

# Political Career Concerns and Optimal Government Hierarchies

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An autocratic government like China incentivises its bureaucrats by their political career concerns (Li and Zhou, 2005; Xu 2011) instead of by reelection pressures. In addition, public posts are attractive often not because of their salaries but because of the opportunities to abuse authority. Authority is thought of as representing both the amount of resources available to and the share of government decisions made by the office. It is a double-edged sword. If an official presides over a position with greater authority, he generates more public good if he works, but he also reaps more private benefits if he abuses power. The government uses allocation of authority and personnel policies to motivate its officials.

When salaries pale compared with the opportunities to abuse power, at least one office must be used to reward hardworking officials. That is, the authority of this reward office is intended as perks to be abused. The turnover rate at such an office involves a tradeoff between making this reward post more attractive and using this post to incentivise efforts from other officials. This tradeoff comes from the constraint that a lower rank official can be promoted to this office only when the current office holder leaves.

When there are two posts, in an optimal hierarchy, the holder of the high rank office (the one with more authority) is intended to abuse power, while the holder of the low rank office (the one with less authority) is intended to work. On the equilibrium path, the low rank official will be promoted upon working, while the high rank official will be demoted to make room for that. When there are three posts, the vertical structure performs better than the horizontal structure. In the vertical structure, a low rank official is supposed to work and will be promoted by one level upon working, while the official at the top office is intended to reap the rewards by abusing power. In the horizontal structure, two local offices have equal rents and promotion to the top office is determined by a tournament between the local officials. The vertical structure performs better by backloading incentives. We study optimal government hierarchy for  $n$  posts, and the pros and cons of having an additional post.