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*Law, Economics, and the Reinvention of Public Administration:
Using Relational Agreements to Reduce the Cost of Procurement Regulation
and Other Forms of Government Intervention in the Economy*

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Abstract by Ryann Kathleen Bernard

Recently, an interest in reinventing economic regulation has opened up possibilities for changing the administrative process and the strategies used by the government to oversee private firms. The government has significantly reformed its procurement statutes and regulations. The author uses recent procurement regulation as an example of how economic literature relevant to public administration can influence administrations and the rules they make.

The author identifies sources of efficiency-reducing regulations and explains how the government can reduce inefficiency. Relational agreements are a valuable and quick way to mitigate the reduced efficiency of regulators and the firms they regulate. However, government is hesitant to rely on such agreements, and modern procurement regulations diminish reliance on relational adjustment by government contractors and procurement regulators, although such agreements may be desirable. The relational features of government contracts are destroyed by powerful sanctions for straying from and decentralized enforcement of statutes and administrative rules. The risk of such strong sanctions results in the enforcement of standards that are not necessarily the most efficient.

As the government continues to punish nominal departures from the set standards, inefficiency grows. The author concludes that this may eventually lead to pressure on the legislature and the regulatory community to revise old restrictions and to carefully examine any possible new restrictions.