The Politics of Presidential Removals [*]

Lindsey Gailmard[†]

Much scholarship and legal reasoning assumes that the ability to remove and replace political appointees furthers presidential control. However, I argue that the possibility of removal changes the agency problem between the president and her appointees in a subtle but important way that affects the president's appointment problem. I demonstrate that the president may have incentives to make non-ally appointments in order to encourage reliance on bureaucratic expertise. To show this, I develop a formal model that introduces career concerns for appointees that lead them to distort their use of bureaucratic expertise to appear more expert. The president is uncertain of an appointee's expertise, but infers it from the appointee's involvement in policymaking. In equilibrium, non-expert appointees more aligned with the president face greater incentives to determine policy themselves to improve their reputation. By selecting non-ally appointees, the president commits to sometimes dismiss even experts which improves her control over policymaking.

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1 Introduction

The institutional powers of the presidency affect the president's ability to achieve her policy goals. Chief among these formal powers are the president's ability to appoint officials, seek their advice, and remove them from office. Together, appointment and removal powers have formed the institutional basis for executive management of administration, providing the administrative tools by which the president preserves control over policymaking while in office.[1] Yet, despite the growing importance of presidential administration, few analyses have examined how appointment and removal powers interact to further executive policymaking.[2]

While the president's removal power has long been considered a key source of accountability and control over policy (e.g., Decision of 1789, Myers v. United States 1926)[3], most scholarship focuses only on the "front door" of appointments (Van Riper 1958). An extensive literature has considered the political implications of the president's appointment authority, but not alongside her removal authority (Moe 1985; Moe and Wilson 1994; Lewis 2008). However, the "front door" of appointments cannot be fully understood without also considering the "back door" of removal—precisely because removal authority creates an ongoing *accountability relationship* between a president and her political appointees that affects how appointees interact with career bureaucrats.

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[1]For a more detailed discussion of executive management of administration see Arnold (1998).

[2]Notable exceptions include McCarty (2004) and Acs (2020). McCarty (2004) considers the effect of possible ex post manipulation of agency personnel via removal power on resource allocations by the legislature. Acs (2020) focuses on implementation issues and argues that removal authority improves appointees' compliance with presidential directives. Instead, I focus on the informational consequences of removal authority and show that removal authority potentially undermines presidents' policy interests.

[3]As James Madison observed: "If the president should possess alone the power of removal from office, those who are employed in the execution of the law will be in their proper situation, and the chain of dependence be preserved; the lowest officers, the middle grade, and the highest, will depend, as they ought, on the president. . ." (Annals of Congress, 17 June 1789).

This is important because negotiating interactions with career bureaucrats is a core task for political appointees that work alongside career officials. Many political appointees in the executive branch occupy positions that involve both direct policymaking and interactions with career bureaucrats. For instance, Schedule C positions involve confidential or policy-determining roles, providing support to senior appointees in the Executive Schedule and non-career Senior Executives, but may also manage bureaucrats. These positions represent the largest number of appointed political positions—at approximately 1,500 positions in 2020.[4] Presidential administrations may look to these appointees to exercise policy leadership and *substitute* for the biased expertise of career civil servants.

Modern presidents, in particular, have understood that the ability to staff key positions in the federal bureaucracy is a crucial tool for maintaining presidential control over policymaking. President Kennedy, for instance, believed that career bureaucrats would be unable to act energetically enough (Wills 1982). Because of this, Kennedy relied on temporary task forces rather than using typical bureaucratic routes (Pfiffner 1987). The Reagan administration went even further—many Reagan appointees sought to exclude career executives from policymaking discussions from the outset based on fears that career officials would undermine the administration's policies (Carroll 1987; Pfiffner 1987).

In order to effectively lead the bureaucracy, appointees in policymaking positions must possess the expertise necessary to guide policy. Central to appointees' reputation concerns is whether or not they have the expertise to "go it alone" instead of yielding to the expertise of career bureaucrats whose policy views often differ from those of the president. To avoid removal and maintain their position within an administration, I argue that appointees must cultivate a reputation for policy expertise.

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[4]https://presidentialtransition.org/faqs-for-prospective-appointees/

These reputation concerns stem from the possibility of removal by the president. Assuming appointees wish to be retained, how removal authority affects appointee behavior depends on an appointee's ideological alignment with the president. In particular, ally appointees subject to political removal may not draw on the expertise of career bureaucrats if doing so reveals they lack the expertise to determine policy themselves as this jeopardizes their retention prospects. In contrast, even expert non-ally appointees face removal by the president which undermines their incentives to improve their reputation at the expense of policy. This creates a tradeoff between ideological alignment and informed policymaking that affects presidential appointments.

To develop this argument, I consider a two-period model of policymaking in which the president selects and oversees a political appointee who can either delegate to a subordinate career bureaucrat or determine policy himself. The president *selects* the appointee on the basis of a known ideology and oversees the appointee. Based on her oversight, the president can *remove* the appointee—this captures the president's formal removal authority—whereas career bureaucrats are not subject to political removals and remain in office in each period. All actors have commonly known spatial preferences over policy outcomes.[5] The bureaucrat's expertise about policy effects is also common knowledge (Kaufman 1956; Gailmard and Patty 2007), but the appointee's expertise—or capability to competently determine policy—is his private information. This reflects that an appointee's ability may be assessed on the job and that, for many job candidates, public information about competence is limited.

I assume that appointees are equally likely to be experts ex ante, irrespective of ideology, such that initially there is no tradeoff between an appointee's partisanship

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[5]This contrasts with Fox and Jordan (2011), who consider the possibility that delegation reveals information about the ideological congruence of politicians with voters. In their model, politicians will use bureaucrats to create policy to avoid responsibility for unfavorable outcomes.

and his expertise. In the model, an appointee's expertise affects his ability to independently execute policy.[6] Appointees are either experts or non-experts: expert appointees are as informed as the bureaucrat, whereas non-expert appointees are less informed. This means expert appointees never benefit from bureaucratic expertise, while non-experts always benefit if they are sufficiently aligned with the bureaucracy. Nevertheless, if expert appointees possess the expertise to make informed policy decisions, then delegating authority to the bureaucrat may reveal that an appointee lacks expertise.

A central point of the model is that a political appointee subject to removal may face "career concerns" (Holmström 1999) to manipulate the president's belief about his ability through his delegation decision.[7] In contrast with previous work which argues that the development of bureaucratic expertise inevitably created more reliance on bureaucrats (Niskanen 1971; Miller and Moe 1983), this concern suggests possibly too little reliance on careerist experts. The usual explanation for this is that the ideological biases of career bureaucrats prevent such reliance (e.g., Moe 1985; Lewis 2008). However, I argue that an appointee's reputation incentives may undermine delegation to expert career civil servants—even when delegation improves policy outcomes from both the appointee and president's perspectives.

After identifying this insight, I show how an appointee's desire to demonstrate expertise affects presidential appointments. The main result is that if career bureaucrats are not too biased the president selects a non-ally appointee in the first period in order to encourage reliance on bureaucratic expertise by non-experts that

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[6]In this model, appointee expertise is expertise about policy. When I discuss an appointee's "competence" in the context of this model, I mean an appointee's policy expertise. Other analyses have differentiated between "policy" expertise and managerial expertise (e.g., Krause and O'Connell 2016).

[7]Standard models conceives of delegation to career bureaucrats as necessary to ensure informed policymaking (Epstein and O'Halloran 1994; Epstein and O'Halloran 1999), whereas non-delegation represents a mechanism for control in view of policy disagreement (Lewis 2008).

prefer delegation. Because the president cannot commit to remove expert allies, but can commit to remove expert non-allies, reputation concerns create more distortion in the delegation decisions of appointees closely aligned with the president. By selecting non-ally appointees, the president credibly commits to sometimes dismiss appointees even if she believes they are experts. If the president is willing to dismiss even experts, the policy cost to non-expert appointees of forgoing delegation outweighs the potential reputation benefit. In equilibrium, the president selects an appointee for which retention is sequentially rational only if the president is certain the appointee is an expert to maximize first period discipline.

In contrast, the president always selects an ally appointee in the second period when removal is not possible or credible. This pattern of appointments is consistent with anecdotal and empirical evidence (Krause and O'Connell 2016) that suggests that presidents place more importance on loyalty as their terms progress. For instance, President Nixon sought to appoint loyalists in his second term, whereas in his first term, he appointed officials with broad support (Nathan 1983).

While the president prefers allies to non-allies all else equal, an appointee's expertise may compensate for ideological disagreement. Previous work highlights the tradeoff between loyalty to the president's policy agenda and competence in presidential appointments (e.g., Lewis 2008; Krause and O'Connell 2019) attributing this tradeoff to finite applicant pools and labor market constraints (Lewis 2011;Krause and O'Connell 2019) or incentives to acquire costly expertise (Gailmard and Patty 2007). In contrast, this paper demonstrates that appointees' incentives to cultivate a reputation for expertise depend on their personal career incentives.

This paper makes several contributions. First, it demonstrates how appointment and removal powers interact to influence executive policymaking. Second, it distinguishes between an appointee's preferences and his behavior in office when

subject to political removal. Third, it provides new insights into the tradeoff between ideological alignment and competence in presidential appointments—in particular how appointee ideology evolves over terms. Finally, it highlights that successful policymaking requires coordination between politicians and bureaucrats whose strategic incentives potentially diverge. This issue has been highlighted in a growing body of literature that considers multi-tier agency problems in the executive branch and suggests that bureaucrats may either improve (Foarta 2021) or exacerbate (Li, Sasso, and Turner 2021) electoral control of politicians through their strategic behavior.

Appointee Partisanship. A large literature examines how the appointment process influences both the composition of executive agencies and the structure of power between political appointees and career bureaucrats in ways which affect the president's ability to achieve her policy objectives (Lewis 2011). This literature argues that modern presidents have increasingly looked to the political appointment process to centralize authority over policy (Moe 1985; Moe and Wilson 1994; Lewis 2008). Many scholars have argued that presidents have used ally appointments to assert more control over executive policymaking (Moe 1985; Aberbach and Rockman 2000; Lewis 2005; Lewis 2008).

Yet, in practice, the policy stances of political appointees do not necessarily coincide with those of the president. For instance, Bertelli and Grose (2009) find evidence that appointees' ideologies differ significantly from the ideological views of the president. Similarly, Krause and O'Connell (2019) demonstrate that political appointees vary in their competence and ideological alignment with the president. Krause and O'Connell (2016) further demonstrate that the ideology of appointees evolve with the administration's tenure.

Previous formal work argues that presidents are motivated by both policy and patronage goals which may be furthered by appointing non-allies (Bertelli and Feldmann 2007) in view of strategic interactions with other branches of government (McCarty 2004). The logic underlying these models is that non-ally appointees balance the president's interests against the competing interests of either organized interest groups (Bertelli and Feldmann 2007) or Congress (McCarty 2004). While these models highlight the influence of actors external to the executive branch on presidential appointments, I present a strategic rationale for non-ally appointments based solely on forces within the executive branch.

Loyalty or Competence. Tensions between loyalty and competence are central to understanding presidential appointments.[8] Recent empirical work examines how presidents resolve the tradeoff between loyalty and competence in practice. Krause and O'Connell (2019) show that loyalty-competence tradeoffs are more significant with respect to policy expertise than for general managerial talent. Presidents tend to value loyalty more in their top-level appointees, whereas lower-level officials possess greater managerial talent and policy expertise (Krause and O'Connell 2016). However, Waterman and Ouyang (2020) find that presidents emphasize competence in presidential nomination and Senate confirmation (PAS) and Senior Executive Service (SES) appointments.

Instead, I highlight how appointee ideology shapes the agency problem the president faces with her appointee. In doing so, the analysis differentiates between pure preference alignment and "real" loyalty amongst political appointees. The key distinction is that real loyalty derives from an appointee's behavior in office. This analysis shows that the logic underlying the desire to appoint loyalists (e.g., Moe

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[8]The tradeoff between loyalty and competence has been studied in other settings, including authoritarian regimes (e.g., Egorov and Sonin 2011)

1985) potentially conflates appointee preferences with behavior: loyalists are valuable to the president because they act in accordance with the president's preferences, which they share. Yet if retention is sufficiently valuable, selecting appointees on the basis of loyalty may lead to *worse* behavior in office.

This result is most similar to the logic in Shotts and Wiseman (2010), which examines how the threat of removal affects an appointee's investigative effort. Shotts and Wiseman (2010) similarly find that the threat of removal is most effective when the appointee is unaligned with the president, whereas if the appointee is aligned with the president the threat of replacement can lead appointees to behave "dogmatically," undermining the executive's policy interests. This result echoes results in Levy (2000) and Levy (2004) in which reputation concerns undermine information provision. However, I find that the president always replaces appointees with ideological allies in the second period when she cannot credibly threaten removal.

2   A Model of Political Appointments with Presidential Oversight

I consider a two-period model of policymaking, in which the president (P) both selects and oversees a political appointee (A). In each period $t = 1, 2$, the appointee must decide whether to retain decision-making authority or delegate decision-making authority to a perfectly informed, but biased expert bureaucrat (B). The appointee's first period delegation decision conveys information about the appointee's own expertise to the president that decides whether to remove or retain him.[9]

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[9]Throughout I use the term bureaucrat to refer to career bureaucrats in the executive branch who are not subject to political removal. However, this accountability arrangement may be generalized to other contexts beyond the United States federal executive branch.

2.1 Formal Description

In each period, there is an ex ante unknown state of the world, $\omega_t \in \Omega = \{0, 1\}$, which represents underlying political conditions that affect policy outcomes. The common prior belief is that $\Pr(\omega_t = 1) = \pi \in (\frac{1}{2}, 1)$, independent across periods. The bureaucrat observes the state of the world ω_t prior to policymaking. This captures that the bureaucrat is an expert, as he is always informed when choosing policy. The bureaucrat's expertise is common knowledge.

Political appointees are either experts ($\theta_A = 1$) or non-experts ($\theta_A = 0$). An appointee's type is his private information, and determines whether the appointee is informed of the state prior to policymaking. With probability θ_A an appointee is informed of ω_t, and with probability $1 - \theta_A$ an appointee is uninformed.

I assume that an expert appointee is as informed as the expert bureaucrat: $\theta_A = 1$. In other words, there is no information asymmetry between an expert appointee and the bureaucrat, as both observe ω_t directly. In contrast, I assume a non-expert appointee only knows the prior distribution of ω_t. This guarantees that non-expert appointee is no more knowledgable than the president.

In each policymaking period, the appointee either delegates policymaking authority to the bureaucrat ($d_t = 1$) or retains policymaking authority ($d_t = 0$). If the appointee retains policymaking authority ($d_t = 0$), he then selects policy $y_t \in \mathbb{R}$. If instead the bureaucrat holds policymaking authority ($d_t = 1$), then the bureaucrat determines the policy $y_t \in \mathbb{R}$.

The president observes the appointee's delegation decision in each period, d_t. This is equivalent to assuming the president observes the *identity* of the decision-maker. I discuss the substantive basis for this assumption in more detail following the formal description of the model.

At the conclusion of the first period and after observing the appointee's delegation decision, the president decides to either retain $(r = 1)$ or remove $(r = 0)$ the appointee. If the appointee is removed, he is replaced by an appointee of ex ante identical competence. I assume that an appointee's expertise is independent of his ideology. The common prior belief that an untried replacement appointee is an expert is given by $\kappa \in (0, \tilde{\kappa})$ where $\tilde{\kappa} = \frac{\sqrt{3}}{2}$.[10] At the conclusion of the second policymaking period payoffs are realized and the interaction ends.

Sequence. In each policymaking period t, the sequence is as follows:

1. If $t = 1$ or $r = 0$, the president (P) selects an appointee with commonly known bias $b_A \in \mathbb{R}$.

2. Nature draws the state of the world $\omega_t \in \{0, 1\}$ and the untried appointee's expertise $\theta_A \in \{0, 1\}$.

3. The appointee (A) observes his expertise, θ_A.

4. The appointee retains policymaking authority $(d_t = 0)$ or delegates $(d_t = 1)$ authority to the bureaucrat (B).

5. (a) If A retains policymaking authority $(d_t = 0)$,

    i. With probability θ_A, A is perfectly informed of the state $(s_t^A = \omega_t)$, whereas with probability $1 - \theta_A$, A is uninformed of the state $(s_t^A = \varnothing)$.

    ii. A selects policy $y_t \in \mathbb{R}$.

    (b) If A delegates $(d_t = 1)$,

    i. B is informed of the state $(s_t^B = \omega_t)$.

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[10]This assumption ensures there is a substantial tradeoff between ideology and expertise. The analysis is similar if untried first period appointees are of higher competence than the pool of second period replacements.

      ii. B selects policy $y_t \in \mathbb{R}$.

6. P observes d_t.

Payoffs. The president obtains utility from policy in each period according to

$$u_t^P = -(y_t - \omega_t)^2,$$

whereas the appointee and the bureaucrat obtain utility from policy equal to

$$u_t^i = -(y_t - \omega_t - b_i)^2.$$

This assumes, without loss of generality, that the president prefers that policy correspond exactly with ω_t. Both the bureaucrat's bias, b_B, and an appointee's bias, b_A, are common knowledge. I refer to an appointee as an ally of the president if $b_A = 0$. In contrast, the bureaucrat does not share the president's policy preferences, or $b_B > 0$. This reflects a standard assumption in delegation models: that career bureaucrats may be more informed, but are also biased relative to the preferences of the president.

    I assume that appointees obtain utility from policy in each period irrespective of whether or not they hold office. In addition, the appointee obtains a payoff τ in each period in which he holds office. The parameter τ represents pure officeholding benefits which are distinct from the policy benefits of officeholding. Throughout I assume that the pure officeholding benefits are sufficiently large or $\tau > \overline{\tau}$. If appointees place little value on office-holding ($\tau \leqslant \overline{\tau}$), then non-expert appointees would prefer dismissal to the policy distortions necessary to gain retention. In such cases, non-expert appointees would prefer to exit government and the president would not face

an agency problem with ally appointees. Assumption 2 provides a formal definition of $\bar{\tau}$. I also assume a common discount factor $\delta \in (0, 1)$.

Strategies and Information. Prior to the election the president observes the appointee's delegation decision. Based on the appointee's delegation decision, the president forms beliefs about the appointee's level of competence, given by $\hat{\kappa}(d_1, b_A)$: $d_1 \times b_A \to [0, 1]$, which assign for each possible first period delegation decision $d_1 \in \{0, 1\}$ and appointee ideology, a probability that the appointee is an expert $(\theta_A = 1)$.

A strategy for the president is a choice of appointee ideology b_A in the first period or in the second period, following removal, $\beta_t^A : t \to \mathbb{R}$, and a probability of retaining the first period appointee given the president's information, or $\rho(d_1, \beta_A) : d_1 \times b_A \to [0, 1]$.

A strategy for the bureaucrat is a policy action given the his private information, ω_t, provided he is delegated to (i.e., $d_t = 1$), or $y_t : 1 \times \omega_t \to \mathbb{R}$. I denote the bureaucrat's strategy by $y(1) \equiv (y_1(1, \cdot), y_2(1, \cdot))$. A strategy for the appointee is a probability of delegation (i.e., $d_t = 1$) given his type $\theta_A \in \{0, 1\} \times b_A$, or $\sigma_t : \theta_A \times b_A \to [0, 1]$, and a policy choice $y_t : 0 \times s_t^A \to \mathbb{R}$ if he retains decision-making authority (i.e., $d_t = 0$).

2.2 Discussion

There are three basic premises of the model. First, presidents care about appointing knowledgable officials. Second, appointee expertise is not fully known at the time of appointment. Third, the president uses both the information available and the institutional tools at her disposable to promote competence amongst her appointees. I discuss each of these assumptions in turn.

A Preference for Policy Expertise. Presidents seek to install political appointees that will effectively carry out their policy agenda. As Clay Johnson, George W. Bush's first director of presidential personnel, made plain in a personnel document, "This is not a beauty contest. The goal is to pick the person who has the greatest chance of accomplishing what the principal wants done" (Lewis 2008, p. 27). Because political appointments have been used to exert control over bureaucratic policymaking (Wood and Waterman 1991), many scholars have argued that competent appointees are better able to support presidential programs (Mann 1964; Edwards 2001).

Upper-tier political appointees, in particular, are able to exert substantial influence over policymaking (see Kaufman 1981; Wilson 1995). Therefore, ensuring that these appointees have the ability to effectively execute policy is critical for influencing bureaucratic policymaking. In the words of a congressional staffer:

> White House people are generally quite sincere when they say they want good people. They tend to realize—to a greater or lesser extent—that the success of their administration depends on getting high-quality people... (Heclo 1977, p. 95)

Moreover, as presidents are held accountable for government performance (Moe and Wilson 1994), the president seeks to appoint individuals that are able to "...manage, design, and effectively carry out new programs, implement key legislation, or deliver services" (Edwards 2001, p. 15).

Uncertainty about Appointee Expertise. Though presidents have long recognized the value of appointee expertise, ensuring recruitment of qualified appointees in practice is another matter—especially given the large number of vacancies the president is expected to fill (Lewis 2008). Given the immense demands

of the appointment process, presidential aides tasked with recommending qualified applicants may place less emphasis on expertise than on simply filling a vacancy. As a Reagan aide stated, "As far as I'm concerned anyone who supported Reagan is competent" (Lewis 2008, p. 27).

While an appointee's partisan sympathies may be reasonably divined from previous involvement with political campaigns, an appointee's expertise is often more difficult to discern. This problem is exacerbated by the influx of young appointees whose past experience is limited. For instance, finding qualified applicants to fill lower level subcabinet vacancies is often difficult and these posts are increasingly filled by young and relatively inexperienced candidates (Pfiffner 1987).

These observations reinforce that the selection process does not necessarily identify the most qualified applicants ex ante. This suggests that there is scope to reassess an appointee's capabilities based on his performance on-the-job. I incorporate this tension into the model by assuming that the president is uncertain of the appointee's expertise. This simply reflects that there is residual uncertainty about the appointee's officeholding qualifications that may be revealed post-appointment.

Promoting Expert Policymaking. In this model, the president generates accountability to her policy preferences by either removing or retaining the political appointee. I assume that the president bases retention decisions on appointees' formal participation in the policymaking process (Acs 2018; Potter 2019).[11]

Policy choices and, per force, policy effects take years to materialize as policymaking "rarely seems to involve a group of political executives walking in,

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[11]In Appendix A.4 I discuss an extension in which both delegation behavior and policy outcomes are observable by the president. Non-expert appointes still face incentives to maintain decision-making authority in the first period.

thumping the table, and giving the administration's marching orders" (Heclo 1977, p. 178). Rather, more often policymaking is characterized by "a continuing dialogue in which bureaucrats are important participants" (Heclo 1977, p. 178), but not expected to have the final word (Devine 1991). The president can see which actors are exercising leadership in developing policy long before she can observe the actor's policy choice or the effects of the policy.

As a result, presidents may look to the policymaking process for information about an appointee's ability. This attention to interactions between political appointees and career civil servants is captured by Heclo (1977): "Weaknesses among political executives lead inevitably to White House complaints" about their cooptation by the permanent bureaucrats they were supposed to oversee (p. 111). President Nixon memorably complained about a member of his Cabinet, "rather than running the bureaucracy, the bureaucracy runs him."[12] This illustrates that appointees' dealings with career bureaucrats are subject to presidential scrutiny.

As an example, during his tenure as head of the Office of Personnel Management (OPM) under Reagan, Donald Devine was informed of a deficit in the Federal Employees Health Benefits (FEHB) program by a top career executive. The career executive explained that the deficit could be dealt with by increasing premiums and requesting a supplemental benefit increase from Congress. Devine remarks, "What political appointee anxious about his reputation would not be tempted to let the bureaucratic experts pass the problem along to the unsuspecting taxpayers and employees and let the problem steal quietly away?" (Devine 1991, p. 137).

Devine continues to explain:

> "But I decided to act anyway. Fortunately, I'd had experience in the
> health insurance industry in my earlier career and I had studied market

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[12]https://www.nytimes.com/1979/08/12/archives/conflict-over-the-cabinet-cabinet.html

economics so I was able to act upon my own knowledge." (Devine 1991,

p. 137)

So long as there are appointees with the expertise to resist transfers of authority to the bureaucracy, appointees will have an incentive to demonstrate they are making policies in the interest of the president. This matters to administrations because transferring authority to career officials "delays decisionmaking and often frustrates it" (Devine 1991, p. 120).

3   Analysis

The equilibrium analysis considers perfect Bayesian equilibria (PBE) in which beliefs satisfy the D1 criterion (Cho and Kreps 1987). This implies that players' actions are consistent with their beliefs and beliefs are derived using Bayes' Rule when possible. Off the equilibrium path, beliefs assign positive probability only to the type of appointee that benefits from the deviation (in terms of generating a greater payoff relative to her equilibrium expected payoff) for a larger subset of possible off path retention probabilities by the president. This implies that off-path delegation causes the president to infer that the appointee is inexpert, whereas off-path leadership causes the president to infer that the appointee is expert.[13]

The D1 refinement preserves pooling equilibria that would be ruled out by off-path beliefs that assign greater probability following off-path actions to types that intrinsically dislike the action, while eliminating pooling equilibria in which each type of appointee takes the action preferred by the president's least preferred type. For instance, absent this refinement, an appointee could prefer to deviate to off-path actions intrinsically less appealing to her type in order to signal her expertise to the

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[13]This holds for the parameter regions considered in the analysis. If office-holding benefits are low enough, off-path delegation would cause the president to infer the appointee is expert.

president (e.g., an expert appointee delegating to signal her expertise). Alternatively, without this refinement, there exist equilibria in which both experts and non-experts delegate even if each prefers to exercise policy leadership. This occurs only if retention benefits are sufficiently large and off-path the president believes non-expert appointees are more likely to determine policy themselves.

An equilibrium is given by $(\sigma^*, y^*, \beta^*, \rho^*, \kappa^*)$. In equilibrium, the president infers the expertise of the appointee and retains the first period appointee on the basis of these beliefs, κ^*, according to ρ^*. Each type of appointee selects a probability of delegation σ^* understanding the inference the president will draw based on her information, d_t. Proofs for all formal results are given in Appendix A.1. Appendix A.2 provides proofs for statements of uniqueness, while Appendix A.3 provides conditions on equilibrium appointee strategies: that in any PBE at most one type of appointee is indifferent between delegating authority and exercising leadership. This implies that in any PBE, appointees use either fully pooling, fully separating, or semi-separating strategies in the first period. If either type of appointee is indifferent between delegating authority and exercising policy leadership in a PBE, the equilibrium is semi-separating.

3.1   Policymaking

I first consider how policy is chosen in each period for a given allocation of formal decision-making authority. I use the term *policymaking* to refer to the choice of policy y_t in each period, whereas the *delegation decision*, d_t, refers to the authority to select policy y_t. The delegation decision will determine the identity of the policymaker in each period—if the appointee delegates to the bureaucrat ($d_t = 1$) the bureaucrat selects policy, whereas if the appointee retains authority ($d_t = 0$) he selects policy himself.

The president retains the appointee based on the delegation decision, which indicates the appointee's involvement in the policymaking process. The extent to which the appointee relies on the bureaucrat to make policy potentially conveys information about the appointee's level of expertise as less expert appointees have more to gain by transferring policy authority to a better informed bureaucrat. Given that the president does not observe policy choices or outcomes, she cannot condition her retention decisions on policy performance. As a result, the policy choice does not impact the appointee's retention prospects. Conditional on a distribution of formal policymaking authority, the policy choice only impacts each actors' utility in that period.

This observation has two important implications for this analysis. First, policymaking incentives for both the appointee and the bureaucrat are identical in each period. Second, the policymaker (either the appointee or the bureaucrat) does not have an incentive to distort his policy choice. This means that in each period policies will reflect both the bias and information of the policymaker—the actor that determines policy will select his preferred policy given the information available to him and his ideology. Specifically, in each period, the bureaucrat will select policy according to

$$y_t^*(1, \omega_t) = \omega_t + b_B, \tag{1}$$

whereas the appointee will select policy according to

$$y_t^*(0, s_t^A) = \begin{cases} s_t^A + b_A & \text{if } s_t^A \in \{0, 1\} \\ \pi + b_A & \text{if } s_t^A = \varnothing. \end{cases} \tag{2}$$

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I focus on the appointee's incentives to signal ability purely through the distribution of formal decision-making authority to isolate the effect of the delegation decision itself. If the president were able to observe policy outcomes in addition to the delegation decision, an uninformed appointee may face incentives to signal ability through his policy choice in the first period. I consider this case in Appendix A.4. The results mirror the results in this analysis, however, non-expert appointees not only distort policy through their delegation decisions, but also through their policy choices in the first period.

3.2   Delegation without Reputation Concerns

To understand the reputation incentives presidential oversight and the possibility of removal introduce for political appointees, I first analyze an appointee's delegation behavior in the absence of retention incentives. This corresponds to the equilibrium delegation behavior in the second period and provides a baseline for comparison.

Absent retention concerns, an appointee's delegation decision is purely guided by his ideology and level of expertise. An appointee is only willing to delegate decision-making authority to the bureaucrat if the benefits of informed policymaking outweigh the costs of worse control over policy choice. Thus, an appointee is willing to delegate only if he is closely aligned with the bureaucrat, or

$$ b_B - \sqrt{(1 - \theta_A)\pi(1 - \pi)} \leqslant b_A \leqslant b_B + \sqrt{(1 - \theta_A)\pi(1 - \pi)}.^{14} \tag{3} $$

This reflects a standard tradeoff in delegation decisions: a principal cannot gain from a biased bureaucrat's expertise without some loss of control.

As expert appointees have access to the same information as the bureaucrat when determining policy, only non-expert appointees sufficiently aligned with the

bureaucrat will have an incentive to delegate. Definition 1 defines the set of appointee ideologis for which delegation yields a weakly greater second period expected utility for a non-expert appointee. Lemma 1 states the second period delegation behavior for each type of appointee.

Definition 1 *(Appointees Aligned with the Bureaucracy) Define $\Delta^* \equiv [b_B - \epsilon, b_B + \epsilon]$, where $\epsilon \equiv \sqrt{\pi(1-\pi)}$.*

Lemma 1 *(Second Period Delegation) In the second period, an expert appointee retains decision-making authority (i.e., $\sigma_2^*(1, b_A) = 0$), whereas a non-expert appointee delegates if and only if he is sufficiently aligned with the bureaucracy, or*

$$\sigma_2^*(0, b_A) = \begin{cases} 1 & \text{if } b_A \in \Delta^* \\ 0 & \text{otherwise.} \end{cases} \tag{4}$$

Based on the delegation behavior described in Lemma 1, I identify two different configurations of bureaucratic bias. A bureaucrat is moderate if the president prefers delegation to the bureaucracy to policymaking by a non-expert appointee. A bureaucrat is extreme if, instead, the president prefers that non-expert ally appointees determine policy themselves, rather than delegate to the bureaucrat. I restrict attention to the substantively interesting case in which the president benefits from bureaucratic expertise. This restriction is captured by assumption 1. Figure 1 depicts the arrangement of preferences that assumption 1 implies.

Assumption 1 *(Moderate Bureaucracy) $b_B \leqslant \epsilon$.*

Appointee Selection ($t = 2$). Next I consider the president's preferences over appointee ideology in the second period when the appointee is not subject to removal.
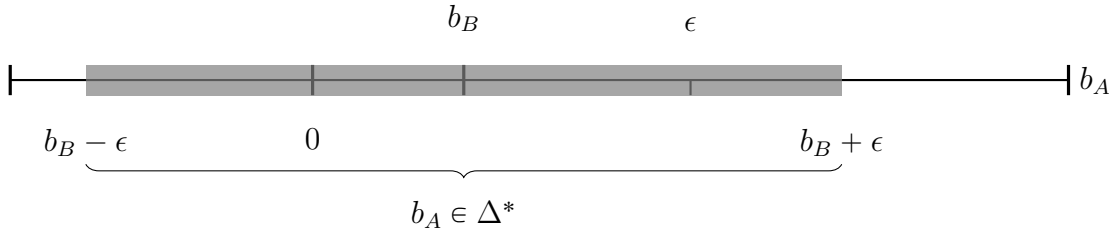
Figure 1: Second Period Delegation from Non-Experts to a Moderate Bureaucracy
Note: The shaded region represents the types of non-expert appointees that delegate to the bureaucracy in the second period, $b_A \in \Delta^*$. The figure uses $\kappa = \frac{1}{2}$, $b_B = 0.2$.

To understand the president's preferences over the ideology of her appointees in the second period, first consider the utility each type of appointee generates.

In the second period, appointees do not face reputation incentives to demonstrate expertise and, as a consequence, do not distort their delegation decisions from what is policy-optimal based on their own expertise and ideology. This means an expert appointee always exercises policy leadership, whereas a non-expert appointee delegates only if he is sufficiently aligned with the bureaucrat. Furthermore, there is no tradeoff between ideology and expertise in the second period: untried appointees have the same expected competence κ irrespective of ideology, and there is no benefit from learning about an appointee's competence on the job. Therefore, the president's expected utility from an untried political appointee is

$$\mathbb{E}u_2^P(b_A; b_B) = \begin{cases} -\kappa b_A^2 - (1-\kappa)b_B^2 & \text{if } b_A \in \Delta^* \\ -b_A^2 - (1-\kappa)\pi(1-\pi) & \text{if } b_A \notin \Delta^*. \end{cases} \tag{5}$$

Both expert and non-expert ally appointees choose the president's preferred action given his type. If the bureaucrat is moderate, appointing an ally ensures reliance on bureaucratic expertise by non-experts without inflicting the cost of known policy

disagreement if the appointee is an expert. This means the president will always replace a removed appointee with an ideological ally. Lemma 2 formally states this result.

Lemma 2 *(Replacing an Appointee) If the first period appointee is removed (i.e., $r = 0$), the president replaces the removed appointee with an ideological ally, $\beta_2^{A*} = 0$.*

Lemma 2 allows the analysis to be simplified to consider just the optimal appointee ideology in the first period, given that the president always replaces a removed appointee with an ideological ally. The second period appointee selection behavior reflects a standard logic in the political appointments literature: a president utilizes the political appointment process to install ally appointees loyal to the president's policy agenda.

This highlights the importance of loyalty when appointees do not face reputation incentives. When appointing a replacement, the president does not face a tradeoff between ideology and control. In general, the president will only be willing to appoint a non-ally if doing so furthers her control over policymaking. This tension between ideology and control arises in the first period when appointees face reputation concerns to demonstrate expertise that vary by ideology.

3.3 Removal Decision

Given the second period behavior described, the president will remove an appointee if the expected utility from replacing the appointee exceeds the expected utility from retaining the appointee. The president's expected utility from removing the first period appointee is given by

$$\mathbb{E}u_2^P(\text{remove}) = -(1 - \kappa)b_B^2 \tag{6}$$

whereas her expected utility from retaining the first period appointee is

$$
\mathbb{E}u_2^P(\text{retain}; \hat{\kappa}) = \begin{cases} -\hat{\kappa}b_A^2 - (1 - \hat{\kappa})b_B^2 & \text{if } b_A \in \Delta^* \\ -b_A^2 - (1 - \hat{\kappa})\pi(1 - \pi) & \text{if } b_A \notin \Delta^* \end{cases}
\tag{7}
$$

where $\hat{\kappa}$ represents the president's posterior belief that the first period appointee is an expert.

Remark 1 characterizes the president's posterior beliefs for any strategy profile in which experts always determine policy themselves. This formalizes a key strategic tension in the model: a non-expert appointee may improve his reputation by determining policy himself. Nevertheless, competence alone is insufficient to guarantee retention. Instead, both the president's beliefs that an appointee is competent and the extent of ideological alignment between the president and appointee jointly determine retention.

Remark 1 (President's Beliefs) Suppose expert appointees always determine policy themselves (i.e., $\sigma_1^*(1, b_A) = 0$) and non-expert appointees sometimes delegate (i.e., $\sigma_1^*(0, b_A) \in (0, 1]$). Then, the president's equilibrium posterior beliefs are given by

$$
\kappa^*(d_1, b_A) = \begin{cases} \dfrac{\kappa}{\kappa + (1 - \kappa)(1 - \sigma_1^*(0, b_A))} & \text{if } d_1 = 0 \\ 0 & \text{otherwise.} \end{cases}
\tag{8}
$$

If both expert and non-expert appointees determine policy themselves (i.e., $\sigma_1^*(1, b_A) = \sigma_1^*(0, b_A) = 0$), then $\kappa^*(0, b_A) = \kappa$.

If an appointee is too ideologically extreme, then the cost of ideological disagreement outweighs the possible benefits of competence. Lemma 3 provides a formal statement of this intuition and defines the types of appointees that may

possibly be retained with positive probability in an equilibrium, $\mathfrak{R}$. If $b_A \notin \mathfrak{R}$, then no belief $\hat{\kappa} \in [0, 1]$ would lead the president to retain the appointee.

Lemma 3 *There exists $\hat{\kappa} \in [0, 1]$ such that it is sequentially rational for the president to retain the appointee if and only if the appointee is closely aligned with the president, or $b_A \in \left[-b_B\sqrt{1-\kappa}, b_B\sqrt{1-\kappa} \right] \equiv \mathfrak{R}$.*

Provided an appointee is sufficiently aligned with the president (i.e., $b_A \in \mathfrak{R}$), the appointee's expertise may compensate the president for worse ideological alignment. While the president prefers allies all else equal, she will prefer an expert non-ally to a non-expert ally. If $b_A \in \mathfrak{R}$, the president will only retain an appointee that is sufficiently expert, or $\hat{\kappa} \geqslant \overline{\kappa}$. Lemma 4 provides a formal statement of the level of expertise an appointee must demonstrate in order to be retained with positive probability in equilibrium, $\overline{\kappa}$. This retention threshold varies based on the ideological alignment between the president and her appointee, as well as the ideology of the bureaucrat.

Lemma 4 *(Retention) The president retains an appointee (i.e., $\rho^*(\cdot, b_A) > 0$) only if the appointee is both closely aligned ($b_A \in \mathfrak{R}$) and sufficiently expert ($\hat{\kappa} \geqslant \overline{\kappa}$) where*

$$\overline{\kappa} = \begin{cases} \dfrac{\kappa b_B^2}{b_B^2 - b_A^2} & \text{if } b_A \in \Delta^* \\[3ex] 1 - \dfrac{((1-\kappa)b_B^2 - b_A^2)}{\pi(1-\pi)} & \text{if } b_A \notin \Delta^*. \end{cases} \tag{9}$$

Otherwise, the appointee is dismissed (i.e., $\rho^*(\cdot, b_A) = 0$).

An important implication of Lemma 4 is that as ideological disagreement between the president and the appointee increases, appointees must demonstrate greater expertise in order to be retained. This is consistent with the intuition that

competence may compensate for worse ideological alignment. An ally appointee need only be as expert as his potential replacement in order to be retained, whereas a non-ally must be more expert than a replacement appointee. This relationship is depicted graphically in Figure 2.

Two observations are key for understanding appointment incentives in the first period: retaining decision-making authority improves a non-expert appointee's reputation (Remark 1); and the ideology of the appointee affects the credibility of removal. The ideology of the first period appointee commits the president to using the retention threshold $\overline{\kappa}$ which affects a non-expert appointee's incentives to improve his reputation by retaining decision-making authority. This means that, if the bureaucrat is moderate, the level of expertise required to be retained directly corresponds to the discipline the president can induce in equilibrium amongst non-expert appointees that prefer to delegate to the bureaucrat (i.e., $b_A \in \Delta^*$).

3.4 Delegation with Reputation Concerns

Now I consider an appointee's delegation behavior when he is subject to oversight and removal by the president. This is key for understanding first period appointment incentives because the threat of removal may induce appointees to deviate from their second period policymaking behavior if the benefit of office-holding is sufficiently large. I restrict attention to this substantively important case.

Assumption 2 guarantees that an ally appointee prefers to be retained to such an extent that he is willing to sacrifice policy utility in the first period to do so. For sufficiently low office-holding motivations, there no meaningful tradeoff between appointee ideology and first period policymaking. If office-holding motives are sufficiently weak, appointees do not deviate from their second period delegation behavior in order to remain in government. This analysis seeks to highlight optimal

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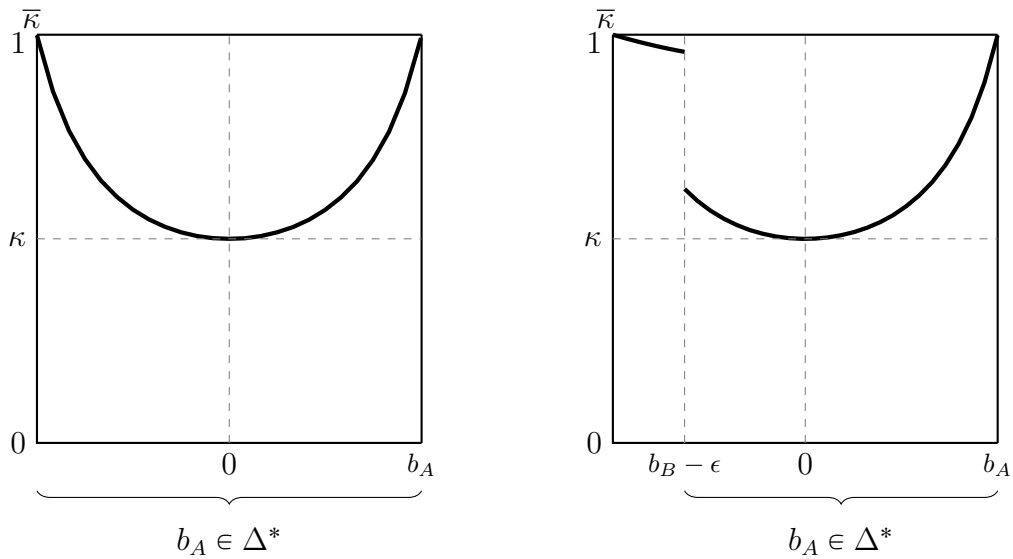
(a) Closely Aligned Bureaucracy   (b) Moderately Aligned Bureaucracy

Figure 2: Retention Threshold (Competence), $\overline{\kappa}$, by Appointee Ideology

Note: The graph is constructed for $\kappa = \frac{1}{2}$. The left figure uses $b_B = 0.15$, the right uses $b_B = 0.2$. The bureaucracy is closely aligned with the president if $b_B < \frac{\epsilon}{1+\sqrt{1-\kappa}}$. The bureaucracy is moderately aligned with the president if $\frac{\epsilon}{1+\sqrt{1-\kappa}} < b_B < \epsilon$.

appointments precisely when retention motives dominate first period policy concerns.

Assumption 2 $\tau > \max \left\{ \frac{1}{\delta} \left[\pi(1 - \pi) - (1 - \delta\kappa)b_B^2 \right], \kappa b_B^2(1 + 2\sqrt{1 - \kappa}) \right\} \equiv \overline{\tau}$

In order to characterize first period delegation, I first define what it means for an appointee to under-delegate. An appointee is said to under-delegate if he fails to rely on bureaucratic expertise due to retention concerns. Definition 2 provides a formal statement of under-delegation.

Definition 2 *(Under-Delegation) An appointee is said to under-delegate if the appointee delegates less often in the first period than in the second period:* $\sigma_1^*(\theta_A, b_A) < \sigma_2^*(\theta_A, b_A).$

Understanding an appointee's incentives to under-delegate is critical for understanding the president's preferences over first period appointments when the bureaucrat is moderate. Non-expert appointees more aligned with the president do not need to demonstrate as much expertise in order to be retained. This means non-experts can delegate less and still be retained. Lemma 5 formally characterizes equilibrium delegation in the first period.

Lemma 5 *(First Period Delegation) Assume $\tau > \overline{\tau}$ and $b_B < \epsilon$. In any equilibrium that satisfies D1,*

- *expert appointees always select policy themselves $\sigma_1^*(1, b_A) = 0$*

- *non-expert appointees under-delegate if $b_A \in \text{int}\,\Delta^* \cap \mathfrak{R}$ with*

$$\sigma_1^*(0, b_A) = \frac{b_A^2}{(1 - \kappa)b_B^2}; \tag{10}$$

$\sigma_t^*(0, b_A)$ $\sigma_t^*(0, b_A)$

(a) Closely Aligned Bureaucracy   (b) Moderately Aligned Bureaucracy
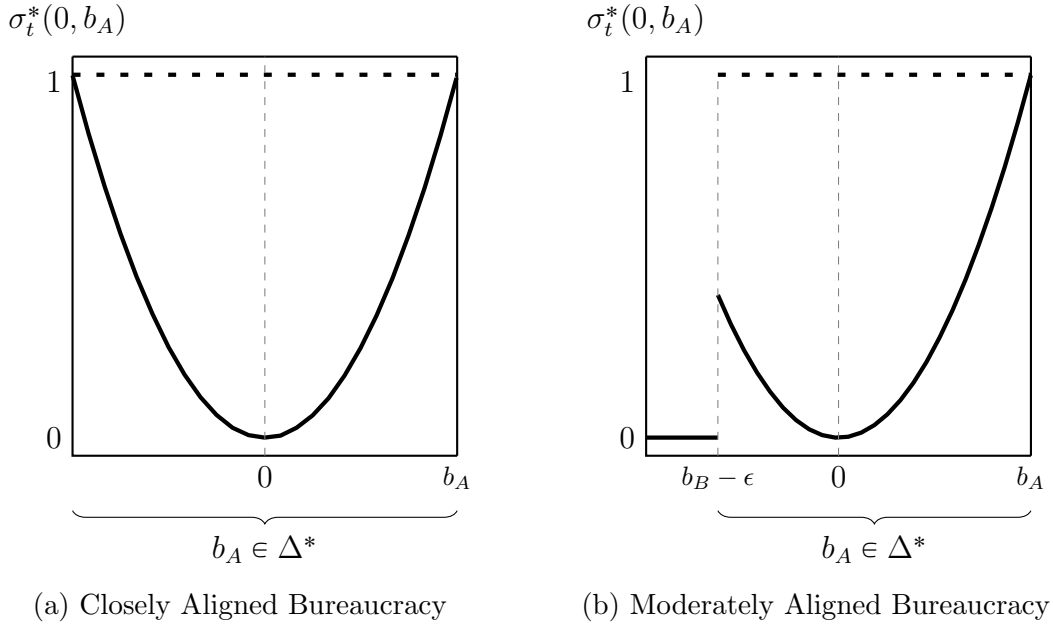
Figure 4: Equilibrium Delegation by Non-Expert Appointees

Note: The solid segments indicate equilibrium delegation by the non-expert appointee if $t = 1$ and $b_A \in \mathfrak{R}$. The loosely dashed segment indicates equilibrium delegation by the non-expert appointee if $t = 2$. The graph is constructed for $\kappa = \frac{1}{2}$. The left graph uses $b_B = 0.15$, the right uses $b_B = 0.2$. The bureaucracy is closely aligned with the president if $b_B < \frac{\epsilon}{1+\sqrt{1-\kappa}}$ and moderately aligned with the president if $\frac{\epsilon}{1+\sqrt{1-\kappa}} < b_B < \epsilon$.

> *otherwise, non-expert appointees aligned with the bureaucrat delegate, while non-expert appointees unaligned with the bureaucrat retain authority,* $\sigma_1^*(0, b_A) = \sigma_2^*(0, b_A)$.

By Lemma 5, non-expert ally appointees will determine policy themselves despite a preference for delegation on policy grounds. This means that the president's belief an ally appointee that retains decision-making authority is expert is κ. Similarly, Lemma 5 implies that the president's belief an appointee unaligned with the bureaucrat (i.e., $b_A \notin \Delta^*$) that retains decision-making authority is expert is also κ, given appointees unaligned with the bureaucrat always determine policy themselves (i.e., $\sigma_1^*(\theta_A, b_A) = 0 \ \forall \ b_A \notin \Delta^*$).

For identical levels of expected competence, the president will always prefer an ally

to a non-ally—and so there always exists some $b_A \in \Delta^*$ that the president prefers to $b_A \notin \Delta^*$ in the first period. In second period, Lemma 2 implies $b_A \in \Delta^*$ provided $b_B \leqslant \epsilon$ following dismissal $r = 0$. Therefore, Proposition 1 follows as a direct implication of Lemma 2 and Lemma 5.

Proposition 1 *Assume $\tau > \bar{\tau}$ and $b_B < \epsilon$. Then, the president only selects appointees sufficiently aligned with the bureaucracy in the first period, $\beta_t^{A*} \in \Delta^*$.*

The president will always select appointees that have a policy interest in delegating authority to the bureaucrat if the bureaucrat is moderate. Nevertheless, if officeholding is sufficiently valuable to political appointees (Assumption 2), appointees distort their use of bureaucratic expertise (Lemma 5). In particular, non-expert appointees sufficiently aligned with both the bureaucrat and the president under-delegate in the first period.

4 Equilibrium and Dynamics of Appointments

In this analysis, I focus on the case of a moderate bureaucrat. This is precisely when there is a meaningful conflict between an ally appointee's personal career incentives and policy-optimal use of bureaucratic expertise from the president's perspective. The president always prefers that non-expert appointees delegate to a moderate bureaucrat, whereas non-expert appointees face incentives to improve their reputation with the president by retaining policymaking authority.

To build intuition for the equilibrium results, first consider the president's utility from an ally appointee. By Lemma 5, both expert and non-expert ally appointees will determine policy themselves if office-holding benefits are sufficiently large. Then,

the president's utility from appointing an ally in the first period is

$$-(1-\kappa)\pi(1-\pi) - \delta(1-\kappa)b_B^2. \tag{11}$$

Now consider the president's expected utility from a non-ally that is sufficiently aligned with the bureaucracy (i.e., $b_A \in \Delta^*$). Given an appointee's delegation behavior (Lemma 5), the president's expected utility from appointing a non-ally $b_A \in \Delta^* \cap \mathfrak{R}$ may be written as

$$\underbrace{\frac{b_A^2}{b_B^2}\left[b_A^2 + \pi(1-\pi)\right]}_{\text{Policy gains}} - \underbrace{2b_A^2}_{\text{Policy losses}} - \underbrace{(1-\kappa)\pi(1-\pi) - \delta(1-\kappa)b_B^2}_{\text{Constant in appointee bias, } b_A}. \tag{12}$$

Comparing the president's utility from an ally (equation 11) to her utility from a non-ally (equation 12) highlights that first period appointments only influence the president's expected utility through the appointment's affect on first period policy: if office-holding is sufficiently valuable, the president's second period expected utility is identical for all $b_A \in \Delta^* \cap \mathfrak{R}$.

This means the president will choose the ideology of her first period appointee in order to maximize first period control. As the policy losses from a non-ally appointee are concave, whereas the gains are convex, this implies either $b_A = 0$ if the policy losses exceed the policy gains or $b_A \in \{-b_B\sqrt{1-\kappa}, b_B\sqrt{1-\kappa}\} \cap \Delta^*$ by Proposition 1.

The policy gains from a non-ally appointee outweigh the policy losses only if the bureaucrat is sufficiently moderate. Proposition 2 states the key result. If bureaucrats are not too extreme, then the president benefits from installing appointees whose ideologies differ from her own as this maximizes first period discipline. This guarantees policy is made by experts in the first period: either by expert appointees who maintain decision-making authority or by expert bureaucrats
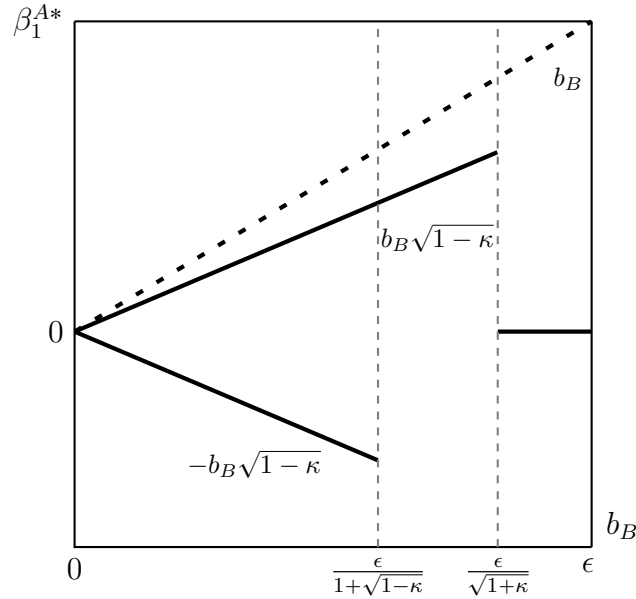
Figure 6: Appointment Decision ($t = 1$)

Note: The solid segments indicate the president's optimal first period appointee. The loosely dashed segment indicates the bureaucrat's bias. The graph is constructed for $\kappa = \frac{1}{2}$.

empowered to make policy by non-expert appointees. This highlights that worse ideological alignment between the president and her appointee may confer greater control in the first period.

Proposition 2 *(First Period Appointments) Assume $\tau > \bar{\tau}$ and $b_B < \epsilon$. If the bureaucracy is closely aligned with the president, or $b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$, then in any equilibrium that satisfies the D1 refinement, the president selects a non-ally first period appointee, $\beta_1^{A*} \neq 0$:*

- *If $b_B < \frac{\epsilon}{1+\sqrt{1-\kappa}}$, then $\beta_1^{A*} \in \{-b_B\sqrt{1-\kappa}, b_B\sqrt{1-\kappa}\}$.*

- *If $\frac{\epsilon}{1+\sqrt{1-\kappa}} < b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$, then $\beta_1^{A*} = b_B\sqrt{1-\kappa}$.*

Otherwise, if $b_B > \frac{\epsilon}{\sqrt{1+\kappa}}$, the president selects an ally in the first period, $\beta_1^{A*} = 0$.

If the bureaucrat is sufficiently aligned with the president, the ideological

divergence between the president and her appointees is increasing in bureaucratic bias. As bureaucratic bias increases, the president must select increasingly less aligned appointees in order to encourage non-expert appointees to rely on better informed bureaucrats. In contrast, as competence is more abundant, the president faces less of a tradeoff between ideology and expertise. This leads the president to select appointees more aligned with her own ideology—and less aligned with the bureaucracy. As appointee talent improves, the president is less willing to appoint non-allies given the increased likelihood ally appointees are competent. These results are summarized in Proposition 3.

Proposition 3 *(Ideological Alignment Between the President and Appointee) Assume $\tau > \bar{\tau}$ and $b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$. Then, ideological divergence between the president and her first period appointee is*

- *increasing in the bureaucrat's bias, b_B*

- *decreasing in the expected competence of a replacement, κ.*

The analysis has implications for how political appointments evolve throughout the president's tenure in office. Provided the bureaucrat is sufficiently aligned with the president, first period appointees are always less aligned with the president than second period appointees. This result is stated formally in Proposition 4. In the second period there is no tradeoff between appointee ideology and control over policymaking—each type of ally appointee takes the policy-optimal action given his type. In contrast, in the first period, the president confronts a tradeoff between ideology and control. In order encourage reliance on bureaucratic expertise, she appoints a non-ally.

This result is consistent with empirical findings that suggest presidents prioritize

loyalty more as their administrations progress (Krause and O'Connell 2016).[15] This analysis suggests that as the nature of the appointments problem itself changes over time, appointee selection also changes. When removal is possible and the bureaucracy is sufficiently aligned, the president appoints non-allies. When removal is impossible, real loyalty vis-à-vis appointee behavior coincides with preference loyalty. If removal is more costly due to a weak or dwindling pool of replacements, then political removals may be less credible in practice late in an administration. This has implications for the types of appointments the president makes.

Proposition 4 *(Evolution of Appointments) Assume $b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$. Then, the first period appointee is less aligned than his replacement, or $|\beta_1^{A*}| > |\beta_2^{A*}|$.*

The analysis demonstrates that, conditional on retention, non-allies are more likely to be competent. Proposition 5 states that if the bureaucrat is moderate in equilibrium non-allies are retained only if they are experts, whereas both expert and non-expert allies may be retained. This is a direct implication of Lemma 5.

Proposition 5 *(Loyalty-Competence) If $b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$, then a non-ally appointee retained in equilibrium is an expert (i.e., $\kappa^*(r = 1) = 1$). If $\epsilon > b_B > \frac{\epsilon}{\sqrt{1+\kappa}}$, then an ally appointee retained in equilibrium is expert with probability κ (i.e., $\kappa^*(r = 1) = \kappa$).*

While appointee expertise is initially independent of ideology, this analysis suggests that, as an administration progresses, a correlation between ideology and expertise amongst the appointees that remain in the administration may develop. The association between an appointee's level of expertise (*competence*) and an

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[15]Krause and O'Connell (2016) attribute this change in appointments to presidents learning on-the-job how to better manage the bureaucracy. This analysis suggests that selecting appointees on the basis on preference alignment may not be due to experiential learning (Carpenter 2010; Krause and O'Connell 2016), but rather due to the changing nature of the appointments problem.

appointee's policy preferences (*loyalty*) arises due to how appointee's career concerns interact with the credibility of removal.

5 Conclusion

This paper recognizes that the president faces an agency problem with her political appointees. Previous work on presidential appointments ignores the possibility that political appointees may distort their decision-making in order to further their reputation with the president and maintain their position within the administration.

I argue that the relationship between optimal appointee ideology and agency ideology is more subtle than previous work has suggested precisely because of the ongoing accountability relationship between political appointees and the president. The president's ability to remove political appointees on the basis of on-the-job performance affects how political appointees negotiate interactions with career civil servants. If political appointees vary in their ability to effectively execute policy, delegation to career bureaucrats may signal an appointee lacks the ability to determine policy himself.

As a result, the president faces a tradeoff between ideological alignment and informed policymaking. If the bureaucrat is sufficiently moderate and the benefit of retention is sufficiently large, the president only benefits from bureaucratic expertise if she appoints a non-ally. Loyal appointees will face career incentives to select policy themselves, even if they lack the expertise to do so effectively. In contrast, appointees less aligned with the president have more of an incentive to delegate to career experts because threats of dismissal are more credible.

The results suggest that selecting non-ally appointees is valuable because it facilitates reliance on bureaucratic expertise by non-expert appointees. This

improves policymaking in the first period and leads to retention of more competent appointees. The results highlight the influence of dynamic incentives on optimal political appointments: in a dynamic model, intrinsic policy preferences do not necessarily coincide with appointee behavior.

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Contents

A Appendix

A.1 Formal Proofs

Proof of Lemma 1. In the second period, an appointee with bias b_A and expertise θ_A will delegate if

$$-(b_B - b_A)^2 > -(1 - \theta_A)\pi(1 - \pi) \Rightarrow b_B - \epsilon(\theta_A) < b_A < b_B + \epsilon(\theta_A).$$

If this condition holds with equality, then the appointee is indifferent between delegating and exercising leadership and either action is a best response. ∎

Proof of Lemma 2. Consider two cases:

- If $b_B \leqslant \epsilon$, then the following is sufficient for P to prefer an ally

$$-(1 - \kappa)b_B^2 \geqslant -(b_B - \epsilon)^2 - (1 - \kappa)\pi(1 - \pi)$$

  which is always satisfied given $b_B \leqslant \epsilon$.

- If $b_B > \epsilon$, then the following is sufficient for P to prefer an ally

$$-(1 - \kappa)\pi(1 - \pi) > -\kappa(b_B - \epsilon)^2 - (1 - \kappa)b_B^2$$

  which is always satisfied given $b_B > \epsilon$.

∎

Proof of Lemma 3. First, I show the president will never retain an extreme appointee with $b_A > b_B$ or $b_A < -b_B$. For all $b_A > b_B$ or $b_A < -b_B$, the president's expected utility is strictly decreasing in $\hat{\kappa}$. The following are sufficient to guarantee the president always prefers to replace an extreme appointee

$$-(1 - \kappa)b_B^2 > -b_B^2 \quad \text{if } b_B \leqslant \epsilon \tag{13}$$
$$-(1 - \kappa)\pi(1 - \pi) > -b_B^2 \quad \text{if } b_B > \epsilon. \tag{14}$$

For all $-b_B \leqslant b_A \leqslant b_B$, the president's expected utility is increasing in $\hat{\kappa}$. Consider two cases:

- If $b_B \leqslant \epsilon$, then the president will never retain an appointee if

$$-(1 - \kappa)b_B^2 > -b_A^2 \Rightarrow b_A > b_B\sqrt{(1 - \kappa)} \text{ or } b_A < -b_B\sqrt{1 - \kappa}.$$

  Observe that if the bureaucrat is closely aligned with the president or

$$b_B \leqslant \frac{\epsilon}{1 + \sqrt{1 - \kappa}},$$

  the president will never retain an appointee if $b_A \notin \Delta^*$.

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- If $b_B > \epsilon$, then the president will never retain an appointee if

$$-(1 - \kappa)\pi(1 - \pi) > -b_A^2 \Rightarrow b_A > \epsilon\sqrt{(1 - \kappa)} \text{ or } b_A < -\epsilon\sqrt{(1 - \kappa)}.$$

∎

Proof of Lemma 4. There are four cases to consider:

- Case 1: $b_B \leqslant \epsilon, b_A \in \Delta^*$

  The president will retain only if

  $$-\hat{\kappa}b_A^2 - (1 - \hat{\kappa})b_B^2 \geqslant -(1 - \kappa)b_B^2 \Rightarrow \hat{\kappa} \geqslant \frac{\kappa b_B^2}{b_B^2 - b_A^2} \equiv \overline{\kappa}.$$

- Case 2: $b_B \leqslant \epsilon, b_A \notin \Delta^*$

  The president will retain only if

  $$-b_A^2 - (1 - \hat{\kappa})\pi(1 - \pi) \geqslant -(1 - \kappa)b_B^2 \Rightarrow \hat{\kappa} \geqslant 1 + \frac{b_A^2 - (1 - \kappa)b_B^2}{\pi(1 - \pi)} \equiv \overline{\kappa}.$$

- Case 3: $b_B > \epsilon, b_A \in \Delta^*$

  The president will retain only if

  $$-\hat{\kappa}b_P^2 - (1 - \hat{\kappa})b_A^2 \geqslant -(1 - \kappa)\pi(1 - \pi) \Rightarrow \hat{\kappa} \geqslant \frac{b_A^2 - (1 - \kappa)\pi(1 - \pi)}{b_A^2 - b_P^2} \equiv \overline{\kappa}.$$

- Case 4: $b_A > \epsilon, b_P \notin \Delta^*$

  The president will retain only if

  $$-b_A^2 - (1 - \hat{\kappa})\pi(1 - \pi) \geqslant -(1 - \kappa)\pi(1 - \pi) \Rightarrow \hat{\kappa} \geqslant \kappa + \frac{b_A^2}{\pi(1 - \pi)} \equiv \overline{\kappa}.$$

∎

Proof of Lemma 5. Let $\tau > \overline{\tau}$. By Lemma 7 in Appendix A.2, in any equilibrium that satisfies the D1 refinement $\sigma_1^*(1, b_A) = 0$.

First, I show there does not exist an equilibrium in which $\sigma_1^*(0, b_A) > 0$ if $b_A \notin \Delta^*$. Consider two cases:

- If $b_B \leqslant \epsilon$, I show that if $b_A \notin \Delta^*$ there does not exist $\rho(0, b_A) \in [0, 1]$ such that the non-expert appointee prefers to delegate.

  For the non-expert appointee to weakly prefer delegating to exercising leadership, the following condition must hold:

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$$\rho(0, b_A) \leqslant \frac{\pi(1-\pi) - (b_B - b_A)^2}{\delta \left[\tau - \pi(1-\pi) + \kappa b_A^2 + (1-\kappa)(b_B - b_A)^2 \right]}.$$

This is not feasible as $b_A \notin \Delta^*$ implies

$$\pi(1-\pi) - (b_B - b_A)^2 < 0$$

whereas

$$\tau - \pi(1-\pi) + \kappa b_A^2 + (1-\kappa)(b_B - b_A)^2 > 0$$

given $\tau \geqslant \bar{\tau}$.

For the non-expert appointee to weakly prefer delegating, the following condition must hold:

$$\rho(0, b_A) \leqslant \frac{\pi(1-\pi) - (b_B - b_A)^2}{\delta[\tau + b_A^2 - \kappa\pi(1-\pi)]}.$$

This is not feasible as $b_P \notin \Delta^*$ implies

$$\pi(1-\pi) - (b_B - b_A)^2 < 0$$

whereas

$$\tau + b_A^2 - \kappa\pi(1-\pi) > 0$$

given $\tau \geqslant \bar{\tau}$.

Then, there does not exist an equilibrium in which $\sigma_1^*(0, b_A) > 0$ for $b_A \notin \Delta^*$.

Next, I show that there exists an equilibrium in which $\sigma_1^*(0, b_A) = 0$ for all $b_A \notin \Delta^*$. Given the D1 refinement requires $\kappa^*(1, b_A) = 0$, for this to be an equilibrium strategy, the following must hold

$$-\pi(1-\pi) + \delta\mathbb{E}(\text{removed}) \geqslant -(b_B - b_A)^2 + \delta\mathbb{E}(\text{removed})$$

which is always satisfied. By Lemma 8 in Appendix A.3, this is the unique equilibrium strategy for $b_A \notin \Delta^*$.

Similarly, if $b_A \in \Delta^*$, but $b_A \notin \mathfrak{R}$, then $\sigma_1^*(0, b_A) = \sigma_2^*(0, b_A) = 1$, given

$$-(b_B - b_A)^2 > -\pi(1-\pi).$$

Now, I show that the unique equilibrium strategy is semi-separating (i.e., $\sigma_1^*(0, b_A) = 1$) for $b_A \in \Delta^* \cap \mathfrak{R}$.

- There does not exist a fully separating equilibrium in which $\sigma_1^*(0, b_A) = 1$ for $b_A \in \Delta^* \cap \text{int}\,\mathfrak{R}$ given $\tau > \frac{1}{\delta}\left[\pi(1-\pi) - (b_B - b_A)^2\right] - [\kappa b_A^2 - \kappa(b_B - b_A)^2]$where $\tau > \bar{\tau}$ guarantees this is satisfied for all $b_A \in \Delta^* \cap \mathfrak{R}$.

There does not exist a fully pooling equilibrium $\forall\, b_A \neq 0 \in \Delta^* \cap \mathfrak{R}$ given the D1 refinement

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requires off-path $\kappa^*(1, b_A) = 0$ and

$$-(b_B - b_A)^2 > -\pi(1 - \pi).$$

There exists a semi-separating equilibrium for $b_A \in \Delta^* \cap \mathfrak{R}$ characterized by

$$\frac{\kappa}{\kappa + (1 - \kappa)(1 - \sigma_1^*(0, b_A))} = \overline{\kappa} \Rightarrow \sigma_1^*(0, b_A) = \frac{b_A^2}{(1 - \kappa)b_B^2}$$

and

$$\rho^*(0, b_A) = \frac{\pi(1 - \pi) - (b_B - b_A)^2}{\delta(\tau - \kappa b_B(b_B - 2b_A))} \in [0, 1].$$

∎

Proof of Proposition 1. Let $\tau > \overline{\tau}$ and $b_B < \epsilon$. First, observe that if $b_B \leqslant \frac{\epsilon}{1 + \sqrt{1 - \kappa}}$, then $\mathfrak{R} \subset \Delta^*$. Instead, if $b_B > \frac{\epsilon}{1 + \sqrt{1 - \kappa}}$, then Lemma 5 implies

$$-b_A^2 - (1 - \kappa)\pi(1 - \pi) < -(1 - \kappa)b_B^2$$

for all $b_A \in \mathfrak{R} \backslash \Delta^*$, which means there exists some $b_A \in \Delta^*$ that is preferred to any $b_A \in \mathfrak{R} \backslash \Delta^*$. By Lemma 2, $\beta_2^{A*} \in \Delta^*$ if $r = 0$. ∎

Proof of Proposition 2. Let $b_B < \frac{\epsilon}{\sqrt{1 + \kappa}}$. In any semi-separating equilibrium, the president's expected second period utility is equal to her expected utility from replacement:

$$-\delta(1 - \kappa)b_B^2.$$

Then, the president will choose the ideology of her appointee to maximize first period control. For $b_A \in \Delta^* \cap \mathfrak{R}$, the following conditions must be satisfied in the unique semi-separating equilibrium in which $\sigma_1^*(1, b_A) = 0$:

$$\sigma_1^*(0, b_A) = \frac{b_A^2}{(1 - \kappa)b_B^2} \tag{15}$$

$$\rho^*(0, b_A) = \frac{\pi(1 - \pi) - (b_B - b_A)^2}{\delta(\tau - \kappa b_B(b_B - 2b_A))}. \tag{16}$$

Note that if $b_A \in \{-b_B\sqrt{1 - \kappa}, 0, b_B\sqrt{1 - \kappa}\}$ there are many possible retention probabilities that support the same delegation behavior, but do not affect the president's expected utility.

The president's first period expected utility given $\sigma_1^*(\theta_A, b_A)$ is

$$-\kappa b_A^2 - (1 - \kappa)\left[\sigma_1^* b_B^2 + (1 - \sigma_1^*)(b_A^2 + \pi(1 - \pi))\right]$$

which, substituting into the expression, becomes

$$\frac{b_A^4}{b_B^2} + \left[\frac{\pi(1-\pi)}{b_B^2} - 2\right] b_A^2 - (1-\kappa)\pi(1-\pi).$$

This is maximized at $\beta_1^{A*} \in \{\pm b_B\sqrt{1-\kappa}\}$ provided

$$b_B - \epsilon < -b_B\sqrt{1-\kappa} \Rightarrow b_B < \frac{\epsilon}{1+\sqrt{1-\kappa}}$$

and

$$\frac{b_A^4}{b_B^2} + \left[\frac{\pi(1-\pi)}{b_B^2} - 2\right] b_A^2 > 0$$

which is satisfied if

$$\sqrt{2b_B^2 - \pi(1-\pi)} < b_B\sqrt{1-\kappa} \Rightarrow b_B < \frac{\epsilon}{\sqrt{1+\kappa}}.$$

If $\frac{\epsilon}{1+\sqrt{1-\kappa}} < b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$, then $\beta_1^{A*} = b_B\sqrt{1-\kappa}$. Otherwise, $\beta_1^{A*} = 0$.

Appendix A.2 provides proof of uniqueness. ∎

Proof of Proposition 3. Let $b_B < \epsilon$. Given the equilibrium characterization in Proposition 2, $\beta_1^{A*} = b_B\sqrt{1-\kappa}$. Then,

$$\frac{\partial \beta_1^{A*}}{\partial b_B} = \sqrt{1-\kappa} > 0$$

$$\frac{\partial \beta_1^{A*}}{\partial \kappa} = -\frac{b_B}{2\sqrt{1-\kappa}} < 0.$$

∎

Proof of Proposition 4. This follows directly from Proposition 2.

Proof of Proposition 5. This follows directly from Lemma 4.

A.2 Uniqueness

The D1 criterion eliminates pooling equilibria in which delegating to the bureaucrat signals competence if $\tau > \kappa b_B^2(1 + 2\sqrt{1 - \kappa})$. I show that each type of appointee has a unique equilibrium strategy that leads to a unique expected payoff for the president.

Lemma 6 *In any equilibrium that satisfies the D1 refinement $\rho^*(1, b_A) = 0$.*

Proof. Suppose $\rho^*(1, b_A) > 0$. Then, $b_A \in \mathfrak{R}$ and, in order to satisfy $\kappa^*(1, b_A) \geqslant \overline{\kappa}$, on-path

$$\sigma_1^*(1, b_A) \geqslant \sigma_1^*(0, b_A). \tag{17}$$

There are three types of equilibria that satisfy (17):

- Fully separating: $\sigma_1^*(1, b_A) = 1$, $\sigma_1^*(0, b_A) = 0$

  First I rule out separating equilibria that involve $\sigma_1^*(1, b_A) = 1$, $\sigma_1^*(0, b_A) = 0$, which imply $\rho^*(0, b_A) = 0$, $\rho^*(1, b_A) = 1$. I show that a non-expert would prefer to delegate if

  $$\tau > \frac{1}{\delta}\left[(b_B - b_A)^2 - \pi(1 - \pi)\right] + \mathbb{E}u_2^A(\text{removed}).$$

  This is clearly satisfied if $b_A \in \Delta^*$. If $b_A \notin \Delta^*$, then incentive compatibility for the non-expert requires

  If $b_A \notin \Delta^*$, then incentive compatibility for the expert requires

  $$\tau \geqslant \frac{1}{\delta}\left[(b_B - b_A)^2\right] - \left[\kappa b_A^2 + (1 - \kappa)(b_B - b_A)^2\right] \qquad \text{if } b_B \leqslant \epsilon$$

  $$\tau \geqslant \frac{1}{\delta}\left[(b_B - b_A)^2\right] - \left[b_A^2 + (1 - \kappa)\pi(1 - \pi)\right] \qquad \text{if } b_B > \epsilon.$$

  Incentive compatibility for both the expert and non-expert cannot be satisfied if $\delta < 1$. This cannot be an equilibrium.

- Semi-separating: $1 > \sigma_1^*(1, b_A) > \sigma_1^*(0, b_A) = 0$

  Now I rule out semi-separating equilibria that involve $1 > \sigma_1^*(1, b_A) > \sigma_1^*(0, b_A)$, which imply $\rho^*(0, b_A) = 0$ and $\sigma_1^*(0, b_A) = 0$ (by Lemma 8). I show that a non-expert would prefer to delegate if

  $$\rho^*(1) = \frac{(b_B - b_A)^2}{\delta[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]} > \frac{(b_B - b_A)^2 - \pi(1 - \pi)}{\delta[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]}.$$

  This is clearly satisfied if $b_A \in \Delta^*$. If $b_A \notin \Delta^*$, then this is satisfied if

  $$\tau > \kappa(b_B^2 - 2b_B b_A) \qquad \text{for all } b_B \leqslant \epsilon$$

  $$\tau > 0 \qquad \text{for all } b_B > \epsilon$$

which holds given $\tau > \bar{\tau}$. Therefore, this cannot be an equilibrium.

- Fully pooling: $\sigma_1^*(1, b_A) = \sigma_1^*(0, b_A)$

  If $\sigma_1^*(1, b_A) = \sigma_1^*(0, b_A) = 1$, then $\kappa^*(1, b_A) = \kappa$ and $\rho^*(1, b_A) = 0$ if $b_A \neq 0$. If $b_A = 0$, then the D1 refinement requires that off-path, $\kappa^*(0, 0) = 1$ as

$$1 - \frac{(b_B^2 - \pi(1-\pi))}{\delta[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]} > 1 - \frac{b_B^2}{\delta[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]}$$

  given the assumption $\tau > \bar{\tau}$.

  However, this cannot be an equilibrium if off-path beliefs satisfy the D1 refinement.

If $\sigma_1^*(1, b_A) = \sigma_1^*(0, b_A) = 0$, the D1 refinement requires that off-path, $\kappa^*(1, b_A) = 0$ as

$$\frac{(b_B - b_A)^2 - \pi(1-\pi)}{\delta[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]} < \frac{(b_B - b_A)^2}{\delta[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})]}$$

given the assumption $\tau > \bar{\tau}$, which implies $\rho^*(1, b_A) = 0$. $\blacksquare$

Lemma 7 *Let $\tau > \bar{\tau}$. In any equilibrium that satisfies the D1 refinement expert appointees exercise leadership, $\sigma_1^*(1, b_A) = 0$.*

Proof. An expert appointee will always prefer to exercise leadership if

$$\rho^*(0, b_A) - \rho^*(1, b_A) > \frac{-(b_B - b_A)^2}{\delta\left[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right]} < 0$$

which is satisfied given $\tau > 0$ as $\rho^*(1, b_A) = 0$ implies $\rho^*(0, b_A) - \rho^*(1, b_A) \geqslant 0$. $\blacksquare$

Proof of Proposition 2 (Uniqueness). I show that if $\tau > \bar{\tau}$ and $b_B < \frac{\epsilon}{\sqrt{1+\kappa}}$, then in any equilibrium satisfying the D1 refinement, $\beta_1^{A*} = b_B\sqrt{1-\kappa}$. By Lemma 7 and Lemma 8, $\sigma_1^*(1, b_A) = 0$ and $\sigma_1^*(0, b_A \in \mathfrak{R}) \in [0,1]$. I show that for each appointee $b_A \in \mathfrak{R}$, there is a unique probability of delegation in any equilibrium that satisfies D1.

If $b_A \notin \mathfrak{R}$, then $\sigma_1^*(\theta_A, b_A) = \sigma_2^*(\theta_A, b_A)$. See proof of Lemma 5.

If $b_A \in \mathfrak{R}$,

- $b_A \in \Delta^*$

  There does not exist a fully separating equilibrium if

$$\tau > \frac{1}{\delta}\left[\pi(1-\pi) - (b_B - b_A)^2\right] + \kappa[b_B^2 - 2b_B b_A].$$

  There does not exist a fully pooling equilibrium if $b_A \in \Delta^* \cap \mathfrak{R}\backslash\{0\}$ if $\tau > 0$.
  There exists a semi-separating equilibrium $\forall\, b_A \in \Delta^* \cap \mathfrak{R}$ if

$$\tau > \frac{1}{\delta}\left[\pi(1-\pi) - (1 - \delta\kappa)b_B^2\right] \equiv \bar{\tau}.$$

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- $b_A \notin \Delta^*$

  There does not exist a fully separating equilibrium if

  $$\tau > \frac{1}{\delta} \left[\pi(1 - \pi) - (b_B - b_A)^2 \right] + \left[\pi(1 - \pi) - \kappa b_A^2 - (1 - \kappa)(b_B - b_A)^2 \right].$$

  There does not exist a semi-separating equilibrium given $b_A \notin \Delta^*$ implies

  $$\pi(1 - \pi) - (b_B - b_A)^2 < 0 \Rightarrow \rho^*(0) < 0$$

  which is not feasible.

  There exists pooling equilibrium that satisfies the D1 refinement. If $\tau > \kappa b_B^2 [1 + 2\sqrt{1 - \kappa}]$, then D1 criterion implies $\kappa^*(1) = 0$ as $\rho_1 > \rho_\theta$ if:

  $$\tau > \kappa[b_B^2 - 2b_B b_A].$$

  For this to hold $\forall b_A < b_B - \epsilon$,

  $$\tau > \kappa b_B^2 [1 + 2\sqrt{1 - \kappa}].$$

Then, the utility comparison in Appendix A.1 identifies the unique optimal appointee. ∎

A.3 Structure of Equilibrium Appointee Strategies

Lemma 8 *In any PBE, at most one type of appointee is indifferent between delegating authority and exercising policy leadership.*

Proof. Suppose $\exists\, b_A \in \mathfrak{R}$ such that both types of appointees are indifferent. This implies for the expert appointee

$$(b_B - b_A)^2 + \delta(\rho^*(0, b_A) - \rho^*(1, b_A))\left[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right] = 0 \qquad (18)$$

and for the non-expert

$$(b_B - b_A)^2 - \pi(1 - \pi) + \delta(\rho^*(0, b_A) - \rho^*(1, b_A))\left[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right] = 0. \tag{19}$$

Rearranging from each expression for $\rho^*(0) - \rho^*(1)$, this implies

$$\rho^*(0, b_A) - \rho^*(1, b_A) = \frac{-(b_B - b_A)^2}{\delta\left[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right]} \qquad (20)$$

$$\rho^*(0, b_A) - \rho^*(1, b_A) = \frac{\pi(1 - \pi) - (b_B - b_A)^2}{\delta\left[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right]} \qquad (21)$$

must hold.

For any $b_A \in \Delta^*$,

$$\frac{-(b_B - b_A)^2}{\delta\left[\mathbb{E}u_2^A(1, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right]} < 0 \leqslant \frac{\pi(1 - \pi) - (b_B - b_A)^2}{\delta\left[\mathbb{E}u_2^A(0, \text{retained}) - \mathbb{E}u_2^A(\text{removed})\right]} \qquad (22)$$

and expression (20) and (21) cannot both be satisfied.

For $b_A \notin \Delta^*$, the following is sufficient to guarantee both conditions cannot be satisfied:

$$\tau > \kappa b_B^2(1 + 2\sqrt{1 - \kappa}) \qquad\qquad \text{if } b_B \leqslant \epsilon \qquad (23)$$

$$\tau > b_B^2(1 + 2\sqrt{1 - \kappa}) - (1 - \kappa)\pi(1 - \pi) \qquad\qquad \text{if } b_B > \epsilon \qquad (24)$$

which is implied by $\tau > \bar{\tau}$. ∎

A.4 President Observes Policy Outcomes

Now consider a variant of the model in which the president observes policies and outcomes (y_t, ω_t), in addition to the delegation decision, d_t.

First, I consider policymaking and delegation by the appointee in each period. The second period policymaking incentives are unchanged:

$$
y_2^*(0, s_t^A) = \begin{cases} s_t^A + b_A & \text{if } s_t^A \in \{0, 1\} \\ \pi + b_A & \text{if } s_t^A = \varnothing. \end{cases}
$$

Similarly, second period delegation decisions are unchanged:

$$
\sigma_2^*(\theta_A, b_A) = \begin{cases} 1 & \text{if } b_A \in \Delta^*, \theta_A = 0 \\ 0 & \text{otherwise.} \end{cases}
$$

This will imply the retention and second period selection results are unchanged with this modification.

However, the first period policymaking incentives differ for the non-expert appointee: if a non-expert were to choose $\pi + b_A$, their policy choice would reveal their lack of expertise and they would never be retained even if they maintain policymaking authority. The benefit of not transferring decision-making authority to bureaucrat is that it enables the non-expert appointee to imitate the expert appointee and gain retention. In order to imitate the expert appointee, a non-expert appointee will need to choose

$$
y_1(0, b_A) = 1 + b_A
$$

given $\pi > \frac{1}{2}$. Otherwise, the policy outcome will reveal that an appointee is non-expert.

Then, $\sigma_1^*(\theta_A, b_A)$ in a semi-separating equilibrium is characterized by Lemma 5. Provided officeholding benefits are large enough (i.e., $\tau > \tilde{\tau}$ defined below), only the retention probability adjusts to leave the non-expert appointee with $b_A \in \Delta^* \cap \mathfrak{R}$ indifferent between retaining authority and delegating. Officeholding benefits will need to be larger than if policy outcomes are not visible, as outcome visibility necessitates first period policy distortions that decrease the non-expert appointee's first period utility so we have $\tilde{\tau} \geqslant \overline{\tau}$.

Proposition 6 *Define* $\tilde{\tau} \equiv \max\{\frac{1}{\delta}\left[(1 - \pi) - (1 - \delta\kappa)b_B^2\right], \kappa b_B^2(1 + 2\sqrt{1 - \kappa})\}$. *If* $\tau > \tilde{\tau}$, *then Proposition 2 follows in the model with outcome visibility.*

Proof. An appointee $b_A \in \Delta^* \cap \mathfrak{R}$ prefers retention to dismissal if

$$
\tau \geqslant \frac{1}{\delta}\left[(1 - \pi) - (b_B - b_A)^2\right] - \left[\kappa b_A^2 - \kappa(b_B - b_A)^2\right].
$$

Then, $\tau > \tilde{\tau}$ guarantees the above is satisfied for all $b_A \in \Delta^* \cap \mathfrak{R}$ and Lemma 5, Proposition 1 hold and by similar calculations to the Proposition 2 can obtain

- if $b_B < \frac{\epsilon}{1+\sqrt{1-\kappa}}$, then $\beta_1^{A*} \in \{-b_B\sqrt{1-\kappa}, b_B\sqrt{1-\kappa}\}$.

- if $\frac{\epsilon}{(1+\sqrt{1-\kappa})} < b_B < \frac{\epsilon}{\sqrt{\pi(1+\kappa)}}$, then $\beta_1^{A*} = b_B\sqrt{1-\kappa}$

provided

$$\sqrt{\pi(1+\kappa)} < 1 + \sqrt{1-\kappa}$$

which is satisfied $\forall \ \pi \in (\frac{1}{2}, 1)$ if $\kappa < \frac{\sqrt{3}}{2}$. $\blacksquare$