom + Dem. Pres x House Chair DW-Nom =0</td>
<td>0.66</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senate Chair DW-Nom + Dem. Pres x Senate Chair DW-Nom =0</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>all 4 together</td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.800</td>
<td>0.796</td>
<td>0.774</td>
</tr>
<tr>
<td>n</td>
<td>879</td>
<td>879</td>
<td>879</td>
</tr>
</tbody>
</table>

All equations have the natural log of annual number of GAO reports, by agency, as the dependent variable. Housechair and Senchair are the first dimension DW-nominate score of chair of the primary oversight committee for the agency. Robust standard errors in parentheses, clustered at the agency level. A single asterisk indicates .05 significance, while two indicates .01.
Table 6: Effects of Agency Ideology on Oversight

<table>
<thead>
<tr>
<th></th>
<th>Dep: ln(GAO Reports 80-06)</th>
<th>Dep: ln(#GAO Reports)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Agency Ideology Score</td>
<td>0.45</td>
<td>(0.18)*</td>
</tr>
<tr>
<td>(Agency Ideology Score)^2</td>
<td>-0.07</td>
<td>(0.13)</td>
</tr>
<tr>
<td>Ideological Distance</td>
<td>0.14</td>
<td>0.12</td>
</tr>
<tr>
<td>ln(Average Annual Agency Outlays M1983$)</td>
<td>-0.04</td>
<td>-0.05</td>
</tr>
<tr>
<td>ln(2006 Agency Employment)</td>
<td>0.32</td>
<td>0.32</td>
</tr>
<tr>
<td>ln(Annual Agency Outlays M1983$)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cubic year</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>agency effects</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Congress effects</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>R^2</td>
<td>0.584</td>
<td>0.605</td>
</tr>
<tr>
<td>n</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

In equations 1 and 2, the dependent variable is the log of the total number of GAO reports written about the agency between 1980 and 2006. In equations 3 and 4, it is the natural log of the annual number of GAO reports, by agency. The Agency Ideology score comes from Clinton and Lewis(2006). Ideological distance measures agency and the chair of the House committee overseeing it. The budget is outlays measured in M$1983. Employment in 1000s. Robust standard errors are in parentheses, clustered at the agency level in equations 3 and 4. A single asterisk indicates .05 significance.
Table 7: Cross Effects of Agency and Political Conflict

The dependent variable is the log of the number of GAO reports written about the agency. The Agency Ideology score comes from Clinton and Lewis(2006). The budget is outlays measured in M$1983$. Conflict is a dummy variable for the president being one party and both houses of Congress the other. Robust standard errors are in parentheses, clustered at the agency level. A single asterisk indicates significance at the .05 level.

<table>
<thead>
<tr>
<th>Dep: ln(#GAO Reports)</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agency Ideology Score</td>
<td>0.20</td>
<td>(0.19)</td>
<td></td>
</tr>
<tr>
<td>Strong Political Conflict</td>
<td>0.22</td>
<td>0.26</td>
<td>0.21</td>
<td>0.24</td>
</tr>
<tr>
<td>(0.10)*</td>
<td>(0.07)**</td>
<td>(0.10)*</td>
<td>(0.07)**</td>
<td></td>
</tr>
<tr>
<td>Strong Political Conflict x</td>
<td>Agency Ideology</td>
<td>0.13</td>
<td>0.14</td>
<td></td>
</tr>
<tr>
<td>(0.09)</td>
<td>(0.09)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agency Ideology Score</td>
<td>0.03</td>
<td>(0.09)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Agency Ideology Score)^2</td>
<td>0.10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.09)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong Political Conflict x Agency Ideology</td>
<td>0.01</td>
<td>0.02</td>
<td></td>
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</tr>
<tr>
<td>(0.05)</td>
<td>(0.05)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong Political Conflict x (Agency Ideology)^2</td>
<td>0.05</td>
<td>0.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(0.04)</td>
<td>(0.04)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ln(Annual Agency Outlays M1983$)</td>
<td>0.08</td>
<td>0.07</td>
<td>0.24</td>
<td>0.24</td>
</tr>
<tr>
<td>(0.06)</td>
<td>(0.07)</td>
<td>(0.09)*</td>
<td>(0.08)**</td>
<td></td>
</tr>
<tr>
<td>cubic year</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>agency effects</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Congress effects</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

F Test: p-values:

| Strong Political Conflict x | Agency Ideology | + | Agency Ideology | = 0 | 0.03 |
| Strong Political Conflict x (Agency Ideology)^2 + | (Agency Ideology)^2 = 0 | 0.05 |
| R^2                         | 0.375     | 0.317    | 0.754    | 0.756    |
| n                           | 636       | 636      | 636      | 636      |