Bureaucratic Overconfidence and Policy Consequence

Abstract

One primary source of bureaucratic power in government and policy making process derives from the specialized knowledge or issue expertise possessed by bureaucrats. Recent studies in cognitive psychology and behavioral decision making suggest that experienced experts, in general, tend to be overconfident in estimating their issue expertise (Lin and Bier 2008; Schrand and Zechman 2012; Johnson and Fowler 2011; Galasso and Simcoe 2011; Malmendier and Tate 2005; Mahajan 1992; Barber and Odean 2001, Baumann et. al. 1991; Massey and Thaler 2010; Scheinkman and Xiong 2003; Hafner-Burton et. al. 2013; Tetlock 2005; Larrick, Burson, and Soll 2007; Moore and Healy 2008). Most studies demonstrate that overconfidence often contributes to judgment biases, decision errors, and even major policy failures (Neale and Bazerman 1985; Barber and Odean 2001; Berner and Graber 2008; Galasso and Simcoe 2011; Johnson 2004; Mahajan 1992; Schrand and Zechman 2012).

In recent decades political scientists have paid substantial attention to bureaucratic power and influence, particularly in the context of budget politics, agenda setting, and policy decision making process(e.g. Altfeld and Miller 1984; Bendor, Taylor, and Van Gaalen 1985, 1987; Gailmard and Patty 2007; Makris 2006; Niskanen 1971; Stephenson 2007). However, there has been little attention to bureaucratic expertise and
overconfidence as well as their possible effects on public policy. Drawing on past theoretical and empirical literature on overconfidence and policy preference, this study develops and examines two testable hypotheses: (1) The more experienced bureaucrats tend to be more overconfident about their issue-specific knowledge or expertise compared to the less-experienced agents, and (2) Individual bureaucrats’ policy preferences in a specific issue domain are significantly affected by the degree of their overconfidence about their issue-specific knowledge or expertise – specifically, higher overconfidence leads to higher risk-taking policy choices.

To test these hypotheses, we collect our data through a survey of representative public decision makers across 50 US states with a focus on the issue of climate change. The sample is constructed of local, state, and regional-national agencies whose responsibilities include planning for any possible effects of climate change in their jurisdictions. These sampled agencies cover a wide range of sectors such as emergency management, economic development, public health, environmental protection, coastal and natural resources management, and metropolitan planning. Our final dataset includes 579 completed interviews, covering individual respondents’ job relevance/experience, issue expertise (subjectively self-perceived expertise and objectively measured expertise), their policy choice preferences as well as other personal characteristics and background information.

Our statistical analyses demonstrate that the level of issue-specific expertise perceived by individual bureaucrats is positively associated with their work experience/job relevance, more experienced bureaucrats tend to be more overconfident in assessing their expertise, and bureaucrat’s overconfidence, independently of sociodemographic characteristics, attitudinal factors and political ideology, significantly influences bureaucrats’ policy choices toward risk taking options. Implications of these findings for future research will be discussed in the conclusion.

Reference


**Keyword**

Issue knowledge, Expertise, Bureaucrat, Overconfidence, Public policy, Climate change