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Selection of public servants into politics

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ABSTRACT

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Countries differ substantially in how they deal with politicians that come from the public sector. Most constitutions include incompatibility and ineligibility rules due to concerns about conflicts of interest and the politicization of the public service. We study how these rules affect the attractiveness of parliamentary mandates for public servants and thus the selection into politics. We compile a novel dataset that captures the fraction of public servants in 76 national legislatures as well as the respective (in)compatibility regimes. On average, there are seven percentage points fewer public servants in parliaments where a strict regime is in force. Supplementary evidence based on IV estimations shows that the fraction of public servants in parliament is positively correlated with government consumption, but not correlated with government effectiveness. *Journal of Comparative Economics* 000 () (2015) 1–24. Swiss Federal Department of Finance, Federal Finance Administration and University of Basel, Faculty of Business and Economics, Bundesgasse 3, Berne 3003, Switzerland; University of Basel, Faculty of Business and Economics, Peter Merian-Weg 6, Basel 4002, Switzerland.

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1. Introduction

The identity of politicians matters for the political process and good government. This seems to be self-evident as political control and the credibility of policy commitments in the democratic process are limited. A careful selection of representatives is thus important to bring the outcomes of the political process as closely as possible in line with citizens' preferences when delegating decision-making power. An important aspect of politicians' identity is their professional background. It determines the personal socio-economic conditions that influence an individual's decision to run for office. It also shapes their private economic interests influencing the behavior once elected. Moreover, it comes with specific knowledge and expertise that is more or less valuable in the parliamentary process.

In this paper, we concentrate on the single largest professional group present in most national legislatures; i.e., the parliamentarians who are recruited from the public sector.¹ An extensive presence of this group poses several challenges when assessing political selection into national legislatures. First, it raises concerns regarding political representation.² An obvious

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E-mail addresses: thomas.braendle@efv.admin.ch (T. Braendle), alois.stutzer@unibas.ch (A. Stutzer).¹ In this group, we include all employees that receive public pay and have a work contract under public law; i.e., for example, many professionals from the education sector such as teachers or university professors, public servants and other employees in the public administration or police officials.² Concepts of political representation (e.g., descriptive and substantive representation) are central in political science (see, e.g., Pitkin, 1967).

disproportionality in descriptive representation with respect to occupational background is considered critical as work as well as life experiences of the representatives might systematically differ from those of the represented. For instance, experiences on how to do business in the private market are represented less. Regarding substantive representation, the question arises whether the politicians with a public service background serve the interest of their constituents better or worse than politicians with other backgrounds. A strong presence of public servants in parliament might well systematically affect the political process and its outcomes. A reason might be the second challenge. Public servants in parliament compromise the (personal) separation of powers due to their double role as agents in public service and as principals that supervise the executive branch. This generates a conflict of interest. Individuals holding both a legislative and an executive position may face decisions as legislators that affect their role in the executive branch, for instance, when voting on the budget of their department. As a consequence, government expenditure might turn out higher than without this tie. Third, and in contrast to these latter concerns, politicians with a public service background embody relative independence from specific business interests. Furthermore, they constitute a pool of people with first-hand information on public service issues and a revealed interest in these matters. Accordingly, where public servants in parliament are made accountable to the electorate, their expertise may serve as a check in the political decision making process.³ Fourth, public servants elected to parliament may differ in (public service) motivation. If they get relatively higher motivational rewards from engaging in parliamentary work than striving for rents, conflicts of interests may arise less.⁴

In response to the challenges, countries adopted different regimes to regulate the involvement of public servants in national legislatures. Some countries chose a compatibility regime, while many other countries have instituted specific rules for politicians from the public sector to deal with the alleged conflict of interest. These rules either specify the incompatibility of a public sector position with a legislative mandate or even declare public servants ineligible for candidacy. We hypothesize that these rules not only structure the legal relationship between public servants in politics and their (prior) position in the executive branch but also systematically change the pool of available candidates and elected politicians. Anecdotal evidence for the U.S. subnational level, for instance, suggests that ineligibility rules adversely affect political competition as they aggravate the shortage of candidates (Miller, 2010).

We pursue three goals with our contribution. First, we aim to document the phenomenon of the strong presence of public servants in national legislatures. We present a newly compiled data set on the composition of the first parliamentary chamber in 76 countries for the years 2000 to 2011. Interestingly, there are large differences in the fraction of members with a public sector background. In the UK, for example, the fraction is 23%, while it is 49% in Denmark. Second, we analyze the determinants of the variation in their presence. In particular, we study legal provisions that are primarily targeted at the inhibition of conflicts of interest; i.e., the different regimes that define and deal with the (in)compatibility of public service employment with a mandate in the legislature. Accordingly, data is collected on the (in)compatibility regimes for the same 76 countries. It is hypothesized that incompatibility provisions reduce the attractiveness of a political mandate for public servants and are thus related to a lower fraction of them in parliament. The hypothesis is scrutinized taking alternative institutional determinants as well as financial incentives into account. Third, in a supplementary analysis, we study the possible consequences of a strong presence of public servants in national parliaments on the political process in terms of government effectiveness and the size of the government sector.

As main results, we find that the average fraction of politicians with a public sector background is 31.3% in our sample. With regard to incompatibility rules, we observe seven countries with a compatibility regime, 28 countries with a soft incompatibility, and 35 countries with a strict incompatibility regime. Six countries apply an ineligibility rule. The application of stricter incompatibility rules (strict incompatibility or ineligibility), signifying higher opportunity costs of a political mandate, is statistically significantly related to a smaller fraction of public servants in parliament by roughly seven percentage points. This difference is robust when we restrict the sample to partly free and free democracies. The restrictive effect of incompatibility rules is also robust to the inclusion of potentially correlated institutional conditions. Moreover, the results hold if the institutional regimes are coded as indexes. The analysis of the interaction of the incompatibility regime with the material incentives that potentially affect the cost-benefit calculus of a political career is limited to a reduced sample of countries. While the results are suggestive, no strong findings emerge. Regarding the effect on political outcomes, we find that the fraction of public servants in parliament is not systematically related to government effectiveness, but positively correlated with the level of government consumption. The latter correlation holds if an instrumental variable approach is applied and thus the variation in public servants in parliament is restricted to the one due to the different incompatibility and ineligibility regimes. The effect is economically sizeable. For a legislature with a seven percentage points lower presence of public servants, a 1.75 percentage points lower level of government expenditures is estimated. Additional evidence based on longitudinal data of selected European countries suggests a similar relationship.

This study contributes to and benefits from recent research on the economics of political selection. Important aspects have been modeled in the citizen candidate framework proposed by Besley and Coate (1997) and Osborne and Slivinski (1996). Fearon (1999); Brennan and Hamlin (2000); Besley (2005); Mansbridge (2009), and Padovano (2013) provide reviews of some general

³ Both aspects, the conflict of interest, for example in budgetary priorities, as well as the problems with asymmetric information in government oversight relate to Niskanen (1971) influential work on the economics of the bureaucracy. Here, an extension is proposed that takes into account the identity of the politicians who interact with the government bureaucracy.

⁴ In recent work by Fedele and Naticchioni (2016), public-fit individuals are defined as agents who have value congruence with the public sector environment and market-fit individuals as those who have work values and goals that are market oriented. The former group is assumed to get higher motivational rewards from entering politics. Approximating public-fit type with occupational background, they find that public servants elected to parliament are more committed to their parliamentary duties and engage relatively less in moonlighting.

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