

# A Theory of Presidential Centralization with Politicization

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## Abstract

While the presidential strategies of centralization and politicization have long been considered key tools for presidential influence over federal policy-making, most previous work has studied these strategies informally and/or in isolation. This paper employs a formal model of both centralization and politicization to explore the trade-offs presidents face when deciding how to create policy. The model presents several findings. First, contrary to existing literature, the president's ideal level of politicization is not monotonically increasing in ideological distance between the president and agency, but, after initially growing, is replaced by centralization. Second, Congress can exert substantial influence on the centralization/politicization decision absent visible action and apart from altering agency ideology. Finally, even when the president is able to employ both centralization and politicization, the strategies serve as strict substitutes if both are costly. More generally, the model illustrates how the joint examination of presidential tools affects our understanding of presidential actions.

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# 1 Introduction

On January 29th, only a week after the first case of COVID-19 was reported in the US, President Trump announced the creation of the White House Coronavirus Task Force, a centralized team of officials from the White House and various federal agencies (The White House 2020). As the pandemic developed, the Task Force became the focal point of the administration’s attempt to manage the policy response to the pandemic, holding daily meetings and press conferences and directing the policies of the federal government, including over-ruling agency decisions (Kaplan 2020). In addition, another centralized response led by the President’s son-in-law, Jared Kushner, sought to coordinate the private sector response (Cancryn and Diamond 2020). However, the administration began turning its focus toward politicization, while relegating centralization efforts to the background. In late April, it announced, then retracted under public backlash, the total disbandment of the Task Force (Restuccia 2020). Meanwhile, the administration placed a number of political appointees into the Department of Health and Human Services (HHS), most notably installing former Trump Campaign staffer Michael Caputo as the assistant secretary of public affairs (Diamond, Cancryn, and Oweremohle 2020). From this role, Mr. Caputo brought in several additional loyalists, who together sought to wield substantial influence over the policy and reports issued by HHS and the Centers for Disease Control and Prevention (CDC) (Diamond, Cancryn, and Oweremohle 2020).

Why did the Trump administration switch strategies in the middle of the pandemic? What were the tradeoffs that led to such a decision? More generally, how do the presidential strategies of centralization and politicization affect one another? While it is widely agreed that *centralization*, the creation of policy within the Executive Office of the President (EOP), and *politicization*, the use of political appointees to influence policymaking, are fundamental to the modern presidency, surprisingly little attention has been paid to how they affect one another. Instead, the vast majority

of the literature focuses on each strategy in isolation. However, these strategies are essentially two sides of the same coin: either the president can attempt to influence policy when it is delegated to the agencies through politicization, or she can seek to avoid the downsides of delegation through centralization.<sup>1</sup>

The president relies on these strategies because presidential power is inherently limited. Although endowed with both formal and informal powers, presidents are constrained in their ability to change policy and are often dependent upon the cooperation of others within and outside of the executive branch (Neustadt 1960). Meanwhile, the expectations placed upon the presidency continue to inexorably expand, creating a gap between the president’s perceived and actual power—a gap that presidents want to close, whether for reasons of reelection, legacy, or inherent policy preferences (Moe 1985). Furthermore, the literature suggests that presidents turn to centralization and politicization as the two primary strategies to increase their influence over policymaking (Moe 1985; Nathan 1983).<sup>2</sup>

This paper seeks to improve our understanding of both strategies through presenting a formal model that jointly examines presidential centralization and politicization, rather than focusing on one strategy in isolation. The baseline model presented here also differs from the existing literature by focusing on the policy creation aspect of centralization in particular, and is therefore labeled the policy creation model. Related work often focuses instead on centralized regulatory review, as in

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1. Or the president may engage in both, perhaps as a form of strategic redundancy (e.g., Ting 2003). The review of the literature discusses existing research on this question, while the policy implementation model addresses this possibility in a formal manner.

2. Nathan’s terminology differs somewhat from current convention, but focuses on the same strategies. He outlines the presidential choice between the “legislative strategy,” in which the White House focuses on centralized policymaking for the president’s legislative agenda, and the “administrative strategy,” in which the effort of the White House is geared toward gaining control of federal agencies through politicization.

Bubb and Warren (2014). Building on the structure of delegation of authority models, such as Bawn (1995), and the formalization of politicization in Lewis (2008), the policy creation model explores the fundamental trade-offs the president faces in the centralization-politicization decision. Politicization involves delegating to more informed, but ideologically incongruous, agents while attempting to increase ideological alignment. Meanwhile, centralization attempts to avoid delegation altogether through primarily completing the design of policy within the EOP. Thus, the policy creation model presents the president with the option to either centralize or delegate and, if delegation is chosen, to select a level of politicization (or no politicization at all). Notably, the model shows that politicization is not strictly increasing in ideological distance between the president and the agency, as in Lewis (2008). This is because politicization costs increase with ideological distance, while centralization costs are unaffected. Therefore, politicization becomes more expensive relative to centralization the further apart the ideologies of the president and agency, causing centralization to replace politicization.

Following the presentation of the policy creation game, I extend the model to explore how Congress may affect the centralization versus politicization decision. This extension shows how Congress may substantially affect the president's centralization and politicization, even absent visible actions, through its veto power over politicization. As a part of this general phenomenon, divided government makes centralization more likely, even independent of congressional influence on agency ideology.

Finally, I present a second model focusing on the implementation of policy, instead of policy creation, to examine how further interdependence between centralization and politicization affects each strategy. This model, which I refer to as the policy implementation model, does not assume whether the two strategies are complements or substitutes (unlike the policy creation game). Most importantly, the game shows that since both are costly options, the two strategies serve as substitutes, a point long

debated in the literature (e.g., Nathan 1983; Rudalevige and Lewis 2005).

## 2 Review of the Literature

The president’s need for centralization and politicization finds its root in the classic delegation dilemma between seeking control over policy outcomes and utilizing the expertise of political agents (Bawn 1995; Kiewiet and McCubbins 1991). As the head of the executive branch, which consists of over four million civilian and military personnel (Selin and Lewis 2018) and more than three hundred agencies (Selin 2015), the president experiences the need for and consequences of delegation perhaps more acutely than does any other political actor.

Delegation can be modeled in essentially two ways (Bendor, Glazer, and Hammond 2001). In alignment with Aghion and Tirole’s (1997) distinction between formal and real authority, the first category of delegation models can be thought as those in which the principal delegates real authority to the agent, while in the second type real authority is retained by the principal (Bendor, Glazer, and Hammond 2001). In other words, in the first class of models, if the president decides to delegate to the agent, the agent—not the principal—then possesses the ability to select the final policy (e.g., Bawn 1995; Epstein and O’Halloran 1999). If the principal instead retains the real authority over setting the policy, the model typically involves either signaling by the agent to the principal or a screening mechanism set up by the principal (Baron and Meiorowitz 2006).<sup>3</sup> The models presented in this paper belong to the first type, with the president delegating real authority to the agency to set policy.

At its core, politicization serves as a specialized case of delegation, adding a

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3. In the former situation, the agent reports some signal about private information to the principal, who then decides the final policy (e.g., Gilligan and Krehbiel 1987, 1989, 1990). In the latter, the principal proactively creates a mechanism that screens the information by establishing the response to it before the agent begins his or her work (Baron 2000).

competence-responsiveness trade-off to the delegation decision (Lewis 2008). That is, the placement of ideologically-aligned managers into the agency increases the agency’s responsiveness to the president’s wishes by bringing agency policy preferences closer to presidential preferences, but can decrease the ability of the agency to fulfill these wishes (Lewis 2008). On the responsiveness side of politicization, any president with policy preferences would opt for agents that are more ideologically aligned, all else equal. Additionally, the public can benefit from closer ideological alignment of bureaucrats with political actors, since responsive agencies can increase the democratic responsiveness of government by allowing elected officials to more effectively implement the agenda they campaigned for and were elected on (Moe 1985; Nathan 1983). However, there is substantial evidence that politicization can both directly and indirectly harm bureaucratic competence. Direct effects come most notably through the lack of expertise of many political appointees and the transience of their leadership (Hecklo 1977; Krause 2009; Lewis 2008). Somewhat less directly, politicization may lead to decreased effort and morale, as well as to difficulty in retention and recruitment (Dewatripont, Jewitt, and Tirole 1999; Lewis 2008; Richardson 2019; Suleiman 2003).

Note, for the sake of brevity, in this paper I frequently refer to the president’s centralization versus politicization decision. This may differ from the reader’s expectation of a centralization versus delegation decision. Since this model is designed with a particular focus on the United States presidency, delegation is accompanied by the additional considerations of politicization. Thus, I use the term “politicization” to refer to the president’s joint decision of delegation and the determination of how much political influence to exert on the delegated policy creation process through the use of political appointees.<sup>4</sup>

With centralization, instead of delegating to imperfectly monitored agencies that

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4. Including the selection of delegation without politicizing.

often have diverging policy preferences and may be influenced by external actors (such as Congress), the president seeks to centralize policy decisions within the Executive Office of the President (Lowande 2018; Rudalevige 2002). To the author's knowledge, the trade-offs of centralized policy creation have received extremely limited formal attention in the American politics literature, with most not considering centralized policy creation within the executive branch, and those that do often modeling centralization as a costless option (e.g., Bubb and Warren 2014; Howell 2003) or as an option with indirect costs, such as accountability concerns (Judd 2017) or agency personnel problems (Cameron and Figueiredo 2020). Lowande (2018) serves as an exception, assigning inherent costs to centralization while primarily examining the effect of agency independence on delegation. Despite the limited formal attention in the American politics literature, the empirical literature clearly demonstrates that centralized policymaking itself is not without a variety of costs (Kennedy 2015; Nathan 1983; Rudalevige 2002).

First, it is clear that centralization should ensure greater ideological alignment with the president and more perfect observation by the president (Rudalevige 2002). As for costs, centralization requires substantial investment to build the capacity necessary to develop policy. The EOP typically contains highly responsive and highly competent staff who are nevertheless very much limited in number. Thus, centralization is quite expensive in terms of opportunity costs, as EOP staff can address only so many policies at a time, and these costs multiply as the complexity of the policy area grows (Rudalevige 2002; Tomkin 1998). Furthermore, centralized staff cannot be expanded too much, or they begin to suffer from the same delegation problems that the president was seeking to avoid through centralizing in the first place (Nathan 1983). Thus, centralization should also be modeled with diminishing marginal returns.

When it comes to examining centralization and politicization together, there is a dearth of literature, despite the fact that they have long been considered to be related

strategies (Moe 1985; Nathan 1983). To the author’s knowledge, the closest model is that of politicization with regulatory review in Bubb and Warren (2014). However, as noted above, this model does not consider costs of centralized review and does not focus on centralized policy creation, but rather regulatory review. Thus, formal knowledge of how these two strategies relate is quite limited. In fact, it is up for debate whether centralization and politicization serve as complements or substitutes. With a model that contains no inherent cost to implementing centralized regulatory review, Bubb and Warren (2014) conclude they are complements, a perspective that aligns with the informal discussion presented in Moe (1985). On the other hand, Richard Nathan states in his evaluation of centralization and politicization that “Despite the surface appeal of combining these two approaches...these two strategies do not go together” (Nathan 1983, 29). More recently, Rudalevige (2002) and Rudalevige and Lewis (2005) employ a transaction cost approach to evaluate the two strategies, assuming that the president will select whichever option—creating policy “in house” or delegating it to a politicized agency—is cheaper. Thus, Rudalevige and Lewis (2005) reason centralization and politicization should be considered substitutes.

Empirically, there is preliminary evidence that the two strategies are, in fact, substitutes—at least in the creation of the president’s legislative program. While Rudalevige (2002) finds mostly null results when evaluating the relationship between centralization and politicization, Rudalevige and Lewis (2005) utilize more refined politicization data to establish initial evidence toward a negative relationship between the strategies. In response to this evidence, the initial policy creation model assumes they are substitutes, while the policy implementation model makes no such assumption.

### 3 The Policy Creation Game

This section introduces a simple model that incorporates both centralization and politicization, providing an opportunity to explore some of the fundamental trade-offs between the two strategies. This policy creation model is a classic delegation of authority game in the tradition of Bawn (1995). It builds on the modeling of politicization presented in Lewis (2008), but, unlike the Lewis model, provides the president the option of centralization. This section will present a simple single-period game in which the president can choose to either politicize or centralize the creation of a single policy.

When thinking about centralization in this model, one can envision the president ordering White House staff to devote substantial time and resources to designing a specific policy, perhaps in order to write a detailed directive to an executive agency on how to execute an item on the administration's policy agenda (Kagan 2001). For politicization, the reader can imagine the president instead trusting political appointees within an agency to direct the creation of a given policy, perhaps augmenting the ranks of appointees in that policy area to assist with or oversee the process.

The policy creation game involves two players: the president  $P$  with ideal policy  $p$  and the agency  $A$  with ideal policy  $a$  on a unidimensional policy space.<sup>5</sup> Let  $x_I$  be the policy selected by player  $I$ , and let  $\omega$  be the state of the world, which creates a policy shock such that the final policy outcome is  $\hat{x} = x_I - \omega$ . The state of the world  $\omega$  is known by the agency but not by the president. Let  $\omega$  be distributed with a finite variance such that the president never prefers to make policy without knowing  $\omega$ .<sup>6</sup> Both players in this game are policy motivated, with single-peaked policy preferences over a unidimensional policy space. In general, players' preferences can be expressed

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5. The single agency can be thought of as the president's best option of agency.

6. The more specific conditions of the participation constraint will be discussed later.

by a quadratic policy loss function, where  $i$  is the ideal policy for player  $I$ .

$$U_I = -(\hat{x} - i)^2 \tag{1}$$

Game play proceeds in the following manner. First, Nature selects the value of the state of the world,  $\omega$ , and the president's and agency's ideal points are exogenously determined. These are each defined relative to the status quo policy, which is set at 0, and  $p \geq 0$  without loss of generality. The president then decides whether to centralize the creation of the policy or to delegate to a politicized agency. If the president decides to delegate, she also selects a level of politicization. The policy is then created, either by the president (under centralization) or by the agency (under politicization), the policy is implemented, and payoffs are realized.

If the president chooses to centralize the creation of the policy, she pays a cost  $c(m) > 0$  to invest in centralized capacity, where  $m > 0$  is a measure of the complexity of the policy and  $c(m)$  is a convex function strictly increasing in  $m$ . This cost function can be conceptualized as including both the startup costs of building up the capacity necessary for centralization and the opportunity costs of devoting limited EOP staff and resources to creating the policy. It can also be interpreted as including errors in determining the correct policy to implement. The cost function is convex in order to model increasing marginal costs of centralization.<sup>7</sup> After paying this cost, the president is able to discern the state of the world,  $\omega$ , and choose a policy to implement.

If the president instead decides to delegate to the agency, she then selects a level of politicization for the agency, denoted  $q, \in [0, 1)$ . Note that a choice of  $q = 0$  is

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7. This is in contrast to Rudalevige (2002, 88), who hypothesizes that centralization benefits from economies of scale. While there may be initial economies of scale, Nathan (1983) provides a convincing picture of increasing marginal costs/decreasing marginal returns to centralization through his description of the Nixon administration. Also see Krause (2004) for a discussion of how the growth of the institutional presidency has arguably decreased its effectiveness.

equivalent to delegation without politicization.<sup>8</sup> The level of politicization  $q$  can be thought of as the proportion of managers in the agency who are politically appointed. The agency, which already knows  $\omega$ , then gets to select which policy to implement. As in Lewis (2008), politicization has two primary effects on policy outcomes: it brings the agency into closer ideological alignment with the president, but at the cost of reducing agency capacity, making the agency less reliable.

The benefit of politicization for the president comes from shifting the ideal point of the agency to become more proximate to that of the president. Let the agency’s new, politicized ideal point be  $\hat{a} = (1 - \gamma(q))a + \gamma(q)p$ , where  $\gamma(q)$  is a concave function strictly increasing in  $q$ , the level of politicization. Furthermore, let  $0 \leq \gamma(q) < 1$ .<sup>9</sup> That is, the politicized ideal point of the agency is essentially a weighted average between the president’s and agency’s ideal points, allowing the president to essentially “tip the scale” toward her preferred policies by increasing  $q$ .

However, to reflect the loss in agency capacity associated with politicization, higher levels of politicization also affect the agency’s ability to determine the state of the world. As mentioned above, an unpoliticized agency knows  $\omega$  without paying any additional cost. A politicized agency, however, will make an error  $\epsilon$  with  $\mathbf{E}(\epsilon) = 0$  and  $Var(\epsilon) = mq$  in the determination of  $\omega$ .<sup>10</sup> Note that the variance of the error increases in  $q$ , the level of politicization, and  $m$ , the complexity of the policy area. Thus, as politicization increases and the importance of agency capacity grows, the

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8. A scenario of no politicization could look like the promotion of careerists with the agency to the statutorily required appointed positions or otherwise appointing highly qualified individuals based on expertise such that the appointees do not meaningfully bring the ideology of the agency closer in line with the president.

9. That is,  $\gamma(q)$  determines how much a certain level of politicization affects the movement of the agency’s ideal point. Factors such as statutory requirements on appointments (Selin 2015), agency culture, and/or political networks (Carpenter 2001) may affect how independent an agency is from presidential influence and make a given level of politicization more or less effective.

10. This can be microfounded by assuming  $\epsilon \sim \mathcal{U}[-\sqrt{3mq}, \sqrt{3mq}]$ .

agency is less able to discern where to best place policy.

The equilibrium concept is subgame perfect. I will proceed using backward induction. It is clear that both the president and the agency want to choose a policy outcome as close as possible to their ideal point, all else equal. This means that the president, if she centralizes, will choose a policy  $x_P = p + \omega$  so that the policy outcome aligns with her ideal point  $\hat{x} = p$ . Therefore, the president's expected utility of centralization is simply the cost of centralization with no policy loss.<sup>11</sup>

$$EU_P(\textit{centralization}) = -c(m) \tag{2}$$

Alternatively, if the president chooses to delegate and politicize, the agency will select  $x_A = \hat{a} + \omega$  so that  $\hat{x} = \hat{a}$ . The agency has no incentive to create a policy that does not align with its ideal point; since the president has delegated real authority to the agency, she must accept whatever policy the agency recommends.<sup>12</sup> Accordingly, the president's expected utility from politicization consists of the policy loss from delegating to the agency plus the cost of the errors resulting from lower agency capacity, or  $EU_P(\textit{politicization}) = -[(1 - \gamma(q))(a - p)]^2 - mq$ . Following from this, the president will want to select an optimal level of politicization  $q^*$  that balances out the policy gains from politicization with the increase in policy errors. By the first order condition, this means that if the president chooses to delegate, she will select a level of politicization that satisfies  $(1 - \gamma(q^*))(a - p)^2\gamma'(q^*) - \frac{m}{2} = 0$ . Thus, the president's expected utility from choosing to politicize is

$$EU_P(\textit{politicization}) = -[(1 - \gamma(q^*))(a - p)]^2 - mq^* \tag{3}$$

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11. That is, any policy loss from an error in creating the policy is captured in the cost term  $c(m)$ .

12. While total delegation of real authority does not perfectly reflect reality, this simplification is not without justification. Unless there is at least a partial delegation of real authority, the agency has little incentive to create any policy.

Note that the president's expected utility of delegation without politicization is simply this equation with  $q = 0$ .

In the initial step of the game, the president will choose whichever strategy is cheapest.<sup>13</sup>

*Lemma 1.* The President will choose to centralize whenever

$$c(m) \leq [(1 - \gamma(q^*))(a - p)]^2 + mq^* \quad (4)$$

and politicize at a level of  $q^*$  otherwise.

As is typical of delegation of authority models, the equilibrium outcome is efficient if and only if the president chooses to politicize/delegate (Bendor, Glazer, and Hammond 2001).

What does this policy creation model tell us? First of all, the relationship between politicization and agency ideology is more complex than has been theorized in the previous literature, as described in Proposition 1.

*Proposition 1.* All else equal, as ideological distance between the pres-

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13. Two conditions must be met to exclude the trivial cases of the game where the president is better off by not creating a policy or not investing in centralized capacity. First, the variance due to the uncertainty around  $\omega$  must be large enough so that it is never in the president's best interest to create a policy without attempting to discern  $\omega$ :

$$\mathbf{E}[\max\{-c(m), -[(1 - \gamma(q^*))(a - p)]^2 - mq^*\}] > \mathbf{E}[-[(x_p - \omega) - p]^2].$$

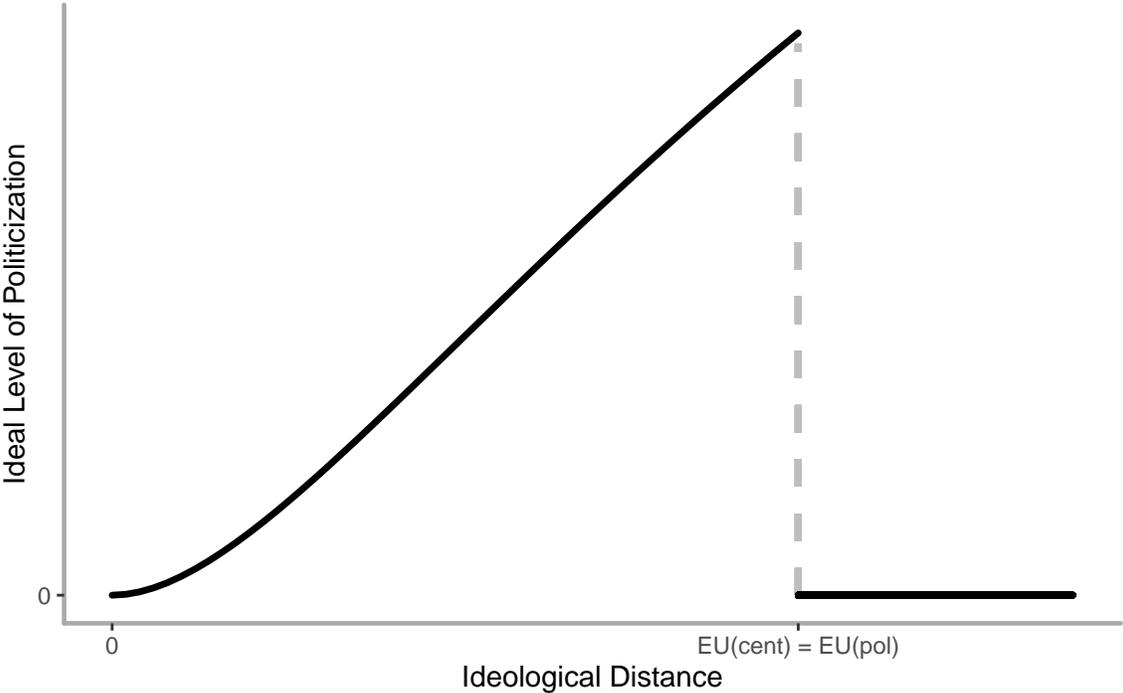
Second, the status quo policy  $SQ$  must be sufficiently distant from the president's ideal point so that the president wants to create a new policy:

$$\mathbf{E}[\max\{-c(m), -[(1 - \gamma(q^*))(a - p)]^2 - mq^*\}] > -(SQ - p)^2.$$

ident and agency increases, the president’s ideal level of politicization  $q^*$  increases until  $EU_P(\text{centralization}) \geq EU_P(\text{politicization})$ , at which point politicization is replaced by centralization.

As in Lewis (2008), the optimal level of politicization  $q^*$  is increasing in ideological distance between the president and the agency. However, the cost of implementing the ideal level of politicization also grows in ideological distance, while centralization costs remain steady. Thus, centralization will always replace politicization as the cheaper option as ideological distance grows.

Figure 1: Politicization and Ideological Distance



There are a number of reasons why politicization becomes increasingly expensive. First, as policy loss due to ideological misalignment with the agency increases, the president is willing to engage in correspondingly higher levels of politicization and put up with higher levels of agency errors. Meanwhile, delegation with low levels of ideological divergence will be quite cheap for the president (in fact,  $EU_P = 0$  when  $a = p$ ), since the agency will make minimal errors and enact a policy near the

president's ideal point. In addition, politicization has decreasing marginal returns due to the concavity of the policy utility function, as well as the concavity of  $\gamma(q)$ .

The role of complexity on the president's choice of strategy is less straightforward. All else equal, both centralization and politicization are increasingly costly as complexity grows. Thus all else equal, both are decreasing in policy complexity. However, which strategy the president selects depends on the relative costs of each and thus must be evaluated on a case-by-case basis.

Prior work has also hypothesized that presidents are more likely to centralize their policy priorities (e.g., Rudalevige 2002). This can be formalized in the policy creation model by adding a weight greater than one to the president's policy preferences. That is, an increasing weight implies that the president cares more about divergence from her ideal point on policies that she prioritizes. As the president increasingly values policy divergence, it can be easily shown that this makes politicization more expensive while leaving centralization costs unaffected. As a result, there are more parameter values for which centralization is the preferred option over politicization as prioritization of the policy increases.

Even in its simplicity, the policy creation model provides new intuition behind the president's centralization-politicization decision. However, to incorporate additional aspects of reality I extend the policy creation model in the next section to explore the influence that Congress can have on the president's decisions. Following this, I present a related yet distinct policy implementation model to examine how this alters the roles and trade-offs of centralization and politicization.

## 4 Congressional Veto

Although the primary goal of this paper is to focus on the president's strategic choices within the executive branch, Congress undoubtedly plays a substantial role in deter-

mining the context in which the president makes these decisions. Congress's power over politicization is particularly noteworthy. Congress can hamper the president's politicization efforts through delaying or failing to confirm appointees in the Senate confirmation process (Hollibaugh and Rothenberg 2018; McCarty and Razaghian 1999), enacting statutory limits on politicization (Selin 2015), or employing limitation riders or other budgetary strategies to cap the number of political appointees within an agency (Lewis 2008). On the other hand, Congress's options for impacting centralization are more limited and primarily budgetary. Since the budget of the EOP is subject to the congressional appropriation process, theoretically Congress can influence the marginal costs of centralization by increasing or shrinking the EOP's budget. However, due to the longstanding principle of comity between Congress and the White House regarding their own budgets, there is not empirical evidence that this is a tool readily employed by Congress (Dickinson and Lebo 2007; Krause 2002).<sup>14</sup>

In this extension of the policy creation model, I focus on Congress's ex-post influence on politicization by allowing it to veto the level of politicization proposed by the president, denoted  $q_P$ .<sup>15</sup> In an attempt to reflect reality, the veto is one-sided; it can be used only to reject *increases* in the level of politicization. This is most analogous to Congress using limitation riders to cap the level of political appointees or employing other statutory limits to similar effect. I argue that Congress is unable to restrict reductions in politicization, were the president to desire to decrease politicization to an amount lower than Congress would prefer.<sup>16</sup> As will become evident,

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14. It is possible that we have witnessed only equilibrium behavior and Congress's power over centralization is primarily hidden, similar to the hidden power of the presidential veto (Cameron 2000).

15. In reality the veto is not costless, as Congress's ability to veto depends on factors such as congressional capacity and polarization. Since this model focuses on the president's decisions, these costs are left out for the sake of simplicity.

16. The president can take steps to unilaterally reduce politicization through limiting the number

even with examining only this limited version of Congress's powers over politicization and centralization, Congress's influence over presidential strategy will be substantial, able to affect both the level of politicization chosen by the president as well as the president's choice of strategy.<sup>17</sup>

In the same manner as the president and agency, Congress ( $C$ ) has an ideal point  $c$  and quadratic preferences over policy  $U_C = -(\hat{x} - c)^2$ . To accommodate the presence of a veto, the model will also contain an exogenous status quo level of politicization  $q_s$ , which can be thought of as being set by a combination of previous presidents and Congresses.

Game play closely follows that of the policy creation game. First, Nature selects the state of the world  $\omega$ , while ideal points  $a$ ,  $c$ , and  $p$  are known to all players, as well as the status quo level of politicization in that policy area,  $q_s$ . With this information, the president decides whether to centralize or delegate the creation of a policy. If delegation is chosen, the president also selects a level of politicization  $q_p$ . In response, Congress chooses whether to accept  $q_p$  or veto the proposed level of politicization, keeping  $q_s$ . If the president decides to delegate the policy creation process, the agency then sets the policy. If instead the president selects centralization, then the president sets the policy. Once the policy is chosen, the policy outcome is realized and players receive their payoffs.

As with the policy creation model, the equilibrium concept is subgame perfect and so is solved by backward induction. Since the president has complete information about Congress's preferences, there will be no congressional vetoes of the president's proposed level of politicization under equilibrium. However, much like in regular veto politics, the lack of vetoes does not indicate a lack of influence, as players seek to

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of non-career members of the Senior Executive Service she appoints, selecting well-qualified careerists for appointed positions, and reorganizing agency leadership, among other strategies (Lewis 2008).

17. Lewis (2008) also includes a congressional veto over politicization, although his model randomly assigns proposal/veto power between Congress and the president.

anticipate the actions of the veto player (Cameron and McCarty 2004).

Under centralization, the president is the only player with any say in selecting the policy; thus, her expected utility is unchanged from the policy creation model. She will once again select policy  $p + \omega$  and receive the expected payoff,  $EU_P(\textit{centralization}) = -c(m)$ . For politicization, the agency, in the final step, will also follow the same strategy as it did in the policy creation game, choosing the policy that will result in its ideal point  $\hat{a}$ , while making an error  $\epsilon$  in determining  $\omega$ . Meanwhile, in the preceding stage of the game, Congress will veto any proposed level of politicization that it does not prefer to the status quo level of politicization.<sup>18</sup> Congress's expected utility of politicization (whether from the status quo or from the president's proposal) is the sum of the policy loss from the agency's policy choice and the errors made by the politicized agency. That is, Congress will accept the president's proposal if

$$-[\gamma(q_P)(p - a) + (a - c)]^2 - mq_P \geq -[\gamma(q_s)(p - a) + (a - c)]^2 - mq_s \quad (5)$$

and otherwise will reject it.

Let  $q^{**}$  be defined as the level of politicization that maximizes the president's utility (defined in Equation 3) subject to  $EU_C(q^{**}) \geq EU_C(q_s)$ . That is,  $q^{**}$  is the president's most preferred level of politicization that Congress will not veto. Then the president's expected utility from politicization takes the same form as in the policy creation game, but for the level of politicization  $q^{**}$ :  $EU_P(\textit{politicization}) = -[(1 - \gamma(q^{**}))(a - p)]^2 - mq^{**}$ . Analogous to *Lemma 1*, the president's decision on which strategy to choose comes from solving the utility maximization problem

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18. The cost of centralization is irrelevant to Congress.

comparing her expected utility of centralization to that of politicization.

$$\max\{-c(m), -[(1 - \gamma(q^{**}))(a - p)]^2 - mq^{**}\} \quad (6)$$

Once again, the president will choose to centralize if the cost of centralization is less than that of politicization and will otherwise choose to politicize.

It is worth noting that Congress can change the president's preferred strategy from politicization to centralization, but never vice versa, since Congress does not influence centralization costs. In order for the Congress to cause the president to switch strategies, a number of conditions must hold. First, the president must prefer centralization to the status quo level of politicization ( $EU_P(\text{centralization}) \geq EU_P(q_s)$ ); if not, the president will politicize regardless of the possibility of a congressional veto. Second, there must be levels of politicization the president prefers to centralization ( $EU_P(q^*) > EU_P(\text{centralization})$ ). Finally, Congress must prefer the status quo level of politicization to any level of politicization that the president prefers to centralization ( $EU_C(q_s) > EU_C(q^{**})$ ). Under these conditions, the president, without the influence of Congress, would choose to delegate and politicize. However, Congress would veto any level of delegation the president prefers to centralization, so the president instead engages in centralization.

Meanwhile, if the president prefers the level of politicization Congress will allow over centralization, ( $EU_P(q^{**}) \geq EU_P(\text{centralization})$ ), then the ideological position of Congress relative to the president and the agency determines the extent to which Congress will affect the implemented level of politicization. With the veto over expansions of politicization, there are three levels of influence Congress can display. An opposed Congress can prevent any increase in politicization, a moderate Congress partially limits the president's desired changes in politicization, and an aligned Congress allows the president to implement her ideal level of politicization.<sup>19</sup>

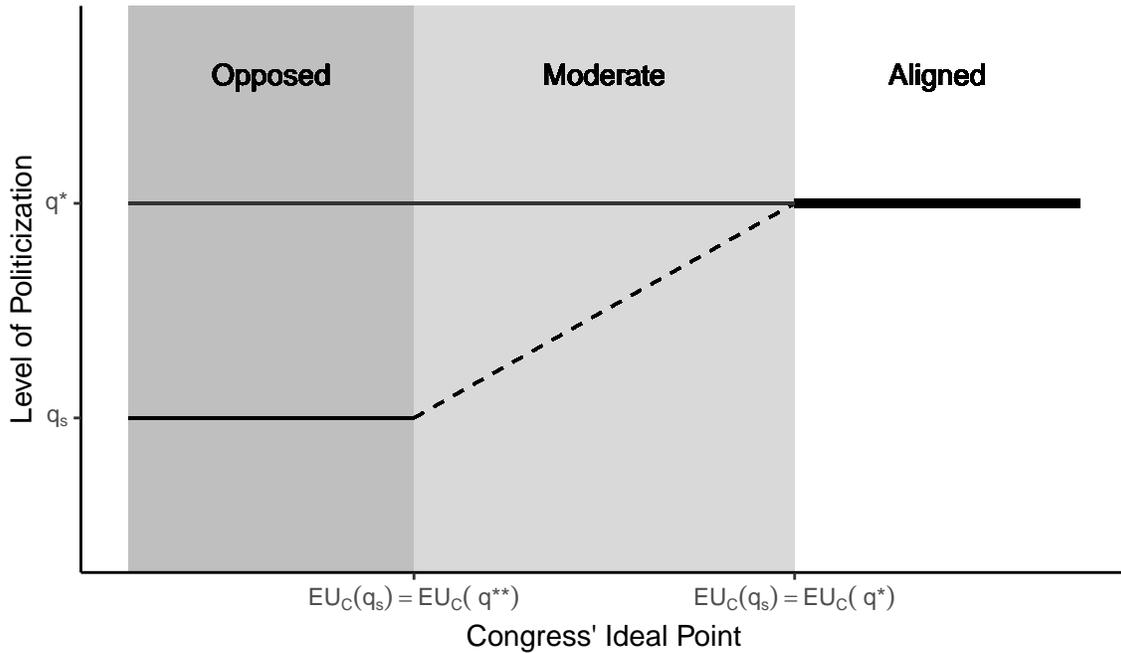
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19. If the president desires to decrease politicization, she can always implement her ideal level of

*Proposition 2.* All else equal, divided government leads to more centralization.

First, whenever the president and Congress are on opposite sides of  $a_{sq}$ , the agency's ideal point with the status quo level of politicization, Congress is never better off with a level of politicization higher than the status quo  $q_s$ . Thus Congress will veto any  $q_P > q_s$ . In other words, under divided government, when the pivotal congressional actor and the president are likely to be on opposite sides of the agency's ideal point, politicization will be limited to the status quo. Of course, this reduces the appeal of delegation, causing centralization to be comparatively more attractive to the president than in the policy creation game.

**Figure 2: Politicization With and Without Congress**  
(Under a Moderate Status Quo)



If Congress and the president are on the same side of the agency's ideal point, yet Congress is more moderate than the president to the extent that it prefers the status quo level of politicization to  $q^*$ , the president will offer a compromise level of politicization  $q^*$  as in the policy creation game.

politicization. To maximize utility, the president will select  $q^{**}$  such that Congress is indifferent between the president's proposal and the status quo level of politicization. Thus, even if the president and Congress are somewhat ideologically aligned, for any policy where  $q^* > q^{**}$ , the president ends up worse off than she would be if not constrained by Congress. Finally, if Congress is aligned with the president and prefers  $q^*$  to  $q_s$ , then it plays no role in constraining centralization and the president can enact her preferred level of politicization.

In general, then, as ideological divergence between the president and Congress increases, the president's ability to enact her preferred level of politicization will be increasingly hampered, leading to more parameter values for which centralization is the preferred option. This aligns with Lewis' (2008) empirical findings that politicization is lower under divided government. It also provides a new mechanism for why divided government affects centralization. In Rudalevige (2002), divided government, or any ideological distance between the president and Congress, serves to shift agency ideology toward Congress and away from the president, as the agency seeks to serve two divergent principals. As a result, centralization becomes comparatively more attractive. However, in the model presented here, divided government can lead to more centralization independent of any shift in agency ideology. Instead, or in addition, divided government reduces the president's ability to politicize at her ideal level. Thus, delegation with politicization becomes a less attractive option under divided government than if the president was not constrained by Congress, and centralization correspondingly is more likely to become the president's preferred strategy.

Finally, it is worth noting that the equilibrium result is not always efficient.<sup>20</sup> That is, if Congress possessed a credible commitment mechanism by which it could agree to additional compromise levels of politicization, both players could be better off given certain circumstances. For example, take a situation where Congress desires

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20. Again, as with the policy creation model, it is efficient if and only if the president delegates.

a moderate level of politicization to centralization, but prefers the status quo most of all ( $EU_C(q_s) > EU_C(q_C) > EU_C(\text{centralization})$ , for some  $q_C > q_s$ ). If the president prefers some level of politicization to both centralization and the status quo, but prefers centralization to the status quo (that is,  $EU_P(q_C) > EU_P(\text{centralization}) > EU_P(q_s)$ ), then the president will choose to centralize. However, both the president and Congress would have preferred some moderate level of politicization to centralization. Thus, if Congress possessed a commitment mechanism in this or a similar situation, the president would choose politicization and both players would be better off.

In sum, this extension provides two important insights. First, Congress can affect the president's choice of centralization or politicization without taking any visible actions. Second, divided government leads to conditions that make centralization increasingly prevalent.

## 5 The Policy Implementation Game

In the previous sections, the assumption that centralization and politicization are substitutes was baked into the game in order to focus on modeling centralization purely as the creation of policy within the White House/EOP. However, as pointed out earlier, this is simply one brand of the greater centralization strategy. If centralization focuses instead on monitoring policy implementation, centralization and politicization become interdependent strategies. That is, instead of necessarily choosing one strategy or the other, the president may employ both strategies to create and implement a given policy. For example, the ideas behind a heavily centralized policy will typically originate in the White House, but the actual language of the statute or regulation will be written by the agency, as will the implementation of any rules. Furthermore, policy implementation suffers from the classic moral hazard problem,

in which the president cannot perfectly monitor whether the agency is implementing the policy as desired. In response, and in addition to engaging in politicization, the president can choose to develop and devote centralized capacity to better supervise the implementation of policy.

To be clear, my goal here is not to create another model of regulatory review, but to model when White House staff expend additional time and resources supervising agencies to ensure compliance with the president’s policy agenda. Such oversight is not uncommon nor is it hidden. As Bradley Patterson explains in his description of the National Economic Council (NEC):

Section 4(a)(4) of the executive order establishing the NEC states that among the “principal functions of the Council” is “to monitor implementation of the President’s economic policy agenda.” Much like the policy development and policy coordination roles just described, this, too, is a function often centered in the White House staff. (Patterson 2000, 95)

Similarly, the White House Office of National Drug Control Policy (ONDCP) outlines its mission as “leading and coordinating the development, implementation, and assessment of U.S. drug policy” (The White The White House 2020), advertising the fact that the ONDCP spends time both developing policy and overseeing its implementation. Finally, in addition to the use of regular EOP offices, White House czars may be tasked with monitoring policy implementation (Vaughn and Villalobos 2015).

In an attempt to capture the implementation-focused side of centralization, this section contains a model distinct from (but related to) the policy creation game. The model includes the same players, but with a somewhat altered game play and role of centralization. While the policy creation game gives politicization and centralization as two exclusive options leading to policy creation by either the White House or the agency, this model does not contain such a dichotomy. Instead, centralization and politicization are both tools for ensuring that the agency implements a policy in

alignment with the president's preferences. The president selects her preferred level of each strategy, and the agency always implements the policy.

In this model, instead of serving as an option of policy creation, let centralization lead to a probability  $\alpha \in [0, 1)$  of the president correctly determining the state of the world  $\omega$ . As the president invests more in centralization,  $\alpha$  grows and she is progressively more likely to discover  $\omega$ . The costs of centralization are strictly increasing in the complexity of the policy area  $m$  as before, but also strictly increase in  $\alpha$  according to a convex function  $c(\alpha, m)$ , with derivative  $rc'(\alpha, m)$ . Let  $r$  denote the factors that affect the marginal costs of centralization. Politicization, meanwhile, remains identical to the policy creation model, where the level of politicization  $q$  shifts the agency's ideal point toward the president's such that  $\hat{a} = (1 - \gamma(q))a + \gamma(q)p$  while introducing an error  $\epsilon$  with variance  $mq$ .

In the policy creation game, the agency receives full real authority to implement whichever policy it prefers. In this model, the president is able to monitor the agency and punish it for non-compliance with the president's agenda. If the president knows the state of the world, she is able to discern whether the agency is complying with presidential directives or not. In other words, if a policy outcome does not align with presidential preferences, a president who does not know the state of the world cannot determine whether this outcome was a result of factors beyond the agency's control, or whether the agency did not seek to implement a policy that aligns with the president's preferences. However, if the president does not know  $\omega$ , then she cannot discern agency compliance. If the president determines agency non-compliance, the agency must pay a penalty  $\ell$ . Assume that the costs for the agency of being caught in non-compliance are sufficiently high for non-compliance to never be preferred to compliance by the agency<sup>21</sup> and that false punishment carries a cost such that the president never punishes without reason.

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21. For a non-compliance cost  $\ell$  this means means that  $\alpha\ell > (p - a)^2$ .

Game play is as follows. Once  $\omega$  is selected by Nature, the president chooses a certain level of centralization,  $\alpha$ , knowing the ideal points of all players. Once the president has decided how much to centralize, she also determines the level of politicization,  $q$ , which shifts the ideal point of the agency while increasing the variance of policy outcomes in the same manner as in the policy creation model. The president then tries to learn the state of the world and is successful with probability  $\alpha$ . Next, the agency learns whether the president was successful or not and chooses a policy to implement. Finally, the president checks the agency for compliance, and the policy outcome and associated payoffs are realized.

Working again through backward induction, the agency always gets to select the policy in this game. However, the agency's choice of policy will be based upon whether the president is able to uncover  $\omega$ . If the president's centralization efforts are successful, then the agency will attempt to perfectly comply with the president's preferred policy and propose a policy at  $p + \omega$  in order to avoid non-compliance costs. However, if the president does not know  $\omega$ , the agency can minimize its own policy loss by selecting a policy at  $a + \omega$ . As before, the policy outcome will be affected by any error the agency makes in determining  $\omega$ .

Thus, the president's expected utility is equal to the probability weighted sum of two situations, as shown in Equation 7. First, that she finds the state of the world and gets her ideal point implemented. Second, that she does not discover the state of the world and the agency's ideal point is instead implemented. Regardless of the success of centralization, the president has to pay the cost of centralization, and the agency will make an error  $\epsilon$ .

$$EU_p(\text{both}) = -(1 - \alpha)[[(1 - \gamma(q))(a - p)]^2] - mq - c(\alpha, m) \quad (7)$$

Note that if  $c(0, m) = 0$ , then the president's cost of politicization without central-

ization is the same as in the policy creation game. Also, if the president chooses a politicization level of  $q = 0$ , the president's expected utility is simply  $-(1 - \alpha)(a - p)^2 - c(\alpha, m)$ .

The president will select the levels of centralization and politicization that maximizes Equation 7. The optimal amount of centralization  $\alpha^*$  is the amount that satisfies the first order condition.

$$[(1 - \gamma(q))(a - p)]^2 - rc'(\alpha, m) = 0 \quad (8)$$

This means the president wants to centralize to the point that it makes the marginal cost of centralization equal to the policy loss resulting from failed centralization. Similarly, the optimal level of politicization balances the benefit of agency alignment under failed centralization with the errors from politicization.

$$(1 - \alpha)(a - p)^2(1 - \gamma(q))\gamma'(q) - \frac{m}{2} = 0 \quad (9)$$

It is important to note that this model allows the president to choose any level of either centralization or politicization, both, or neither. There is no assumption that they serve as substitutes or complements, or that the president can employ only one tool at a time. However, examining the relationship between the optimal level of centralization and politicization shows that the two strategies serve as substitutes in this setup.

*Proposition 3.* Centralization and politicization serve as substitutes.

First, it is fairly straightforward to consider how the optimal use of centralization decreases as the marginal cost of centralization increases.

$$\frac{\delta\alpha^*}{\delta r} = -\frac{\frac{\delta c(\alpha, m)}{\delta\alpha}}{r\frac{\delta^2 c(\alpha, m)}{\delta\alpha^2}} \quad (10)$$

Both the numerator and denominator in Equation 10 are positive, since  $c(\alpha, m)$  is increasing and convex in  $\alpha$ . Thus, as the marginal cost of centralization decreases, centralization increases. To maintain the president's optimal behavior in Equation 9, all else equal, as centralization,  $\alpha$ , increases, politicization must decrease to maintain the equality. Consequently, when the marginal cost of centralization decreases, the president engages in more centralization while politicization is correspondingly reduced. This finding differs from the Bubb and Warren (2014) model of politicization and regulatory review, which finds the strategies are complements. One reason for this distinction, though there are many differences between the models, is that engaging in centralized review does not involve any cost of investment in their model. Meanwhile, choosing to engage in centralization is a costly option in my model.

Moving to other comparative statics, they are generally quite similar, though not identical, to the policy creation game. One slight change comes from the comparative static between centralization and ideological distance with the agency. In the policy creation model, centralization was more attractive as ideological distance increased purely because politicization became comparatively more expensive. In this game, however, the ideal level of centralization is now directly affected by ideological distance. As the agency becomes less aligned with the president, centralization increases.

$$\frac{\delta\alpha^*}{\delta(a-p)^2} = \frac{(1-\gamma(q))^2}{r \frac{\delta^2 c(\alpha, m)}{\delta\alpha^2}} \quad (11)$$

The numerator must be positive, and the denominator is positive since the marginal costs of centralization are assumed to be increasing. Therefore the optimal level of centralization is increasing as ideological distance increases. Intuitively, since the agency gets to implement its ideal point when centralization fails, the president wants to take less and less risk of centralization failing as her views become more divergent

from the agency's.

Meanwhile, centralization and complexity continue to be negatively related, as is shown in the Appendix. The comparative statics for politicization also remain unchanged from the policy creation model. Politicization is increasing in ideological distance from the agency and decreasing in the complexity of the policy area.

This game demonstrates that even if the president is allowed to select any level of either strategy, centralization and politicization serve as substitutes when both are costly strategies with distinct trade-offs. It also establishes a more direct relationship between centralization and agency ideological distance, with the president wanting to engage in greater centralization as this distance increases, for reasons beyond rising politicization costs.

## 6 Discussion and Conclusion

Even though politicization has been described as “the other side of centralization” (Rudalevige 2015, 350), the two strategies have rarely been examined together in either a formal or empirical manner. This paper shows how jointly studying presidential strategies of policy influence can provide additional insight beyond examining each tool in isolation.

This paper is the first to find a non-monotonic relationship between politicization and ideological distance. The theory shows that as the ideological distance between the president and agency grows, the president should eventually “give up” on politicization and focus instead on centralization. Thus, the president may not seek to politicize agencies that are, in essence, “too far gone.” This may provide an explanation for why some administrations do not politicize as much as expected, such as the early days of the Trump administration (Lewis, Bernhard, and You 2018).<sup>22</sup> In other

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22. A trend that reversed during the latter days of the administration.

words, if an administration feels itself so ideologically distant from many agencies that it is not worth the cost of politicizing, a strategy of non-politicization may be expected.

In addition, the extension with Congress provides a new reason why divided government should lead to greater centralization. The existing literature had focused on the ability of Congresses to influence agencies to be more ideologically distant from the president (Rudalevige 2002). In the model presented here, divided government affects the president's ability to engage in politicization, thus making delegation a less attractive option and increasing the parameter space for which centralization is preferred.

Finally, this paper provides a formal justification for considering centralization and politicization to be substitutes. In the policy implementation game, where the president could select any level of centralization and/or politicization, they serve as substitutes. This is due to each being a costly tool that presidents employ to achieve similar ends: the movement of policy toward greater alignment with their preferences. This paper provides an important step toward more fully considering the costs associated with both options.

As for future research, there are many additional theoretical directions that could expand our knowledge of centralization and politicization. To begin, there is little existing literature on how electoral accountability concerns may affect the centralization-politicization decision. Most relatedly, there is a growing literature on accountability and unilateral executive actions. Judd (2017) models the incentives the president has to unilaterally create policy in order to show off her policy-making skills. On the other hand, there is some empirical evidence that the president is likely held accountable for policies he or she is more directly in control over (Ansolabehere and Rogowski 2020; Ruder 2014), and the benefits of some types of centralized policy creation may decline as the public has a limited appetite for unilateral action by

the president (Lowande and Gray 2017; Reeves and Rogowski 2015, 2016, 2018) as well as for politicization (Villalobos and Vaughn 2009). Thus, the existing literature suggests that the president may have electoral incentives to either engage in or avoid centralization and politicization. There also may be situations where the president does not care about agency capacity and may even actively seek to reduce it, going against the assumptions of this model and the related literature. For example, Republican presidents have oftentimes been accused of having this type of relationship with the Environmental Protection Agency, and it is not difficult to imagine that a future Democratic president may pursue such a direction with respect to the Drug Enforcement Administration or Immigration and Customs Enforcement. Further theoretical and empirical exploration of capacity-reducing situations may be particularly relevant as they appear to have been particularly widespread under the Trump administration. Finally, the inclusion of effort by agents, particularly within politicized agencies, would be beneficial.

This model provides a theoretical foundation for future modeling of centralization and politicization. It demonstrates the importance of jointly modeling these strategies as costly options, which has not been done in the existing literature. Additionally, the model offers a foundation for future empirical work, given that many of the predictions in the model can be tested. Finally, this paper serves as a foundation showing how even examining basic trade-offs across presidential strategies can shed new light on presidential motivations and actions. As a result, we can better understand when and why we should expect presidents to engage in centralization and politicization.

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## 7 Appendix

### 7.1 Policy Creation Game

This section proceeds through the policy creation game in more detail than presented in the text. The equilibrium concept is subgame perfect so we will proceed using backward induction.

**Step 3:** In the final step of the game, payoffs are realized.

**Step 2:** Whichever player has real authority selects the policy.

Under centralization, the president can set policy at her ideal point, selecting  $x_P = P + \omega$ , paying a cost  $c(m)$  to discover the value of  $\omega$ . Thus,  $EU_P(\text{centralization}) = -c(m)$ .

Under delegation, the agency selects the policy and would prefer to implement policy at its ideal point. Therefore, it will choose policy  $x_A = a + \omega$  to achieve a final policy outcome of  $\hat{x} = (a + \omega) - \omega = a$ . This results in the president receiving a utility of  $EU_P = -(a - p)^2$ .

If the president politicizes the agency, she is able to bring the ideal point of the agency to be more proximate to her own. As stated in the text, that agency's new, politicized ideal point is  $\hat{a} = (1 - \gamma(q))a + \gamma(q)p$ . The agency will still try to select the policy that will result in the enacted policy being closest to its new ideal point, that is  $x_A = \hat{a} + \omega$ . However, it will not be able to ascertain the state of the world  $\omega$  perfectly due to a decrease in expertise resulting from politicization. Instead, it will suffer an error  $\epsilon(q, m)$  in its ascertainment of  $\omega$ . These errors are uniformly distributed around 0 ( $\epsilon \sim \mathcal{U}[-\sqrt{3mq}, \sqrt{3mq}]$ ) so they do not change the agency's ideal policy, only its payoffs. Thus the agency still selects policy  $x_A = \hat{a} + \omega$ . As a result, the expected

utility of the president after politicization is

$$EU_P(pol) = \int_{-\sqrt{3mq}}^{\sqrt{3mq}} -(\hat{x}_a - \epsilon - p)^2 \frac{1}{2\sqrt{3mq}} d\epsilon \quad (12)$$

$$= -\frac{1}{2\sqrt{3mq}} \int_{-\sqrt{3mq}}^{\sqrt{3mq}} [(1 - \gamma(q))(a) + \gamma(q)p - p] - \epsilon]^2 d\epsilon \quad (13)$$

$$= -\frac{1}{2\sqrt{3mq}} \int_{-\sqrt{3mq}}^{\sqrt{3mq}} [(1 - \gamma(q))(a - p) - \epsilon]^2 d\epsilon \quad (14)$$

$$= -\frac{1}{2\sqrt{3mq}} \left[ [(1 - \gamma(q))(a - p)]^2 \epsilon - (1 - \gamma(q))(a - p) \frac{\epsilon^2}{2} + \frac{\epsilon^3}{3} \right] \Big|_{-\sqrt{3mq}}^{\sqrt{3mq}} \quad (15)$$

$$= -[(1 - \gamma(q))(a - p)]^2 - mq \quad (16)$$

Furthermore, the president's optimal level of politicization is the  $q^*$  that satisfies the first order condition.

$$0 = (1 - \gamma(q^*))(a - p)^2 \gamma'(q^*) - \frac{m}{2} \quad (17)$$

Thus,

$$EU_P(politicization) = -[(1 - \gamma(q^*))(a - p)]^2 - mq^* \quad (18)$$

**Step 1:** In the first step, the president chooses between centralization and politicization. Based on the expected utilities described above, the president will choose to centralize if

$$-c(m) \geq -[(1 - \gamma(q^*))(a - p)]^2 - mq^* \quad (19)$$

and delegate with a level of politicization equal to  $q^*$  if this inequality does not hold.

### 7.1.1 Comparative Statics

The president's optimal level of politicization  $q^*$  will be the same as in the Lewis (2008) model as long as the parameters are such that politicization is the president's preferred strategy. If so, the following comparative statics hold:

#### Politicization and ideological distance

By the implicit function theorem:

$$\frac{\delta q^*}{\delta(a-p)^2} = \frac{-\gamma'(q)(1-\gamma(q))}{[(1-\gamma(q))(a-p)^2]\gamma''(q) - \gamma'(q)^2(a-p)^2} \quad (20)$$

Since  $\gamma'(q)$  is positive and  $\gamma(q) < 1$  by construction, the numerator is negative. Moving to the denominator,  $\gamma(q)$  was assumed to be increasing but concave due to diminishing marginal benefits of politicization, thus  $\gamma''(q)$  is negative and the denominator is negative as well. Therefore, the partial derivative is positive, indicating politicization is increasing in ideological distance.

#### Politicization and the complexity of the policy area

Again, using the implicit function theorem:

$$\frac{\delta q^*}{\delta m} = \frac{1}{2[(a-p)^2[\gamma''(q)(1-\gamma(q)) - \gamma'(q)]]} \quad (21)$$

The numerator is clearly positive, while the denominator is negative since  $(a-p)^2$  is positive, while  $\gamma''(q)$  is negative,  $(1-\gamma(q))$  is positive, and  $\gamma'(q)$  is positive. Thus, the partial derivative is negative and politicization is decreasing as policy complexity  $m$  increases.

## 7.2 Policy Implementation Game

As in the policy creation game, the equilibrium concept is subgame perfect and so it is solved using backward induction.

**Stage 3:** The president checks the agency for compliance and payoffs are realized.

**Stage 2:** The agency learns whether the president was successful in learning the state of the world and selects the policy.

If the president was successful in learning the state of the world,  $\omega$ , then the agency will select policy  $x_A = p + \omega$ , in order to avoid paying non-compliance cost  $\ell > (a - p)^2$ .

If the president is not successful in learning the state of the world, the agency selects policy such that it receives its ideal outcome  $a$ :  $x_A = a + \omega$

This means the agency will implement the president's ideal point with probability  $\alpha$  and will implement its own ideal point with probability  $(1 - \alpha)$ . Thus, the president's expected utility is equal to

$$\begin{aligned}
EU_P &= \int_{-\sqrt{3mq}}^{\sqrt{3mq}} -(\hat{x}_a - \omega - \epsilon - p)^2 \frac{1}{2\sqrt{3mq}} d\epsilon - c(\alpha, m) \\
&= -(1 - \alpha) \left[ \frac{1}{2\sqrt{3mq}} \int_{-\sqrt{3mq}}^{\sqrt{3mq}} [(1 - \gamma(q))(a) + \gamma(q)p - p] - \epsilon]^2 d\epsilon \right] \\
&\quad - \alpha \left[ \frac{1}{2\sqrt{3mq}} \int_{-\sqrt{3mq}}^{\sqrt{3mq}} [-\epsilon]^2 d\epsilon \right] - c(\alpha, m) \\
&= -(1 - \alpha) \frac{1}{2\sqrt{3mq}} \left[ [(1 - \gamma(q))(a - p)]^2 \epsilon - (1 - \gamma(q))(a - p)(\epsilon^2) + \frac{\epsilon^3}{3} \right] \Big|_{-\sqrt{3mq}}^{\sqrt{3mq}} \\
&\quad - \frac{\alpha}{2\sqrt{3mq}} \frac{\epsilon^3}{3} \Big|_{-\sqrt{3mq}}^{\sqrt{3mq}} - c(\alpha, m) \\
&= -(1 - \alpha) \left[ [(1 - \gamma(q))(a - p)]^2 \right] - mq - c(\alpha, m)
\end{aligned}$$

**Stage 1:** The president selects the amount of investment in centralization  $\alpha$  and sets the level of politicization  $q$ .

The optimal level of centralization is the one that satisfies the first order condition  $\frac{\delta EU_P}{\delta \alpha} = 0$ , making the marginal cost of centralization equal to the policy loss from

failed centralization.

$$[(1 - \gamma(q))(a - p)]^2 - c'(\alpha, m) = 0 \quad (22)$$

The ideal level of politicization satisfies the first order condition  $\frac{\delta EU_P}{\delta q} = 0$ , balancing the costs of lost expertise with the policy gains from shifting the agency's ideal point for those situations in which centralization fails.

$$(1 - \alpha)(a - p)^2(1 - \gamma(q))\gamma'(q) - \frac{m}{2} = 0 \quad (23)$$

Note that this is the same as the baseline game when  $\alpha = 0$ , and to maintain this equality the optimal level of politicization is correspondingly reduced as the president invests more into centralization.

### 7.2.1 Comparative Statics

#### Ideological distance

The comparative static for centralization and ideological distance is discussed in the text.

For politicization,

$$\frac{\delta q^*}{\delta(a - p)^2} = \frac{-\gamma'(q)(1 - \gamma(q))}{[(1 - \gamma(q))(a - p)^2]\gamma''(q) - \gamma'(q)(a - p)^2} \quad (24)$$

The denominator must be negative, since  $\gamma'(q)$  and  $(1 - \gamma(q))$  are both positive. Meanwhile, if politicization has diminishing marginal returns then  $\gamma''(q) < 0$  so and the first part of the denominator is negative. We know that  $\gamma'(q)$  and  $(a - p)^2$  are both positive, so a negative number minus a positive number is always negative. Since both the numerator and denominator are negative, the optimal level of politicization is increasing in ideological distance.

### Complexity of policy area

For centralization,

$$\frac{\delta\alpha^*}{\delta m} = \frac{q - \frac{\delta^2 c(\alpha, m)}{\delta\alpha^* \delta m}}{\frac{\delta^2 c(\alpha, m)}{\delta\alpha^{*2}}} \quad (25)$$

The numerator is positive when  $q^* > \frac{\delta^2 c}{\delta\alpha^* \delta m}$  and negative when  $q^* < \frac{\delta^2 c}{\delta\alpha^* \delta m}$ . Meanwhile the denominator is positive. Therefore, centralization is increasing in policy complexity when  $q^* > \frac{\delta^2 c}{\delta\alpha^* \delta m}$  and decreasing otherwise.

For politicization,

$$\frac{\delta q^*}{\delta m} = \frac{1}{2(1-\alpha)[-(a-p)^2\gamma'(q)^2 + (1-\gamma(q))(a-p)^2\gamma''(q)]} \quad (26)$$

This is a positive numerator with a negative denominator, indicating that the optimal level of politicization decreases in  $m$ .

### 7.3 Proposition 1: Non-monotonic relationship between politicization and ideological distance

When the president and agency are completely aligned, the president will choose  $q^* = 0$ , so  $EU_P(\text{politicization}) = 0$ . As long as  $c(m) > 0$ , politicization is preferred to centralization at this point.

As ideological distance increases, the cost of centralization is unchanged.

$$\frac{\delta c(m)}{\delta(a-p)^2} = 0 \quad (27)$$

However, as is shown in the previous section, the president's ideal level of politicization is increasing in ideological distance, with the result that the costs of politicization are

strictly increasing in ideological distance.

$$\frac{\delta EU_P(\textit{politicization})}{\delta(a-p)^2} = (1 - \gamma(q^*))^2 \quad (28)$$

Therefore, there must be an ideological distance for which the costs of politicization surpass the costs of centralization, leading the president to switch from politicization to centralization.

This is illustrated in Figure A1.

Figure A1: Cost and Ideological Distance

