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9781107177598 DAHLSTRÖM & LAPUENTE - ORGANIZING LEVIATHAN PPC C M Y K

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'In this impressive book, Dahlstrom and Lapuente think deeply about the organization of the state and the quality of government. They argue that a productive structuring of the relationship between politicians and civil servants minimizes corruption and inefficiency. They explore this relationship with terrific case examples and data on more than 100 countries around the world. It is a terrific example of research that carefully builds bridges across literatures to provide new insights on big questions.'

David E. Lewis, Vanderbilt University

'Dahlstrom and Lapuente succeed in making the study of public bureaucracy central to future research in comparative politics and political economy. They provide considerable and compelling theoretical and empirical evidence for their claim that merit selection is even more important than rules and regulations in both constraining corruption and in improving policy and practice. Theirs is a significant contribution to understanding the variation in the performance of democratic governments. In this era of increasing anti-government populism, they provide hope that at least democracies will be able to continue to perform at high levels and according to the best scientific evidence available.'

Margaret Levi, Stanford University

Cover illustration: Thomas Hobbes of Malmesbury (1588-1679), English philosopher and author of 'Leviathan', circa 1650. (Photo by Kean Collection/Getty Images)

COVER DESIGNED BY HART MCLEOD LTD

CAMBRIDGE UNIVERSITY PRESS
www.cambridge.org

ISBN 978-1-107-17759-8



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DAHLSTRÖM AND LAPUENTE ORGANIZING LEVIATHAN

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Politicians, Bureaucrats, and the Making of Good Government

CARL DAHLSTRÖM AND VICTOR LAPUENTE





In short...

Can the organization of the bureaucracy reduce corruption and make governments use recourses more efficient?

I will argue that meritocratic recruitment and promotion structures in public bureaucracies reduce corruption risks, because it separates political and bureaucratic careers which, in turn, increases chances for monitoring.

I will show that indicators of meritocracy in recruitment and promotions in the bureaucracy correlates strongly with low corruption risks (and corruption levels), on both national and sub-national levels.



Corruption

Corruption = the use of public power for private gain

Petty corruption = typically bribes

Grand corruption = typically biased contracts



Corruption research

Corruption is an important phenomenon, and institutions matter for corruption risks.

Most studies focus on accountability mechanisms between rulers and citizens, and try to answer which incentives we offer to politicians.

Neglect of the selection procedures and incentives of bureaucrats.



Politicians and bureaucrats

A century of research on why relations between political and bureaucratic matter.

Rulers “moral hazard”, and constrains on access to common resources.



Bureaucracy and corruption

Esprit de Corps: Autonomous bureaucracies create better types of public employees through socialization (norms).

Longer time horizon: With permanent positions compensations are deferred (pension schemes etc.), which encourage bureaucrats to neglect short-sighted gains.

Salaries: Better paid bureaucrats, are less tempted to engage in corruption, and the value of their job is higher in case they get caught.



Separation of careers

When groups with known different interests are forced to work together they monitor each other, which pushes both groups away from rent seeking.

Incentives to monitor each other, and to speak truth to power →
Lower corruption.

This takes the insight that the elite is always in moral hazard seriously, and it puts less faith in rules and regulations than competing explanations.

A Spanish example

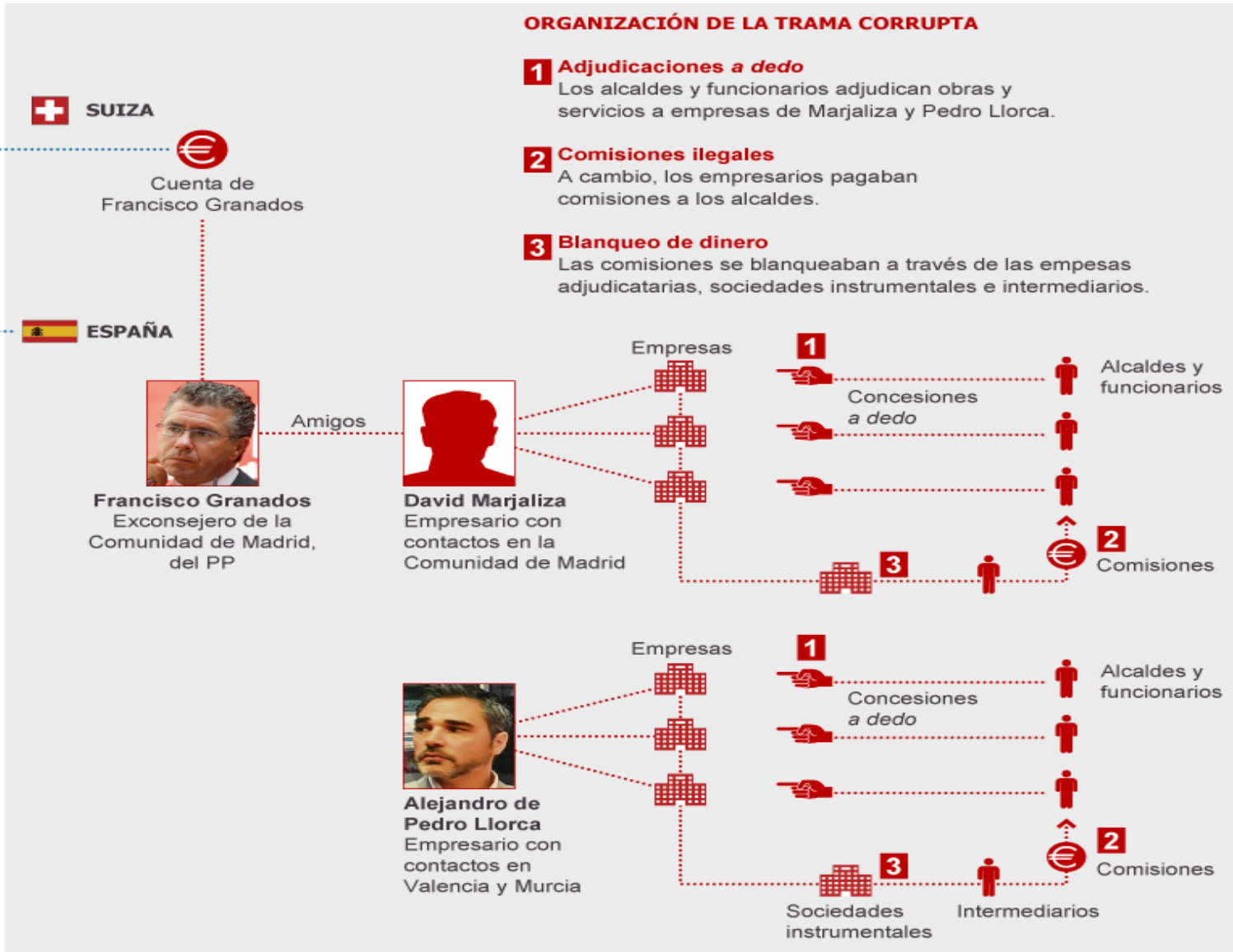
INVESTIGACIÓN

1 Desencadenante
Investigación suiza contra el blanqueo de capitales en una cuenta de Granados.

2 Aviso a España
En diciembre de 2013, el Gobierno helvético envía una comisión rogatoria a la Audiencia Nacional.

3 Investigación en España
Realizada por la Fiscalía, la Agencia Tributaria, Intervención General del Estado (IGA) y la Unidad Central Operativa (UCO) de la Guardia Civil, que presenta los datos ante el Juzgado de Instrucción número 6.

4 OPERACIÓN POLICIAL
La operación culmina con las detenciones realizadas el lunes 27 de octubre.





A Swedish example

In 2009, the County Governor of Gotland, Marianne Samuelsson, resigns because a civil servant blew the whistle to media on Samuelsson's intentions overlook what was possible illegal buildings by the seashore, built by an important businessman.

According to her own explanation, she did this because the businessman was important for Gotland.

Without saying that Samuelsson did it because she was corrupt, this is exactly how one would expect an unhealthy relationship between politics and business to start.



The quality of government expert survey

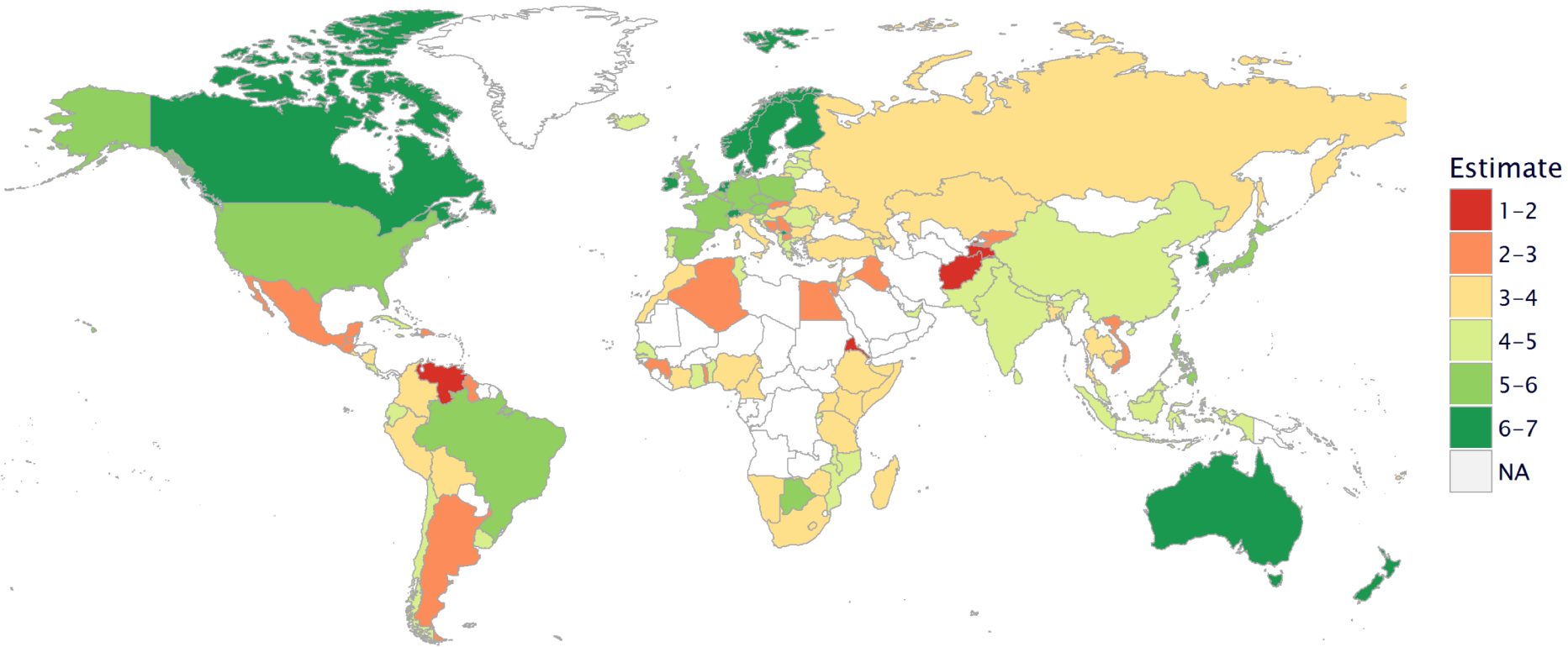
Originally collected between 2008 and 2012, covers 135 countries and includes 1053 expert assessments.

New wave in 2014/2015, covers 159 countries and includes 1294 expert assessments.

In the analysis presented here, only countries with more than 3 expert responses are included, which limits the sample to 107 (2008-2012) or 122 (2014/15) countries.

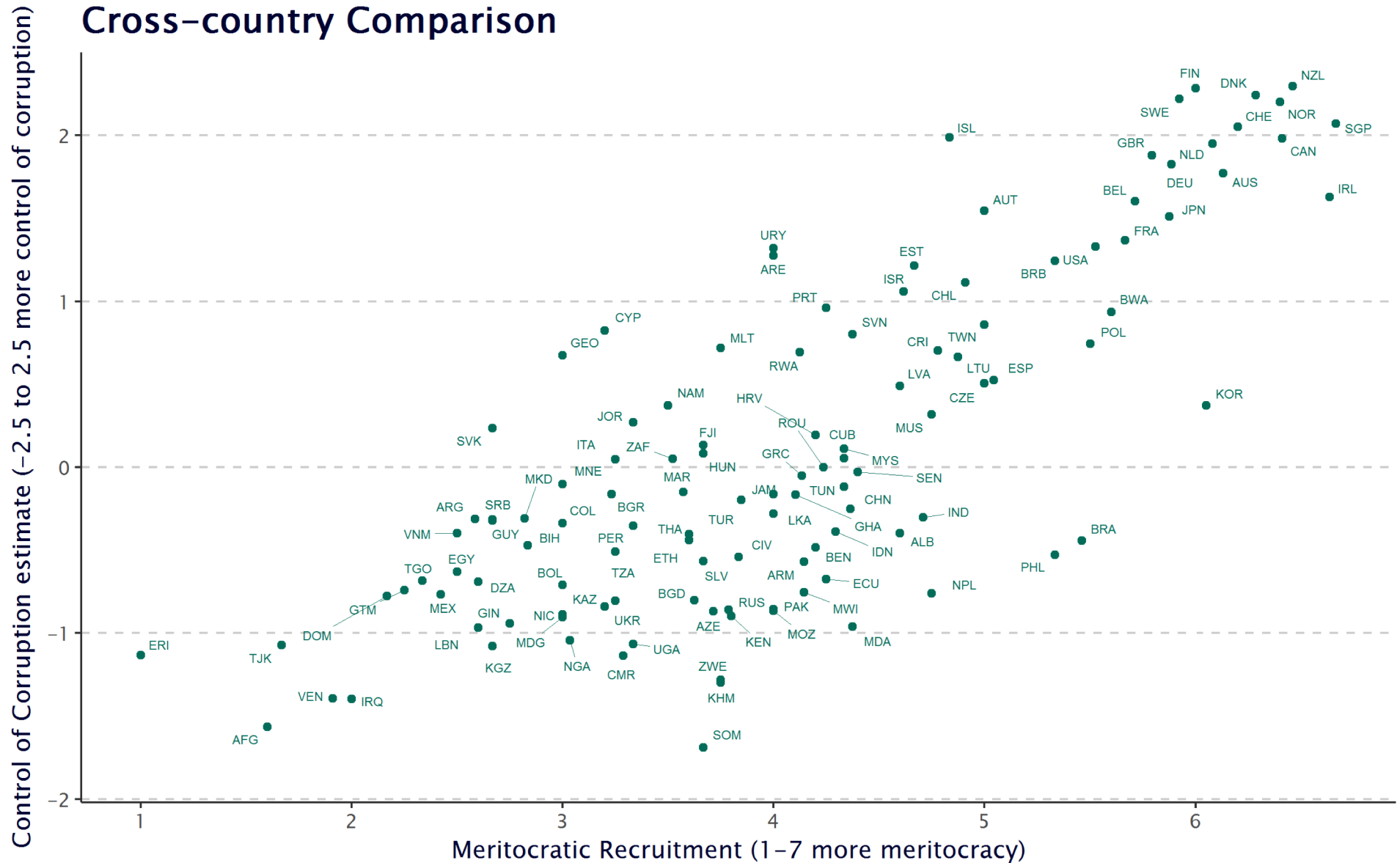
Variation in Recruitment Regimes

2014/2015



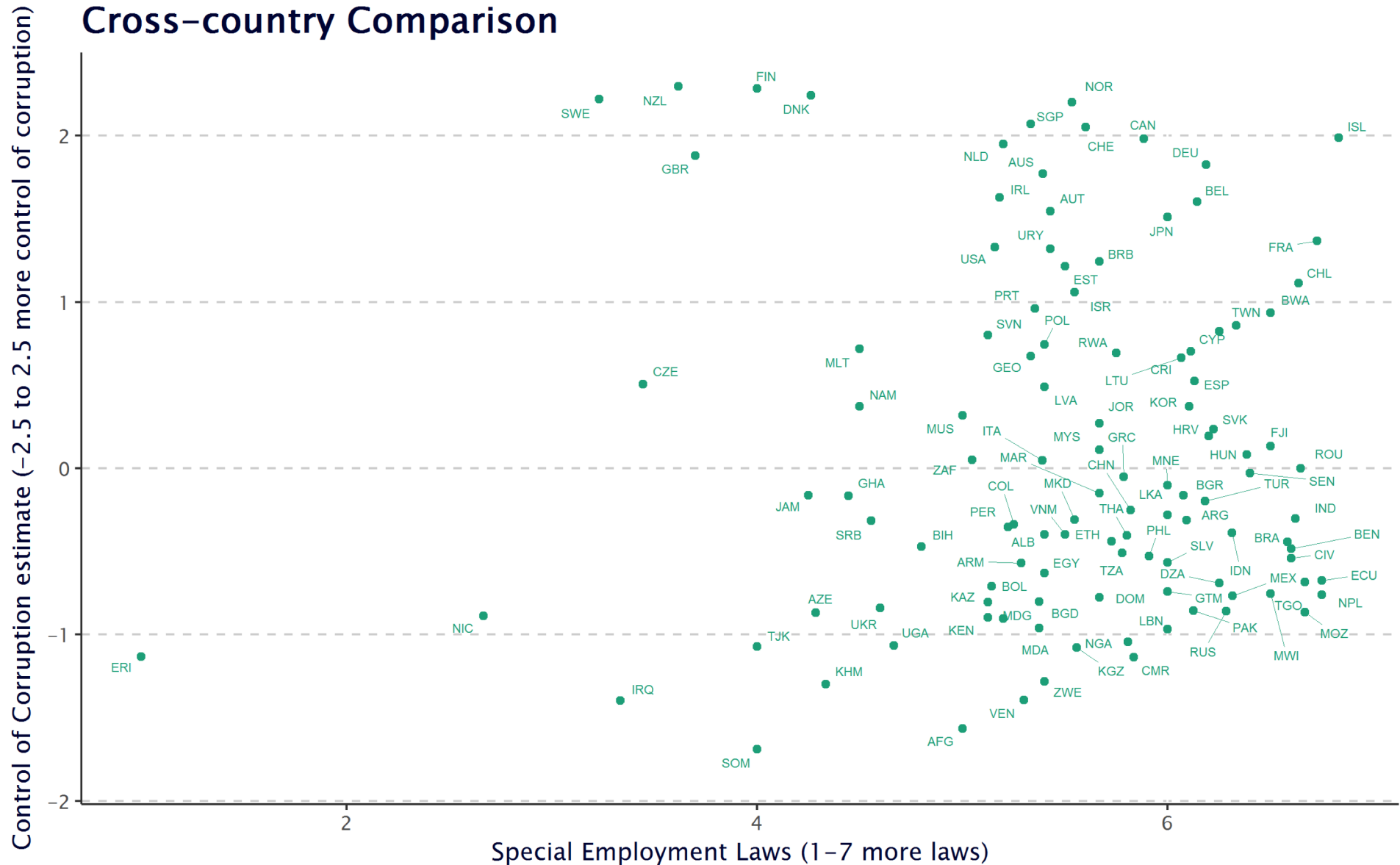
Source: QoG Expert Survey 2014/2015

Cross-country Comparison



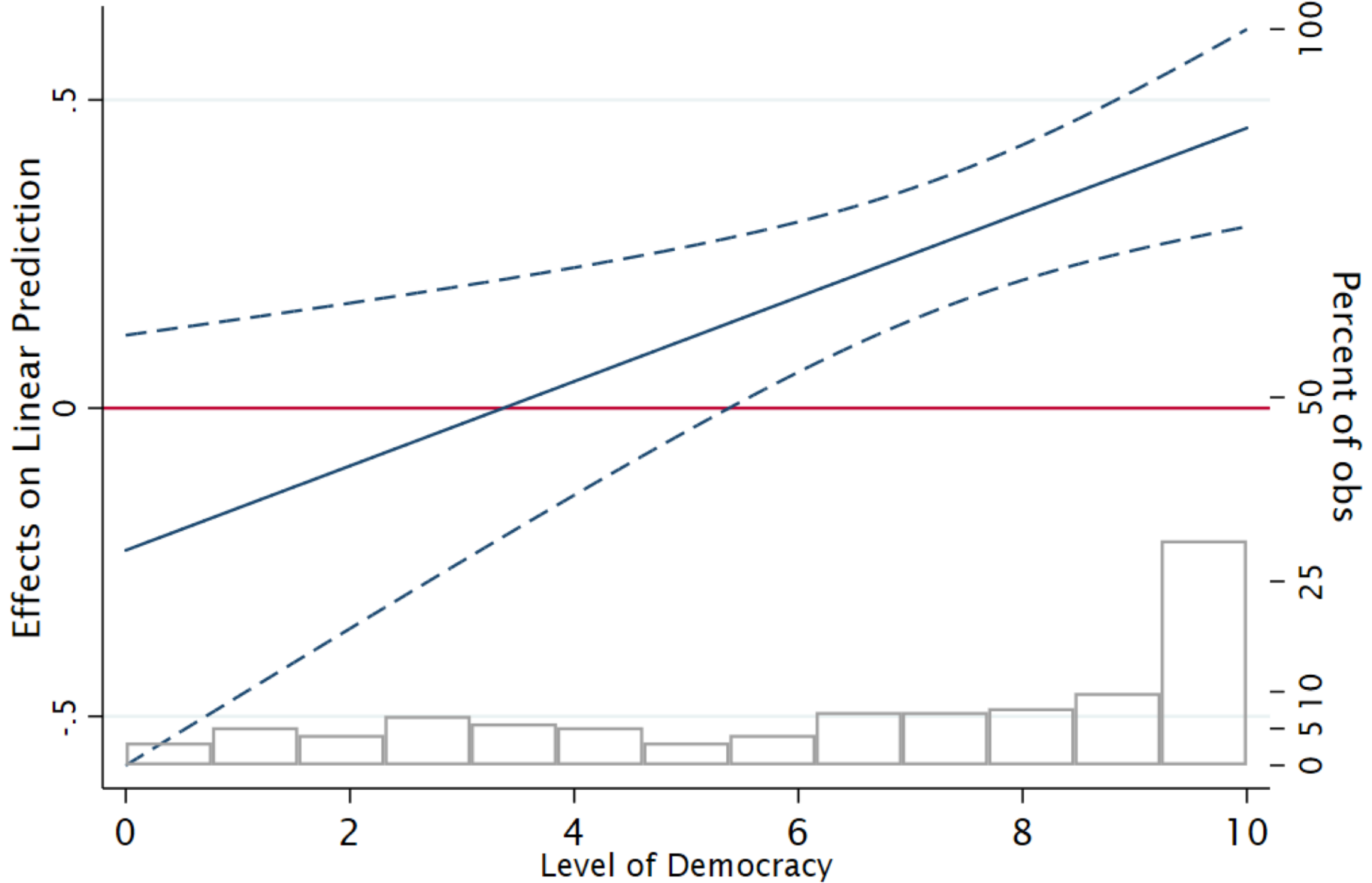
Sources: QoG Expert Survey (2014–2015), and World Governance Indicators 2016

Cross-country Comparison



Sources: QoG Expert Survey (2014-2015), and World Governance Indicators 2016

Average Marginal Effects of Meritocratic Recruitment (with 95% Confidence Intervals)





Results so far...

Strong and positive correlation between the level of meritocratic recruitment to the bureaucracy and control of corruption, also under control of political, economical, cultural and geographical factors.

Note that other indicators of a insulated bureaucracy does not show a statistically significant correlation.

Positive interaction with democracy.

Some (unsatisfactory) attempts to handled potential omitted variable and/or endogeneity problems.

There are also questions to be asked about the measures.



Moving away from the national level and expert assessments

First, and maybe most important, theories tested with cross-national comparisons are almost always informed by differences between the same countries already from the start.

Second, there are good reasons to believe that within country differences are as important as between country differences.

Third, studies that use standard indicators of corruption and good governance are also affected by the widely held critique of these measures for being imprecise due to their heavy dependence on perceptions.



Studying the sub-national level in Europe

Study the regional level in 26 European countries.

On the independent side we try to capture career independence for bureaucrats with a bit more experienced-based measure.

On the dependent side we try to capture high-level corruption risks with a objective measure.

We also take several cultural, economical, political, and geographical control variables into account.



Career independence

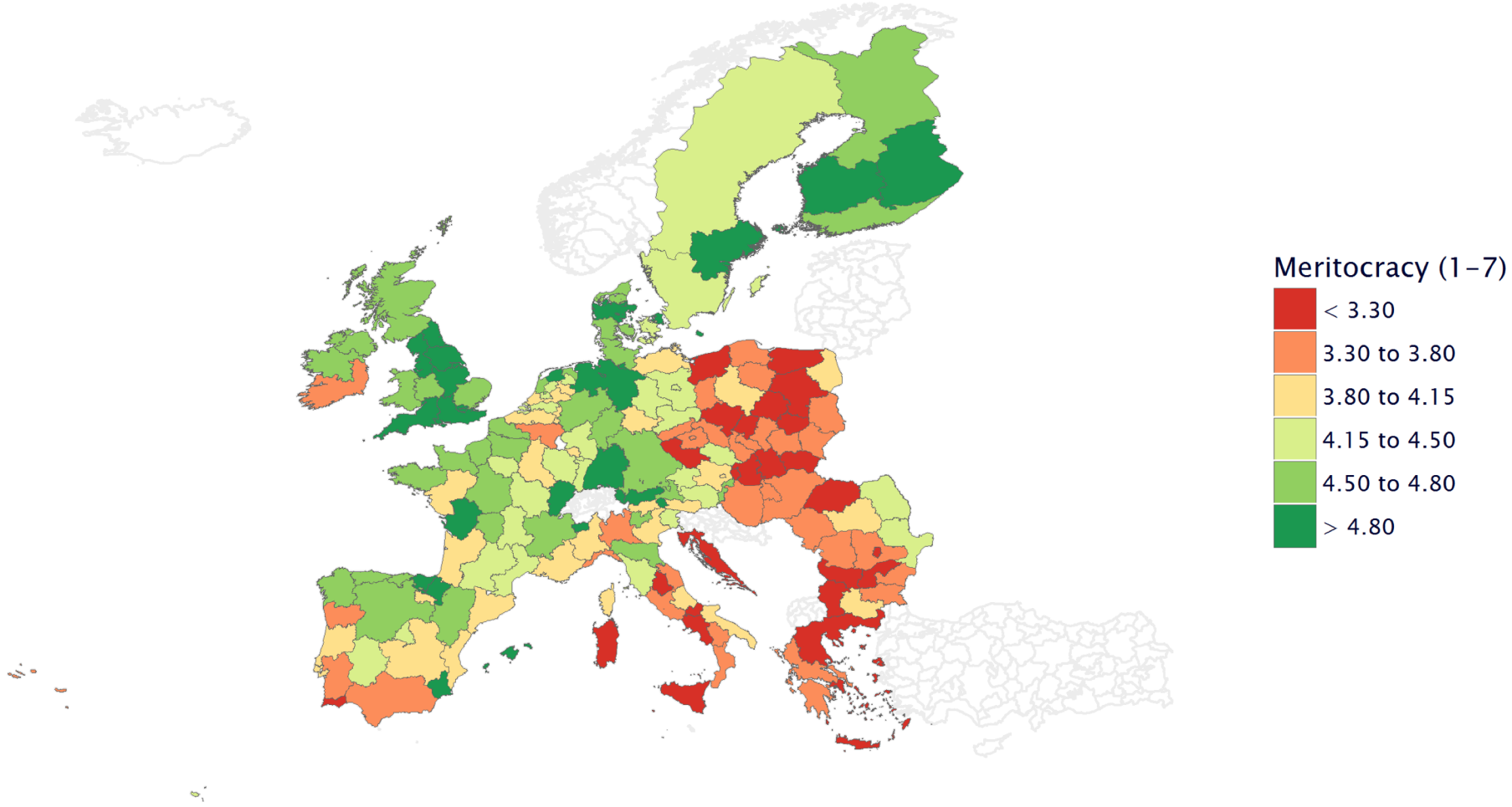
Data on citizens' perceptions on the extent to which careers of public employees are meritocratic, in contrast to dependent on connections.

Survey of 85,000 respondents across 206 European regions

Only individuals who are employed in the public sector are included (about 22%).

Variation in Recruitment Regimes

2013



Source: European Quality of Government Index (EQI) 2013



Corruption risks

On the dependent side, this paper uses public procurement data to assess the risk of high-level corruption (2009 to 2013). It derives from the European Union's Tenders Electronic Daily, which is the mandatory online publication for every tender that fall under the remit of the Public Procurement Directive.

We use data on 1.4 million contracts from 26 EU member states.

Operationalization 1: Single bidders on competitive markets.

Operationalization 2: CRI, consisting of percentage of single bidders and four process-related indicators.

Corruption Risk Index

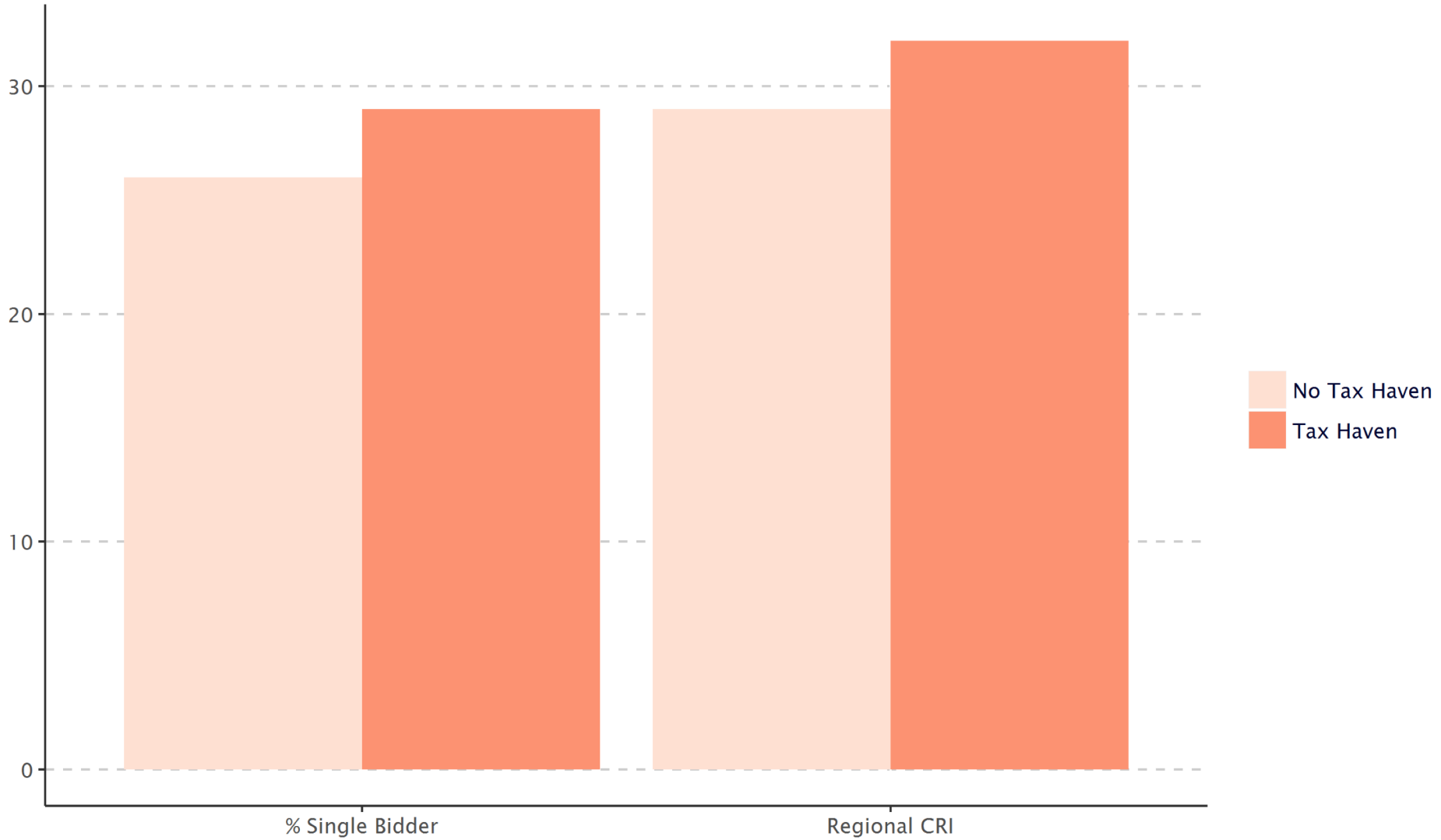
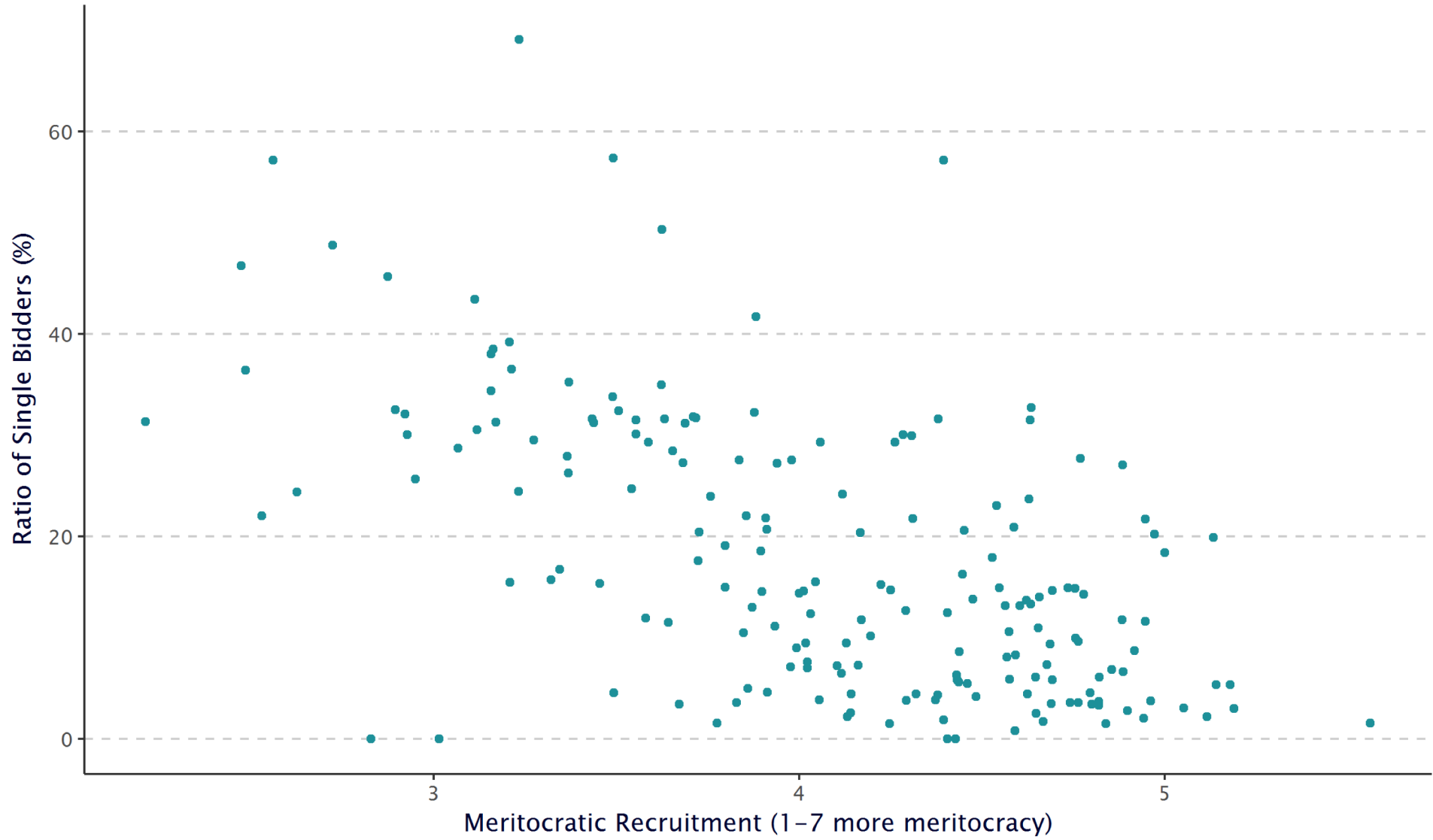


Table 2. Linear regression with relative contract value, EU26, 2009-2013

Independent variable	(1)	(2)
Percent single bidder	0.071 (0.000)	
Regional CRI		0.090 (0.000)
N	164,711	164,711
R2	0.088	0.086

Comment: Each regression controls: sector of the contracting entity, type of contracting entity, year of contract award, country of contract award, main product market of procured goods and services, and contract value

Single Bids



Sources: QoG Expert Survey (2014-2015), and Corruption Risk Index



Additional analyses

We address potential issues of omitted variables and/or endogeneity with instrumental variables.

We take several factors associated with the country level into account, such as press freedom, the age of a country's democratic institutions, and ethnic diversity.

We re-run all models with only politically relevant regions.



Summing up the sub-national analyses

The independence of bureaucratic careers is statistically significant in all models.

This is true also when several demanding controls are included. Among the control variables, we note particularly that the number of women in regional parliaments are constantly statistically significant.

Three standard deviation increases in career independence (about 2 point increase) implies a 0.5-0.8% price decrease across Europe; that is 13-20 billion EUR saving per year for the whole of EU in 2010 prices.



Conclusions

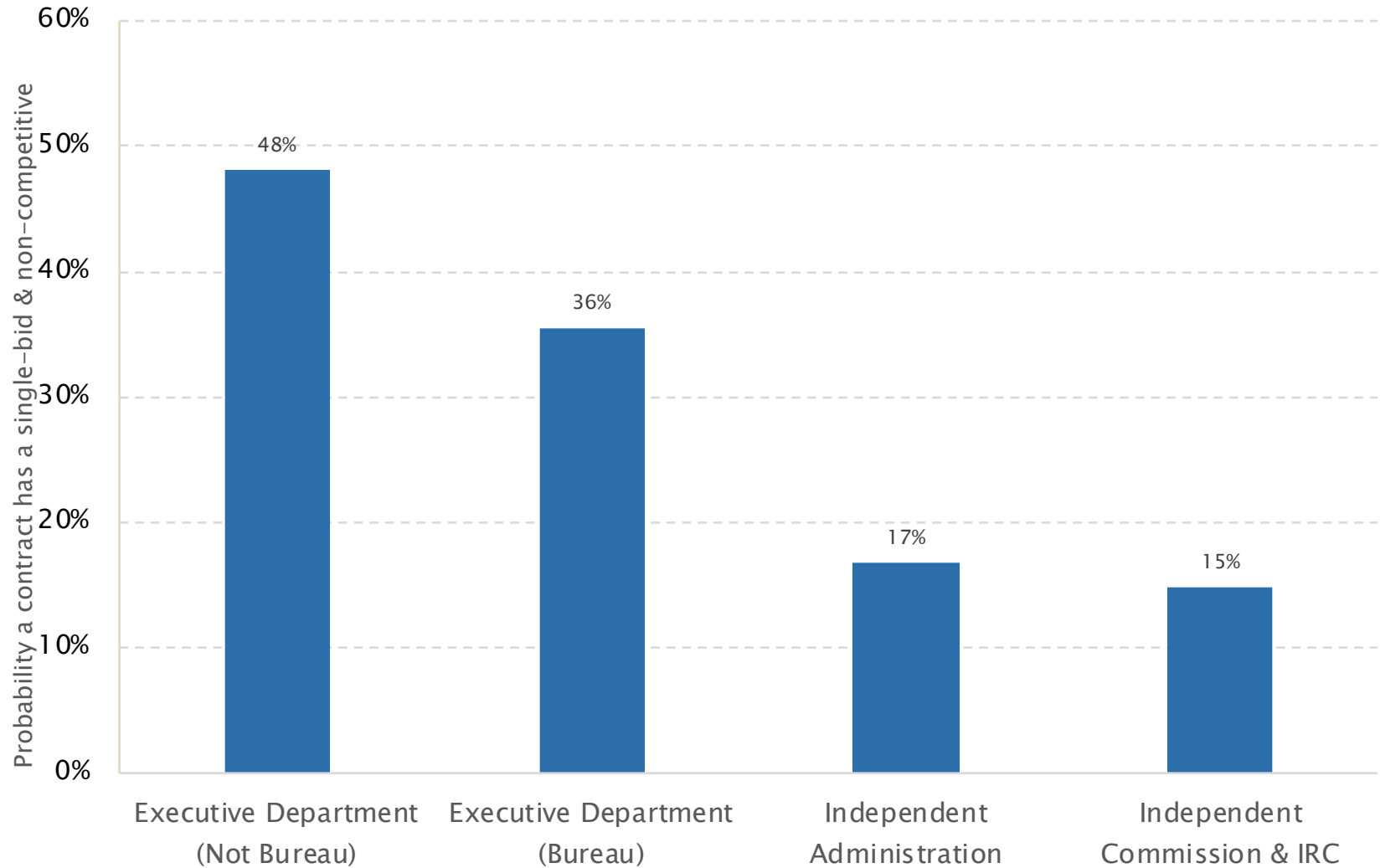
Most reforms on how to fight corruption focus on the selection and incentives of politicians, overlooking the selection and incentives of the bureaucrats.

In the light of our research, institutions protecting the integrity of bureaucrats should probably be strengthened.

There are however several remaining questions about how strong causal inferences we can make. Together with more sophisticated identification strategies we should also study historical examples, such as the US, UK and Denmark.



Estimated probability of at-risk contracts by agency design





Estimated probability of at-risk contracts by firm location and agency

