In a recent study (forthcoming in the journal Public Choice), Bentley Coffey, Bob Tollison, and I found a robust, positive correlation between the federal government’s regulatory activity and the performance of the capital’s National Football League team, the Washington Redskins. Why would any correlation between the Redskins’ performance and regulatory activity exist? Economic theory offers a couple possible, and conflicting, explanations: wage hedonics and transaction costs.

Wage Hedonics: One standard theory in labor economics is the hedonic model of wages—generally put, the more unpleasant a job, the higher the compensation must be, and vice versa. In this case, although DC bureaucrats may be paid less than they could earn in the private sector, their lower wages are made up for by the joys of exercising regulatory power and experiencing local amenities. Under the wage hedonics theory, a winning football team represents one of those local amenities that bureaucrats enjoy, somewhat reducing the need for the exercise of regulatory power in order to keep regulators happy.

Transaction Costs: Conversely, a commonly shared positive experience, such as a winning Redskins’ season, may make rulemaking negotiations and interactions easier, thus leading to more regulatory activity. Rulemaking always involves some amount of cooperation. As we wrote in the study, “[Rulemaking] is easier to accomplish when the transaction costs of bureaucratic interactions are lower. When the Redskins are winning, the costs of bureaucratic interaction are lower for reasons grounded in human behavior. Football fans feel more optimistic when their team is winning, and they can more easily interact and get their business done. Happier workers mean that the costs of decision making have fallen, making agreements easier to reach.” (Coffey et al 2011, p. 5)

We find a positive, non-spurious, and robust correlation between the Redskins’ winning percentage and bureaucratic output, measured by pages published in the Federal Register. Fitting with the transaction costs theory outlined above, we posit that, in order to produce rules, bureaucrats must make “logrolling” deals, and a winning football team offers a shared source of optimism to lubricate such negotiations and perhaps more occasions to engage in them.

At first pass, looking for any relation between the Redskins’ performance and federal employee activity may seem whimsical. However, that is precisely our point—the government is a collection of individuals and hence inherits their susceptibility to such human characteristics as whimsy and responsiveness to individual incentives. Just like those outside of government, politicians and bureaucrats may have home team loyalties, may conduct business in sports bars or the stands of stadiums, or may be willing to accept a lower compensation package if they have the opportunity to live in a city with a winning football team. Bureaucrats can be influenced by
positive exogenous shocks in local amenities, such as winning sports teams. In turn, they can influence the amount of regulation imposed upon the economy.

This paper reiterates one of the central lessons of public choice theory: namely, that the government is made up of individuals. It is the constant challenge of any organization to create a system that aligns the incentives of individuals working in the organization with those whom the organization serves. This lesson seems to occasionally be forgotten in some discussions of government, as well as in some economic models that consider government actions. “Regulators and Redskins” offers an amusing reminder that the human factor can change economic outcomes in all walks of life.

References