



Politicians, bureaucrats and targeted redistribution [☆]



Ruben Enikolopov

Barcelona IPEG-ICREA, Universitat Pompeu Fabra, Barcelona GSE, Spain
New Economic School, Russia

ARTICLE INFO

Article history:

Received 28 August 2012
Received in revised form 28 July 2014
Accepted 4 August 2014
Available online 28 September 2014

JEL classification:

D72
D73
H70

Keywords:

Bureaucrats
Politicians
Targeted redistribution
Patronage
Career concerns

ABSTRACT

The paper argues that for political reasons elected politicians are more likely to be engaged in targeted redistribution than appointed bureaucrats. It uses the example of patronage jobs in the U.S. local governments to provide empirical support for this claim. It shows that the number of public employees is higher for elected chief executives. This difference is stronger in public services with bigger private–public wage differential and it increases during election years. It also finds that the number of public employees increases with the age of bureaucrats while there is no such relationship in the case of politicians, which is consistent with younger bureaucrats having stronger career concerns.

© 2014 Elsevier B.V. All rights reserved.

1. Introduction

One of the central issues in political economy is how different institutional arrangements affect public officials' incentives and policies they pursue. There is a strong theoretical argument that the method of selection of public officials, and, in particular, whether they are elected or appointed, should play an important role.¹ However, empirical evidence on the policies pursued by appointed versus elected public officials remains scarce. In this paper I provide empirical evidence that appointed bureaucrats are less likely to be engaged in targeted redistribution than elected politicians and that this difference is in part driven by stronger career concerns of the bureaucrats.

Politically motivated targeted redistribution is an example of a policy that bring short-term political benefits at the expense of long-term costs. Diversion of resources from useful public projects to targeted redistribution and pork-barrel projects is a widely recognized source of inefficiency caused by the political process (e.g. Buchanan and Tullock,

1962; Lizzeri and Persico, 2001; Persson and Tabellini, 2000). Public officials choosing the level of targeted redistribution face the following trade-off: on the one hand, vote-buying through targeted redistribution increases their chances of staying in office.² On the other hand, targeted redistribution results in inefficient provision of public goods and harms their reputation as efficient public managers, which has a negative effect on their job prospects if they lose office.³

² The optimal amount of targeted redistribution is determined by equating marginal decrease in votes because of the inefficient provision of public goods to marginal increase in votes from the recipients of transfers. Note that by providing concentrated benefits to a narrow group of swing voters at the expense of widely shared costs of inefficient public goods provision, targeted redistribution allows increasing chances of reelection even for the case of fully rational voters (Lizzeri and Persico, 2001; Persson and Tabellini, 2000). For elected public official targeted redistribution improves chances of getting reelected by increasing the number of votes she receives during elections. For appointed public officials it improves chances of getting reappointed by increasing electoral support of the incumbent politicians who are responsible for her appointment.

³ Potential future employers are likely to focus on the track record in provision of public goods, since they are not benefiting from the transfers. This prediction holds if potential future employers are maximizing social welfare, since targeted redistribution decreases social welfare (Lizzeri and Persico, 2001). However, it will hold even if they follow the preferences of the majority of voters, as long as the voters do not know *ex ante* who will become the recipients of transfers. Targeted redistribution benefits a small number of swing voters, so that behind the veil of ignorance, i.e. without knowing who will be swing voters, the voters would prefer to minimize targeted redistribution. Similar effects will take place if appointed public officials care more about the assessment of their performance by professional peers (Wilson, 1989: Chapter 9) or try to secure their own autonomy and independence (Carpenter, 2001).

[☆] I would like to thank Alberto Alesina, James Alt, Jeffrey Frieden, Ed Glaeser, Caroline Hoxby, Maria Petrova, James Robinson, Kenneth Shepsle, Andrei Shleifer, Ekaterina Zhuravskaya and seminar participants in CEFIR, Harvard University, NBER Student Political Economics Conference, XI Spring Meeting of Young Economists, European Economic Association Meeting for helpful comments. I thank Razvan Vlaicu for generously providing the data used for the analysis of political cycles.

E-mail address: ruben.enikolopov@upf.edu.

¹ E.g. Besley and Coate (2003), Maskin and Tirole (2004), Alesina and Tabellini (2007a, 2007b), Coate and Knight (2011).

Reputational costs are likely to be higher for bureaucrats because of stronger career concerns. Ever since [Weber \(1978 \[1904–1911\]\)](#) strong career-building considerations have been viewed as an important factor in bureaucratic efficiency. Recent theoretical works by [Alesina and Tabellini \(2007a,b\)](#) assume that politicians care only about reelection, whereas bureaucrats care only about the perception of their talent by outside observers, who represent their relevant “labor market”. As a result, for bureaucrats it is relatively more important to maintain reputation of efficient public managers, which increases their costs of using targeted redistribution.⁴ In addition, reelection of public officials responsible for bureaucrats’ reappointment does not necessarily guarantee that they stay in office. Thus, bureaucrats cannot fully reap electoral benefits of targeted redistribution. Overall, both lower benefits and higher costs are likely to make bureaucrats more reluctant to use targeted redistribution.

This paper uses data on public employment in U.S. local governments to provide empirical support for the claim that appointed bureaucrats are less likely to be engaged in targeted redistribution than elected politicians. Public employment at the margin can serve as an example of targeted redistribution, since public employees receive a wage premium over private employees ([Ehrenberg and Schwarz, 1987](#); [Gregory and Borland, 1999](#)).⁵ Excessive public employment is a convenient form of increasing electoral support. First, it allows targeting of transfers to specific voters. Second, it permits public officials to disguise transfers and to avoid opposition to explicit tax-transfer schemes ([Alesina et al., 2000](#); [Alesina et al., 2001](#)). Finally, it helps to solve the double commitment problem prevalent in vote buying – politicians might want to renege on the promises after the elections, but as long as firing public employees is costly, public employment can serve as a credible way to promise a stream of benefits ([Robinson and Verdier, 2013](#)).

Historically, U.S. local governments have been notorious for widespread use of patronage ([Freedman, 1994](#); [Riordon, 1994](#); [Tolchin and Tolchin, 1971](#)). Distributing public jobs was a cornerstone of political machines in charge of city politics for many years.⁶ Although civil reforms implemented throughout the 20th century have dramatically decreased the extent of patronage ([Folke et al., 2011](#); [Ujhelyi, 2014a](#)), there is evidence that public employment policies at the local level is still influenced by political considerations ([Alesina et al., 2000](#); [Lopez-de-Silanes et al., 1997](#); [Nye et al., forthcoming](#)).⁷ Thus, patronage can serve as an example of targeted redistribution in the context of contemporary U.S. local governments.

I provide several empirical results to support the claim that appointed chief executives of local governments are more likely to use public employment for redistribution, as compared with their elected counterparts. First, I show that elected chief executives on average hire more public employees. These results hold both with and without community fixed effects and are robust to nonparametric estimation. However, the results can still be driven by endogenous choice of the form of government ([Trebbi et al., 2007](#)). To provide additional evidence

that the results reflect the difference in the extent of patronage, I show that the differences in the level of public employment are stronger in services, in which public employees receive larger wage premium over private employees, controlling for their skills. I also show that there are noticeable political cycles in the number of public employees in communities headed by elected chief executives, whereas this is not the case for communities with appointed chief executives. Thus, the difference in the level of public employment is at least partially driven by political considerations, rather than differences in skills or preferences of appointed and elected chief executives.

I also show that the differences between elected and appointed executives are affected by career concerns. To provide evidence that career concerns are indeed stronger for bureaucrats, I show that for almost all appointed chief executives their next job is closely related to their work while in office, while this is not the case for elected chief executives. This evidence suggests that for appointed chief executives reputation of efficient public managers is relatively more important, as it is more likely to affect the quality of their future job. Next, I examine the relationship between the age of executives and public employment in a difference-in-differences specification. Consistent with the career concerns explanation, I find that the younger the appointed chief executive, the lower the number of employees, while such relationship is absent for elected public officials.

Overall, the empirical evidence provides support for the claim that appointed bureaucrats are less likely to use targeted redistribution than elected politicians and that this difference is, at least in part, driven by the difference in their career concerns.

The remainder of the paper is organized as follows: the next section discusses the related literature. [Section 3](#) describes the empirical hypotheses. [Section 4](#) presents results, and [Section 5](#) concludes.

2. Related literature

Earlier literature suggests that the method of selection of public officials should have no effect on policy outcomes, since bureaucrats are themselves appointed by elected politicians and, thus, should also implement policies preferred by the median voter ([Baron, 1988](#); [Laffont, 1996](#)). In particular, there should be no systematic differences between cities with different forms of government ([Deno and Mehay, 1987](#)).

More recent literature, however, argues that the method of selection does play a role. According to [Besley and Coate \(2003\)](#) direct elections allow voters to unbundle policy issues and thus reduce the influence of special interests. [Maskin and Tirole \(2004\)](#) argue that politicians follow more closely the preferences of the general population compared with their appointed counterparts, but are more likely to pander to public opinion and choose popular actions even when they know that those actions are not in the general interest of the society. A similar argument is developed in [Vlaicu and Whalley \(2013\)](#).

A number of empirical studies provide evidence that the difference in the method of selection of public officials does affect the policies they pursue. [Fields et al. \(1997\)](#) demonstrate that elected commissioners from the insurance industry follow more pro-consumer policies than their appointed counterparts. [Besley and Coate \(2003\)](#) find a similar effect in electricity regulation. There is also evidence that states with appointed judges have higher litigation rates ([Hanssen, 1999](#)) and lower levels of discrimination charges ([Besley and Payne, 2013](#)), as compared with states with elected judges. [Whalley 2013](#) shows that appointed city treasurers reduce cost of borrowing.⁸ In terms of monetary remuneration, there is evidence that both appointed ([Enikolopov, 2012](#)) and elected ([DiTella and Fisman, 2004](#)) public officials are rewarded with higher wages for better performance.

Empirical works comparing performance of local governments headed by appointed and elected executives with respect to the level

⁴ I provide some evidence to back up this assumption by showing that for bureaucrats (unlike elected politicians) the next job is closely related to their current occupation, which make reputation as efficient public managers more relevant for the quality of the next job. In addition, [Enikolopov \(2012\)](#) shows that current performance of appointed local chief executives has a strong effect on their wage at their subsequent job.

⁵ [Gittleman and Pierce \(2011\)](#) show that this difference is especially strong for public employees in local government, who earn 10–19% more than private sector workers after accounting for skill differences and benefit packages, and that this difference is driven by low-paid workers.

⁶ Even politicians themselves have admitted the use of patronage. At a press conference, Mayor Richard J. Daley of Chicago, told journalists: “The governor in his message last week said 36% of city employees were patronage, and that is inaccurate, untrue and false. There is less than 8%.” *Chicago Tribune*, April 2, 1969.

⁷ [Ujhelyi \(2014a\)](#) argues that civil service reform at the state level in the second half of the 20th century were partially offset by reallocating funds to local governments, which were typically not constrained by state-level merit system and had more patronage opportunities.

⁸ Empirical literature is almost exclusively using data from the U.S. [Martinez-Bravo \(2014\)](#) is a notable exception that examines the case of Indonesia.

Download English Version:

<https://daneshyari.com/en/article/7370131>

Download Persian Version:

<https://daneshyari.com/article/7370131>

[Daneshyari.com](https://daneshyari.com)