Dr Gabriele Gratton

School of Economics
Senior Lecturer
BA Rome, MSc London, PhD Boston
Tel. +61 2 9385 4615
Email: g.gratton@unsw.edu.au

Can you provide a brief overview of your research background, including how you came to do research related to organisational design?

My field of research focuses on the strategic use of information in politics. In particular, I focus on which organisational features (or institutions) favour a more efficient dissemination and use of the information available. When I began my university studies, my interests were primarily in political science—what makes an organisational framework work better than another? At the same time, I was fascinated by the formal way in which economics approached the study of social interaction. In a nutshell, my research tries to explain the questions of political science with the tools of an economist.

To give an example, in “Pandering and Electoral Competition”, I clarify the link between voters’ information aggregation and electoral competition. Proponents of representative democracy argue that voters are poorly informed about which policy is best for them, whereas candidates are better informed. Candidates propose platforms that reflect voters’ preferences and lead the voters to the correct choice. Skeptics counter that office-seeking candidates pander to voters’ beliefs, proposing whatever voters believe to be best for them. I show that even though incentives to pander exist, under mild conditions candidates propose the best policy for the voters.

What are focusing your research efforts on at the present?

I am currently developing a dynamic model of the interaction between politics and bureaucracy. In the model, incompetent politicians have a perverse incentive to start useless reforms in order to signal their competency to voters. When bureaucracy is sufficiently fast, useless reforms are soon discovered for what they are. When instead bureaucracy is slow, reforms are not completely enacted by the time of the election. The dynamic aspect is that if there are more reforms from the past that have not been completed, then bureaucracy will find it even harder to complete new reforms, thus leading to a feedback between politics and bureaucracy that can lead to multiple possible states of the world: one where bureaucracy is fast and incompetent politicians do not start useless reforms, and another where bureaucracy is slow and incompetent politicians start many useless reforms.

In another project with Anton Kolotilin and Richard Holden, also member of the Organisational Design Network, we are currently developing a general model of the basic tradeoff in strategic dynamic
information release when the sender has private information. Early release of information is more credible, in that it signals that the sender has nothing to hide. On the other hand, it allows more time for scrutiny—possibly leading to the information being discovered to be false. These types of problems arise in many organisational settings: from political scandals to initial public offerings, and this basic tradeoff between credibility and scrutiny is central to them.

**How do you think research on organisational design will develop over the next five to ten years?**

It is never an easy task to predict the future, especially about a field in such rapid development as organisational design. One possible direction is to include in our models the experience of the most recent research in behavioral and psychological economics. That is, if an organisational framework is to perform well, then it should be robust to the most common deviations from rationality. One other direction is to develop better tools to assess the robustness of our designs: laboratory experiments offer the opportunity to isolate phenomena that we can therefore observe in their essence. Yet, the external validity of such experiments—that is, how much they replicate what would happen in the real world—is often difficult to evaluate.

**If you had the ear of an influential politician such as a Prime Minister in Asia, what would tell him or her about your research and what they should do based on it?**

The principal lesson to be taken from my field of research is that the unintended consequences of a policy are far too often of greater importance than its intended scope. Policies designed to curb corruption often facilitate the growth of more hidden and violent markets for political favors. Alliances designed to maintain peace, precipitate countries into wars that would have otherwise been avoided. The fascinating aspect of my field of research is that it tries to formalize these complex phenomena and deliver a coherent framework to analyse them. But as much as it teaches us to doubt the intended scope of a new law, it also tells us to be careful in applying one “expert” model as the “true” model. Multiple models of the same phenomenon highlight different aspects, and the role of the good politician is to be capable of understanding which economic models highlight the aspects most relevant in the specific circumstances his or her country is currently in.