

# Discretionary Authority and Prioritizing in Government Agencies

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*A Theory of Incentives in Procurement and Regulation* (1993) with Jean-Jacques Laffont

*The Politics of Government Decision-Making: A Theory of Regulatory Capture* (1991)  
with Jean-Jacques Laffont

*Hierarchies and Bureaucracies: On the Role of Collusion in Organizations* (1986) and  
*Formal and Real Authority in Organizations* (1997) with Philippe Aghion

*The Economics of Career Concerns: Part II: Application to Mission and Accountability of  
Government Agencies* (1999) with Matthias Dewatripont and Ian Jewitt



"[.] to do multiple things well requires both sufficient capacity and continuous fine-tuning of the agency's allocation of resources [.] Some areas will flourish while other will languish – even if budgets keep pace with new responsibilities." Hyman & Kovacic (2013), p. 20.

"[.] decision makers may not properly fund and structure the competition agency in order to reduce its ability to enforce law in practice." Gal (2004), p.7.



- An agency with discretionary authority
- Complex major, difficult cases versus basic minor, simple cases
- A head with some discretionary budget for giving rewards
- Official(s) interested in rewards and effort

$$E[U^O(a, \theta)] = p_i(a, \theta)R_i - c(a)$$

- Head also concerned with “impression management”

$$E[U^H] = p_i d_i + \phi d_i + V(D - p_i R_i)$$



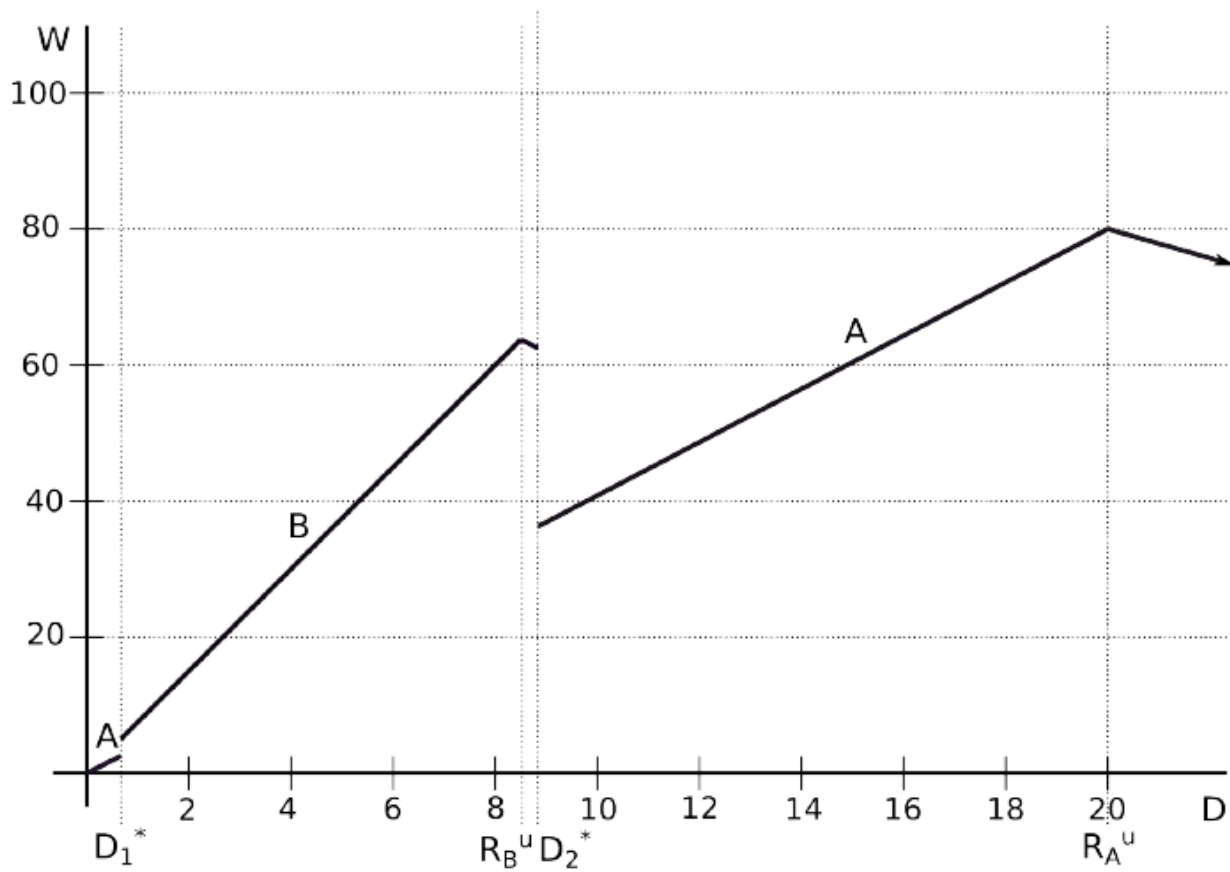


Figure 2: Social welfare as a function of the available discretionary budget.

