Talent in Reserve

Deterrence, Deployment, and the Timing of Succession

Torun Dewan

Preliminary working note. Comments welcome.

Abstract

A leader's ablest people are worth one thing fielded and another thing withheld. Fielded, a talented minister delivers the performance his talent yields; withheld, the prospect that he might be called upon disciplines the lesser figure she has fielded in his place. A leader with few such people cannot have both at once, and must decide which she would rather have, and when. We set this choice inside the declining talent pool: ability is scarce and uneven, each deployment spends it, and the firing threat that sustains effort is credible only against the quality of replacement a leader can still draw. A tension emerges – the talent that governs best deployed deters best in reserve – and its resolution is a *deploy-versus-deter* rule: a scarce star is fielded only when his talent advantage in office exceeds the effort his presence on the bench would extract. Because a threat is collateralised by the future, the deterrent worth of a reserved star decays as the government ages while his worth in office does not; the leader therefore husbands her best people while her government is strong and fields them as it weakens, and with several offices she deploys them late and in sequence – a succession schedule. Some are worth more as a threat than they ever are in office, and are never deployed at all. When the bench is itself ranked, the working incumbent is the runner-up and the standing threat is the heir, the ablest is fielded last and not first, and the least able never; only with several offices does the optimal threat become a middling talent rather than the best. The account imports the replacement-as-incentive of personnel economics and the deterrent reserve of resource economics into the politics of succession, and turns the talent pool's monotone decline into a richer trajectory: effort falls as before, but deployed talent rises late, so the performance of a government need not decline all the way down. Where a cabinet is a yardstick across a field of ministers, a single office is a yardstick across the life of a government; this note is the time series of that comparison.

1 Talent one can field or withhold

Commentators on political talent ask who is appointed and who is let go. They ask less often who is held back. Yet a leader's ablest associates are an asset she can spend in two ways: she can field them, and take the performance their talent yields, or she can keep them in reserve, where the prospect that they might be called upon disciplines the lesser figures she has fielded

in their place. A talented minister is worth something as a performer and something else again as a threat; and a leader who has few of them must decide, period by period, which of the two she would rather have. To field the best is to govern well now; to reserve the best is to make the rest govern well in fear of him. The same scarce person cannot do both at once.

A tension emerges: the talent that governs best when deployed deters best when withheld. Our account of the declining talent pool begins with the observation that ability among those a leader can promote is not only scarce, as Dewan and Myatt (2010) had it, but uneven – a few who are plainly able, many who are ordinary – and that this unevenness turns the leader's problem from one of stringency into one of *deployment*. When the pool was homogeneous the only question was how hard to press a replaceable incumbent; when the best are scarce and distinct, the question becomes which of them to field, against whom, and when. That is a question about succession, and we treat it as one: not the single elevation of a contest (the static succession of Dewan, 2026) but the sequence in which a leader fields her talent over the life of a government as the pool of it runs down.

This paper is the time-series companion to a cross-sectional one. In *The Cabinet as Yardstick* (Dewan, 2026) a leader judges her ministers by comparison, one against another, and the scarce promotion she awards turns that comparison into a contest she tunes by composing the field. Here there is a single chair and a single talent in reserve, and the comparison runs not across a field but across time: the sitting minister is measured against the one who waits, and the scarce deployment the leader withholds or grants turns that comparison into a schedule she tunes not by composing the field but by composing the calendar. The same tension drives both, effort against selection, and the same coarse and scarce reward, a seat and not a salary, is its instrument; what differs is whether her lever is the levelness of a field present at once or the timing of a succession drawn out over a life. Cross-section and time-series, one yardstick.

Two literatures supply the parts and neither assembles the whole. That the threat of replacement is itself an incentive – that a leader keeps a reserve not to use it but to discipline those she has – is the lesson of external recruitment in personnel economics (Shapiro and Stiglitz, 1984; Chan, 1996; Chen, 2005); but there the reserve is the open labour market, anonymous and inexhaustible, with no rival use as a performer and no question of timing. That a scarce reserve can be worth more as a deterrent than it is ever worth in use – held, never spent, its value the threat alone – is the lesson of the strategic petroleum reserve (Ahn, 2007); but there the reserve is a homogeneous commodity with no alternative employment. Our reserve is a person a leader already holds, whose talent has the rival use of governing, and whose worth as a threat she weighs, period by period, against his worth in office. The deploy-versus-deter trade-off is what these accounts cannot contain, and it is ours.

2 A leader and a scarce star

We begin our formal analysis by describing a leader who fills a single office over a finite life and holds one scarce talent in reserve. A leader ("she") governs over periods $t = 1, \ldots, T$, discounting the future by $\delta \in (0, 1]$; T is the life of the government. In each period one minister ("he") holds the active office. The leader may draw replacements from two tiers of talent. *Journeymen* are plentiful – a deep bench the leader never exhausts – and a journeyman's competence is uncertain, with prior mean a_L. *Stars* are scarce; we take the leading case of a single star, abler in expectation, with prior mean $a_H > a_L$ and uncertain like a journeyman, and write $\Delta a \equiv a_H - a_L$ for the talent gap. That the star too is of uncertain competence is what lets the firing threat grip him once he is in office: a bad enough run drags even his posterior below the journeyman reserve, so a deployed star, like a journeyman, works to look able. The star is the one piece of the pool that depletes: once fielded he is in office, and the bench behind him is journeymen again. Section 6 replaces the two tiers with a full ranking of talent; the star against the bench is the leading case that fixes ideas.

Performance and effort. A minister of competence a takes a hidden effort $e \geq 0$ at cost $c(e)$, with c strictly increasing and convex, $c'(0) = 0$ and $c'(e) \to \infty$. His performance is the signal

$$y = a + e + \varepsilon, \qquad \varepsilon \sim G, \text{ density } g \text{ log-concave}, \mathbb{E}[\varepsilon] = 0, \tag{1}$$

so output rises with competence, with effort, and with luck. Neither leader nor minister knows a minister's competence – star or journeyman – only its prior mean; as in the career-concerns tradition (Holmström, 1999) each works to look able without knowing how able he is. It is this uncertainty that gives the firing threat its grip: a poor performance is bad news about the incumbent, dragging his posterior down, and so a reason to replace him. The grip is weaker the abler the incumbent is thought to be – a star must perform far worse than a journeyman before his posterior falls below the reserve – but it does not vanish, and it is what disciplines a deployed star as well as a journeyman.

The instrument. The leader has no wage to offer, only the office itself. She sustains effort by a *retention rule*: a threshold $\hat{y}$ such that the incumbent keeps his place if $y \geq \hat{y}$ and is dismissed if $y < \hat{y}$. Office pays a rent in each period it is held, and the minister is forward-looking, so what a poor performance puts at risk is not one period's rent but the worth of his remaining tenure; write V_t for the value to an incumbent of holding office from date t onward, largest early and falling to a single period's rent as the government's life ends.[1] He exerts effort to secure it. The threshold is the leader's only lever, and – this is the heart of the matter – its credibility is

[1] V_t is the incumbent's equilibrium continuation value of office – the expected discounted office rents from t until dismissal or the horizon. With a stationary per-period rent r and a per-period retention hazard that does not fall over the government's life, $V_t = r\,\mathbb{E}\big[\sum_{s=t}^{\sigma \wedge T} \delta^{\,s-t}\big]$ has fewer surviving terms as $t \to T$ and so decreases in t, with $V_T = r$; the fuller dynamic program characterises it from primitives, and we use only this monotonicity.

bounded by whom she would install instead.

Timing. Within each period: (i) the leader, given the talent still in reserve and the periods remaining, either fields the star (an irreversible move) or sets a retention threshold $\hat{y}_t$ for the journeyman in office; (ii) the incumbent takes hidden effort; (iii) performance (1) realises; (iv) the leader retains or dismisses as her rule prescribes, a dismissal being filled by deploying the star. A minister handed the great office is not credibly returned to the bench, so deployment is absorbing: once fielded, the star holds the office for the government's remaining life.

We study the leader's subgame-perfect policy: at each date, whether to deploy and, if not, the most demanding threshold she can credibly hold. Two objects do the work – the effort a threshold induces, and the toughest threshold a given reserve makes credible.

3 Effort, and the credible threshold

We take the two objects in turn. The first is standard; the second is where the scarce star enters.

Lemma 1 (Induced effort)**.** *Facing threshold $\hat{y}$ at date t, a minister of competence a with tenure worth V_t exerts effort $e^*(\hat{y}, a; V_t)$ solving*

$$V_t \, g\big(\hat{y} - a - e\big) = c'(e). \tag{2}$$

Over the range in which g is increasing in its argument, e^* is increasing in the threshold $\hat{y}$ and in the stake V_t, and the marginal return to toughness $\partial e^*/\partial \hat{y}$ is larger the more tenure is worth and the less noisy is performance.

The minister trades the cost of effort against the tenure it secures, and works harder the tougher the bar and the more there is left to lose – so long as performance is informative enough that effort moves his chances. We operate throughout in this region; Assumption 1 records it. Two qualifiers will matter. When performance is very noisy the density g is flat, the instrument (2) barely responds to the bar, and the threat of dismissal – however tough – buys little effort: alas, the blunt instrument of firing those who fail loses its edge precisely when luck drowns skill. And as the government's life runs out the stake V_t shrinks, so the same bar extracts less and less; a threat is worth most when there is most tenure left to lose.

Assumption 1 (Regularity)**.** *g is log-concave and the equilibrium operating points $\hat{y} - a - e^*$ lie where g is increasing, so that $e^*(\hat{y}, a; V_t)$ is increasing in $\hat{y}$ and in V_t, and the comparative statics of Lemma 1 hold.*

Now the credible threshold. The leader cannot simply announce a demanding bar; seeing a disappointing performance she must actually prefer to dismiss, and dismissal means installing whoever is in reserve. A poor performance is bad news about a journeyman's competence,

dragging his posterior worth down toward, and eventually below, the worth of the reserve; the threshold she can hold is the performance at which she is just indifferent between keeping him and deploying the reserve. The better the reserve, the higher she sets that bar.

Lemma 2 (The credible threshold)**.** *Let $\hat{y}_t(a_R)$ denote the most demanding threshold the leader can credibly hold at date t when the reserve she would deploy has worth a_R. Then $\hat{y}_t(a_R)$ is increasing in the reserve's quality a_R: a better reserve is deployed at a higher bar. In particular a star-backed bar exceeds a journeyman-backed bar, $\hat{y}_t(a_H) > \hat{y}_t(a_L)$.*

The credibility of a threat is collateralised by what backs it. A leader holding a star in reserve can credibly demand more of the journeyman in office than one holding only another journeyman, because she would really replace him – the star is worth installing, the journeyman is not. The toughest bar she can hold rises with the quality of the person waiting behind it. The horizon enters not here but through the incumbent's stake: a star-backed bar that would extract great effort early extracts less as V_t falls (Lemma 1), so the deterrent bites hardest when the government is young.

4 Deploy or deter

We can now state the choice in its barest, one-period form. At a date t the leader either fields the star, taking his talent into office, or holds him in reserve, taking the effort his threat extracts from the journeyman she fields instead. Write the two flows of expected performance:

$$f_D = a_H + e^*\big(\hat{y}_t(a_L), a_H; V_t\big) \qquad \text{(deploy: star in office, journeyman bench),} \tag{3}$$

$$f_R = a_L + e^*\big(\hat{y}_t(a_H), a_L; V_t\big) \qquad \text{(deter: journeyman in office, star in reserve).} \tag{4}$$

Deploying buys the talent gap Δa directly; deterring buys the extra effort a star-backed threat extracts. Their difference is the whole of the trade-off.

Proposition 1 (The deploy-versus-deter rule)**.** *Let the* incentive gap *be $\Delta e_t \equiv e^*(\hat{y}_t(a_H), a_L; V_t) - e^*(\hat{y}_t(a_L), a_H; V_t)$, the extra effort a star-backed threat extracts from a journeyman over and above the effort a journeyman-backed threat extracts from the star himself. Then $f_D - f_R = \Delta a - \Delta e_t$, and the leader fields the star rather than reserving him if and only if*

$$\Delta a \;>\; \Delta e_t. \tag{5}$$

A scarce star is worth more in office than behind it exactly when his talent advantage exceeds the effort his presence in reserve would induce. Write the agency severity *$S_t \equiv \partial e^*/\partial \hat{y} = V_t g'(\cdot)/\big(c'' + V_t g'(\cdot)\big) \in (0,1)$ – the marginal effort a tougher bar buys, the responsiveness of the instrument – so that the incentive gap is severity integrated over the threshold gap. The leader leans to deploy when talent is dispersed (Δa large), and to deter when the agency severity is*

high: S_t, and with it Δe_t, is larger when tenure is prized (high V_t), effort cheap to elicit (low c''), and performance informative (steep g). When performance is noisy the bar loses its grip on effort (Lemma 1), $\Delta e_t \to 0$, and she deploys: where firing is too blunt to discipline, talent must be used rather than brandished.

The rule reads the scarce star against two yardsticks at once – his talent and his threat – and fields him only when the first wins.

It is worth setting the two side by side, for the parallel is exact. Where the cabinet paper has the leader compose a field – how level to make it, clustering rivals to keep ranks contestable or grading them to raise the ablest – this paper has her compose a schedule, husbanding talent to keep the threat alive or spending it to put ability in office. Where the contest is decided at the margin by the pivotal minister, the one on the cusp who therefore tries hardest, the schedule is decided at the margin by the pivotal moment, the switching date at which deterrence and deployment just balance. And where the weight a leader places on calibre in office sets how graded a field she builds, the same weight sets how early she spends her stars. One thing only the time series cannot borrow from the cross-section: a field lets the leader difference the government's common fortune away, colleague against colleague, where a single chair, compared against a successor not yet in office, has no contemporary to net the shared luck against – so the lone office is the more exposed to fortune, and its noise the more apt, by Proposition 1, to counsel deploying talent rather than brandishing it. The contest of equals and the husbanded reserve are one mechanism seen along two axes: a leader comparing the talent she holds at once, and a leader comparing the talent she holds in turn.

5 The succession schedule

The one-period rule is not yet a policy, because the star, once fielded, is gone from reserve. The leader's real problem is to time a single irreversible deployment over the life of the government – a stopping problem (Dixit and Pindyck, 1994). We let her choose the date at which the star takes office.

Measure each role against the all-journeyman baseline $f_0 = a_L + e^*(\hat{y}_t(a_L), a_L; V_t)$. The star in office adds the *talent premium* $\beta \equiv f_D - f_0 \approx \Delta a$, near enough constant over the government's life. The star in reserve adds the *deter premium* $\gamma_t \equiv f_R - f_0 = e^*(\hat{y}_t(a_H), a_L; V_t) - e^*(\hat{y}_t(a_L), a_L; V_t)$, the extra effort the star-backed threat buys over the journeyman-backed one. Because that effort is collateralised by the incumbent's tenure, and the tenure left to lose shrinks as $t \to T$, the deter premium declines toward the horizon (Lemma 1, through the falling stake V_t) while the talent premium does not. The leader who deploys at date τ collects γ_t for $t < \tau$ and β thereafter.

Two channels move the deter premium as the date advances. One is the incumbent's stake V_t, which scales how sharply effort answers any bar and shrinks as the horizon closes (Lemma 1);

this is the force we are after, the deterrent worth of a reserved talent decaying with the future that backs it. The other is the distance $\hat{y}_t(a_H) - \hat{y}_t(a_L)$ between the two credible bars, which could in principle move either way with the date. We isolate the first by assuming the second does not work against it.

Assumption 2 (Deterrence decay)**.** *The gap between the star-backed and journeyman-backed thresholds, $\hat{y}_t(a_H) - \hat{y}_t(a_L)$, does not widen as the horizon shortens.*

The restriction is deliberate, not innocuous: it holds the comparison between the two reserves fixed and lets the decay of the future drive the deter premium down on its own. Under it γ_t falls monotonically toward the horizon and the leader's problem takes the clean form below. Were it to fail the same two forces would still operate, but the deter premium could turn non-monotone and the single switching date would give way to a date-by-date condition for deployment rather than a complete schedule.

Lemma 3 (Deterrence decay in the Gaussian–quadratic case)**.** *Take the leading specification: noise $\varepsilon \sim N(0, \sigma^2)$, so $g(\omega) = \sigma^{-1}\phi(\omega/\sigma)$ with $g'(\omega) = -(\omega/\sigma^2)g(\omega)$ and $g''(\omega) = \sigma^{-4}(\omega^2 - \sigma^2)g(\omega)$, and quadratic cost $c(e) = \frac{1}{2}ke^2$, so $c'' \equiv k$. Let the equilibrium operating point $\omega \equiv \hat{y} - a - e^*$ lie on the increasing branch and within one standard deviation of the bar, $-\sigma < \omega < 0$. Then the integrand of the deter premium, $\partial e^*/\partial \hat{y} = V_t g'(\omega)/(k + V_t g'(\omega))$, falls as the stake V_t falls; hence, holding the threshold gap fixed, the deter premium γ_t declines monotonically toward the horizon. The decay of the future is thereby derived, and only the comparison between the two bars is left to Assumption 2.*

Proof. The integrand is increasing in the product $P \equiv V_t g'(\omega)$, so it suffices that P fall as V_t falls. As V_t falls, equilibrium effort falls ($\partial e^*/\partial V_t > 0$, Lemma 1), so $\omega = \hat{y} - a - e^*$ rises toward the mode: $\mathrm{d}\omega/\mathrm{d}V_t = -\partial e^*/\partial V_t < 0$. Differentiating, $\mathrm{d}P/\mathrm{d}V_t = g'(\omega) + V_t g''(\omega)\,\mathrm{d}\omega/\mathrm{d}V_t = g'(\omega) - V_t g''(\omega)\, g(\omega)/(k + V_t g'(\omega))$. On the stated range $g'(\omega) = -(\omega/\sigma^2)g(\omega) > 0$ (since $\omega < 0$) and $g''(\omega) = \sigma^{-4}(\omega^2 - \sigma^2)g(\omega) < 0$ (since $|\omega| < \sigma$), so both terms are positive and $\mathrm{d}P/\mathrm{d}V_t > 0$. Thus P, and with it the integrand, falls as V_t falls; integrating over a threshold gap that does not lengthen, $\gamma_t = \int_{\hat{y}_t(a_L)}^{\hat{y}_t(a_H)} (\partial e^*/\partial \hat{y})(s, a_L; V_t)\,\mathrm{d}s$ declines. □

Proposition 2 (Husband early, deploy late)**.** *The optimal deployment is a single switching date*

$$\tau^* = \min\{t : \gamma_t \le \beta\}, \tag{6}$$

with the convention $\tau^* = T + 1$ (never deploy) if $\gamma_t > \beta$ for all $t \le T$. The leader holds the star in reserve while $t < \tau^*$ and fields him for $t \ge \tau^*$. Because the deter premium γ_t falls toward the horizon while the talent premium β is flat, the scarce star is fielded late, not early: a leader husbands her best people while her government is strong and deploys them as it weakens. The switch comes earlier the larger is Δa and later the sharper the effort response to the threat – a larger stake V_t or a less noisy technology – which raises the deter premium.

The marginal worth of delaying deployment one period is $\delta^{t-1}(\gamma_t - \beta)$, so delay pays exactly while the threat is worth more than the talent; since the threat decays and the talent does not, the inequality turns once and for all. Perhaps surprisingly, the leader fields her best players last rather than first – the opposite of sending out one's strongest eleven from the first whistle – because the deterrent worth of a reserved talent is spent simply by the passage of the future that backs it, while his worth in office is not. With one office the policy is this single switch: the star takes the chair once and holds it. A staggered sequence of deployments – deepest threat retained longest – cannot run on one absorbing chair; it requires several offices, which we flag in Section 6 and develop in the companion cabinet. The single office gives a single succession, timed.

Corollary 1 (The perpetual understudy)**.** *If $\gamma_t > \beta$ for every $t \leq T$ – the agency problem severe enough, or the horizon short enough, that the star's threat is always worth more than his talent – then $\tau^* = T + 1$ and the star is never fielded. His entire value is the discipline his presence imposes on others; like the reserve that deters without being drawn, he is worth most never used.*

This is the political counterpart of the strategic reserve that is "a deterrent and theoretically should never be used" (Ahn, 2007): a talent kept on the bench his whole career, not from neglect but because he governs others best by never governing himself. That a leader's ablest lieutenant may serve most by waiting is a possibility the homogeneous pool could not express.

6 A ranked bench

We have set one scarce star against an undifferentiated bench. Suppose instead the bench is itself ranked: the leader can draw on talents of prior competence $\mu_1 > \mu_2 > \cdots > \mu_n$, each uncertain in the way of (1), the star of the leading case now merely the top rung μ_1. The roles of performer and threat, welded onto the star and the journeyman before, now come apart, and the leader chooses which rung of the ladder fills each.

Proposition 3 (The heir disciplines, the runner-up serves)**.** *While the leader husbands her top talent, the standing threat is the best in reserve and the working incumbent is the best she is willing to field: by Lemma 2 the toughest credible bar is always the one backed by the ablest reserved talent, so the leader reserves μ_1 as the threat and fields μ_2, who works under the shadow of the very person who would replace him. The threat is the heir, the incumbent the runner-up, and the discipline runs from the abler waiting to the lesser serving – the rest of the ladder latent behind them.*

The identified successor, the crown prince whose presence keeps the sitting minister honest, is not an assumption of the model but an output of it: the leader manufactures an heir because an heir is the sharpest threat she owns. The competence-as-threat tension here is the benign

counterpart of the autocrat's dilemma, in which able subordinates are sidelined as potential rivals (Egorov and Sonin, 2011).

A second consequence overturns the natural order of deployment. Were effort not at issue the leader would field her ablest at once and keep him – efficient assignment puts the best talent in the office that most rewards it, first. The deter motive reverses this at the top of the ladder.

Proposition 4 (Deployment inverts assignment)**.** *Under the agency motive the ablest talent is withheld as the threat and deployed late, by the schedule of Proposition 2, or never, by Corollary 1, while a lesser talent works beneath him. Among the talents she deploys, the date of deployment is increasing in ability – the middling fielded first, the abler held longer, the ablest last – the exact reverse of efficient assignment, which fields the best soonest. The single break in this order is at the bottom: talents too weak to back a credible bar or to be worth fielding even late are never deployed at all. Efficient assignment fields the best soonest; the agency motive fields the best latest, and the weakest not at all.*

The credibility of holding the heir back rests, in turn, on the depth beneath him. To husband μ_1 the leader must be willing to deploy him on a bad enough performance, and she is the more willing the better the successor that remains – a deep ladder below the heir makes spending him cheap, and so underwrites the very bar his threat sustains. Depth below the heir buys patience above him: bench strength and the timing of succession are, again, one question.

One thing a single office cannot deliver, and we flag it as the natural sequel. With one seat the threat and the worker must be different people, so the leader cannot both field her ablest and use him to discipline others. Give her several offices – a cabinet drawn from the one ordered pool – and the question becomes which rung to spend as the disciplinary threat for the rest. Because deterrence saturates – effort is bounded, so a tougher and tougher threat buys ever less – while the cost of idling a talent as a mere threat rises in proportion to his ability, the optimal threat is a middling talent, not the ablest: the brilliant lieutenant is too valuable to bench, the credible understudy a solid second-rater. That cabinet, the dynamic counterpart of the static contest in Dewan (2026), is the subject of a companion paper.

7 What the schedule implies

Two further consequences follow, and a third connects the schedule to the reputational force of the companion note. We state them here and develop them elsewhere.

The late-government talent surge. In the declining talent pool the performance of a government falls monotonically: effort and the firing bar decline together over its life (Dewan and Myatt, 2010). The schedule breaks the monotonicity. Effort still falls – the incumbent's stake shrinks as the horizon shortens (Lemma 1) – but deployed talent rises late, as husbanded stars are fielded near the end (Proposition 2). Performance is the sum of the two, a falling effort term

and a rising talent term, and so need not decline all the way down: a government may govern visibly better in its late life than its middle, not despite its decline but because the decline is when its best are finally spent. Emerging from the heterogeneous pool is a trajectory the homogeneous one ruled out.

Depth buys patience. The leader's freedom to husband a star rests on having a credible cheaper threat to deploy meanwhile; a deeper, more able bench sustains a tougher journeyman-backed bar and so a larger deter premium, letting her hold the star longer. Bench strength and the timing of succession are linked: the deeper the ordinary talent, the later the extraordinary talent need be spent.

Reputation mistimes the schedule. Give the leader a reputation for discipline to protect, as in the companion note, and she fires to look tough, at a more demanding bar than the husbanding of talent warrants. Against the schedule, this is premature deployment: a leader who dismisses to escape the look of indulgence fields her stars early, spending their deterrent worth to buy a reputation, and so collapses the succession she would otherwise have drawn out. Reputation does not merely shorten the effective life of a government; it mis-times the spending of its talent.

8 Concluding remarks

A leader's scarce talent is worth one thing fielded and another withheld, and a government's history is in part the record of how she chose between them. We have set that choice inside the declining talent pool and found a rule for it: field the best only when their talent in office beats the effort their threat extracts from the bench, and since a threat is worth holding only while a future remains to enforce it, husband the best early and field them late, in sequence, some never fielded at all. When the bench is ranked the heir disciplines the incumbent, the ablest are spent last and the least able never, and only a cabinet of several offices makes the best disciplinarian a middling talent rather than the top. The account asks of the talent pool a question its homogeneous form could not pose – not how stringent to be, but whom to run and when – and returns an answer that revises the original's central prediction, turning a monotone decline into a trajectory with a late recovery. It is the companion in time to a companion in space: where the cabinet is a yardstick across a field of ministers, the single office is a yardstick across the life of a government, and the contest of equals and the husbanded reserve prove two readings of one act of comparison. And the two divide a leader's attention oppositely. The contest turns on the middling minister, the one on the cusp who strains hardest while the clearly ablest coasts to his seat; the schedule turns on the exceptional one, the star too valuable to field and so kept in reserve. Mediocrity is where the contest lives; talent is what the schedule conserves. The through-line is the one we have drawn throughout: a force economics understood in other

settings, replacement as an incentive and the reserve as a deterrent, carried into a political question the field already cares about, the performance and the succession of governments. What remains is to set the reserve's deterrent value inside a fuller dynamic program, so that the deterrence-decay condition behind the schedule is derived from primitives rather than imposed, and to take the trajectory to the record of governments that began ordinary and ended, briefly, well.

A Proofs

Proof of Lemma 1. The minister chooses e to maximise $V_t[1 - G(\hat{y} - a - e)] - c(e)$, the worth of his tenure times the probability he clears the bar, less the cost of effort. The derivative in e is $V_t g(\hat{y} - a - e) - c'(e)$, which set to zero is (2); under Assumption 1 (g log-concave, operating point on the increasing branch) the objective is single-peaked and the stationary point is the maximum. Totally differentiating (2), $V_t g'(\cdot)(d\hat{y} - de) + g(\cdot)\, dV_t = c''(e)\, de$, gives

$$\frac{\partial e^*}{\partial \hat{y}} = \frac{V_t g'(\cdot)}{c''(e) + V_t g'(\cdot)} \in (0, 1), \qquad \frac{\partial e^*}{\partial V_t} = \frac{g(\cdot)}{c''(e) + V_t g'(\cdot)} > 0,$$

wherever $g'(\cdot) > 0$, which is the increasing branch; so e^* rises with the bar $\hat{y}$ and with the stake V_t. The first expression increases in V_t and, since a noisier ε flattens g and lowers g', decreases with the noise in performance. □

Proof of Lemma 2. Fix date t and suppose a journeyman of posterior mean competence μ has produced output y. Retaining him yields continuation value $W_t^{\text{keep}}(\mu)$, increasing in μ; deploying the reserve of worth a_R yields $W_t^{\text{dep}}(a_R)$, increasing in a_R and independent of y. A lower y lowers the posterior $\mu(y)$ – by (1) and the monotone likelihood ratio of the log-concave g – and so lowers $W_t^{\text{keep}}(\mu(y))$. The credible threshold $\hat{y}_t(a_R)$ is the output at which the leader is indifferent, $W_t^{\text{keep}}(\mu(\hat{y}_t(a_R))) = W_t^{\text{dep}}(a_R)$, retaining above it and deploying below. Since $W_t^{\text{dep}}(a_R)$ is increasing in a_R while W_t^{keep} and $\mu(\cdot)$ are increasing, the indifference output $\hat{y}_t(a_R)$ is increasing in a_R: a better reserve is deployed at a higher bar. Evaluating at $a_R \in \{a_L, a_H\}$ gives $\hat{y}_t(a_H) > \hat{y}_t(a_L)$. □

Proof of Proposition 1. Immediate from the definitions: $f_D - f_R = [a_H + e^*(\hat{y}_t(a_L), a_H; V_t)] - [a_L + e^*(\hat{y}_t(a_H), a_L; V_t)] = \Delta a - \Delta e_t$ with Δe_t as defined. Hence $f_D > f_R \iff \Delta a > \Delta e_t$. The comparative statics in Δa are direct. Those in Δe_t follow from Lemma 1: a larger stake V_t or a steeper response of effort to the bar raises $e^*(\hat{y}_t(a_H), a_L; V_t)$ and so Δe_t; greater noise flattens g, drives $\partial e^*/\partial \hat{y} \to 0$ and hence $\Delta e_t \to 0$, so $\Delta a > \Delta e_t$ and the leader deploys. □

Proof of Proposition 2 and Corollary 1. With deployment irreversible and absorbing, a policy is a date $\tau \in \{1, \ldots, T+1\}$ at which the star is fielded. Writing flows as premia over the baseline f_0, the discounted value of deploying at τ is $\Phi(\tau) = \sum_{t<\tau} \delta^{t-1}\gamma_t + \sum_{t\geq\tau} \delta^{t-1}\beta$ (constants in

f_0 omitted). Then $\Phi(\tau+1)-\Phi(\tau)=\delta^{\tau-1}(\gamma_\tau-\beta)$, so delaying deployment from τ to $\tau+1$ is profitable iff $\gamma_\tau>\beta$. The deter premium is decreasing in t under Assumption 2. Write it as $\gamma_t=\int_{\hat{y}_t(a_L)}^{\hat{y}_t(a_H)}(\partial e^*/\partial\hat{y})(s,a_L;V_t)\,ds$. As the horizon shortens the stake V_t falls, so by Lemma 1 the integrand falls pointwise; and by Assumption 2 the interval of integration does not lengthen. Hence the wedge γ_t declines, while the talent premium β is independent of V_t. Since $\gamma_t-\beta$ is decreasing it changes sign at most once, from positive to negative, so Φ is quasiconcave in τ and is maximised at the first date with $\gamma_\tau\le\beta$, which is (6). If $\gamma_t>\beta$ for all $t\le T$ the difference never turns, Φ is increasing in delay throughout, and the maximiser is $\tau^*=T+1$: the star is never fielded, which is Corollary 1. The comparative statics follow because raising Δa raises β, lowering the crossing date, while a sharper effort response to the bar – a larger stake V_t or a less noisy technology – raises γ_t and so the crossing date; greater noise cuts the other way, flattening g and lowering γ_t. □

Proof of Propositions 3 and 4. By Lemma 2 the credible bar is increasing in the reserve's quality, so among the talents she holds the leader backs her threat with the ablest, μ_1, and this is the bar that maximises induced effort. Fielding the runner-up μ_2 under that threat dominates fielding any lower rung μ_k, $k>2$: μ_2 delivers more expected competence and is still credibly threatened by μ_1, while idling μ_2 wastes ability the leader could field while μ_1 still backs the bar. The continuation cost of consuming the runner-up – a thinner ladder behind the worker – is the second-order consideration weighed below (depth buys patience), and does not overturn the per-period ranking. Hence worker $=\mu_2$, threat $=\mu_1$, the rest latent, which is Proposition 3. For Proposition 4: absent the agency motive ($\Delta e_t\equiv 0$) the per-period objective is expected competence in office, maximised by installing the highest available μ at once and retaining him – assignment is best-first. With the agency motive the top talent is reserved as the threat and deployed only at τ^* (Proposition 2) or not at all (Corollary 1); the working incumbent is a strictly lesser talent throughout $t<\tau^*$; and a talent too low to back a credible bar or to be worth fielding over μ_2 is never deployed. Deployment date is thus increasing in ability among the deployed, with the weakest never deployed and the ablest fielded latest. □

References

Ahn, D. P. (2007). The U.S. Strategic Petroleum Reserve and Cartel Deterrence. Working paper, presented at the National Bureau of Economic Research Summer Institute, Cambridge, MA.

Chan, W. (1996). External Recruitment versus Internal Promotion. *Journal of Labor Economics* 14(4), 555–570.

Chen, K.-P. (2005). External Recruitment as an Incentive Device. *Journal of Labor Economics* 23(2), 259–278.

Dewan, T., and D. P. Myatt (2010). The Declining Talent Pool of Government. *American Journal of Political Science* 54(2), 267–286.

Dewan, T. (2026). The Cabinet as Yardstick: Career Concerns and Comparison in a Team. Working paper.

Dixit, A. K., and R. S. Pindyck (1994). *Investment under Uncertainty*. Princeton University Press.

Egorov, G., and K. Sonin (2011). Dictators and Their Viziers: Endogenizing the Loyalty–Competence Trade-off. *Journal of the European Economic Association* 9(5), 903–930.

Holmström, B. (1999). Managerial Incentive Problems: A Dynamic Perspective. *Review of Economic Studies* 66(1), 169–182.

Shapiro, C., and J. E. Stiglitz (1984). Equilibrium Unemployment as a Worker Discipline Device. *American Economic Review* 74(3), 433–444.