Budgetary Effects of Political Appointments

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Abstract

What are the effects of political recruitments to public administrations? A more than century old debate concerning the boundaries of politics and administration touches on the very premises of democratic governance. On the one hand, governments face the risk of disobedience from strong independent agencies. Without democratic control, policy suggestions going against agency interests might be obstructed. On the other hand, agency efficiency may be impaired when control is bought at the price of competence. Empirical investigations of the effects of political recruitment are however scarce, especially outside the American context. This paper specifies a hypothesis concerning the effects of having political appointees in the administration, and tests it in the area where political-administration relations has been most discussed, namely the budget process. Based on previous research, we assume that administrators have an information advantage over politicians, and generally desire larger budgets for their agencies. However, the information asymmetry should be smaller in agencies where politicians have an ally, and budgets should therefore grow slower in such agencies. In order to test this hypothesis, we have unique data at our disposal. On the independent side we have data on the political affiliation of all Director Generals (DG) and other heads of agencies in Sweden from 1970 to 2010. On the dependent side, we have collected budget information for the agencies during the same time period. Our results indicate that budgets in agencies headed by DG’s with political background indeed grow slower.
Introduction

"Under normal conditions...", Max Weber writes in his pivotal essay on bureaucracy, “...the power position of a fully developed bureaucracy is always overtowering”. He continues to conclude: “The 'political master' finds himself in the position of the 'dilettante' who stands opposite the 'expert,' facing the trained official who stands within the management of administration” (Weber 1998 [1919], 232).¹

Scholars within economics, political science, public administration and sociology have since tried to understand the consequences of the information asymmetry between administrators and politicians, and how it can be handled (Alesina and Tabellini 2007; Bendor and Moe 1985; Gaimard and Patty 2007; Heclo 1977; Huber 2000; Lewis 2008; Miller 2000; Moe 1989; Peters 2001; Wood and Waterman 1991). These are fundamental questions for democratic government, as the control of its administration limits every ruler (Greif 2008, 18). Without a liable chain of delegation from voters to the administration, via representative government, a democracy loses both legitimacy and its ability to take action (Bergman, Muller and Strom 2000, 257). Therefore, political-administrative relations are at the heart of government.

The budget processes for public agencies and other parts of the administration are particularly important, as interests of administrators and politicians do not necessarily coincide. William Niskanen (1971) has forcefully argued for the idea that information asymmetry enables public agencies to maximize budgets, mostly in order to create “slack” for the administration. According to Niskanen (1971), the reason for this is that administrators know the true cost of “production” as well as the politicians’ demand for their services, while politicians do not know the true production costs and have, in a traditionally organized administration, no other supplier to turn to.

Niskanen has been criticized for making unrealistic assumptions (Peters 2001, 13), and for not taking monitoring devices available for politicians into account (Bendor and Moe 1985). As Bendor and Moe (1985) notes, politicians do not need to passively accept the consequences of information asymmetry. For example, by way of introducing control

¹ We would like to thank Christian Björkdahl for excellent research assistance.
mechanisms, or in other ways organizing delegation to their advantage, politicians can be pro-active. One way of neutralizing the information advantage that has gained much attention is when politicians put allies in the administration (Bendor, Glazer and Hammond 2001, 243). In the empirical literature this is often referred to as politicization of the administration (Lewis 2008, 6-7).

While potentially solving the information asymmetry problem, the introduction of political supporters in the administration has well-known negative consequences. British and US reformers of the nineteenth and twentieth centuries thought, for example, that a politicized public administration was a threat against efficiency and good governance (Goodnow 1900; Northcote and Trevelyan 1853; Wilson 1887). More recent studies confirm this notion. In countries with a higher degree of meritocratic (contrary to political) recruitment, economic growth is higher and corruption is lower (Dahlström, Lapuente and Teorell 2011; Evans and Rauch 1999; Rauch and Evans 2000). What is more, political appointees are less competent (Lewis 2007) and patronage administration makes it possible for politicians to use it for party political purposes (Folke, Hirano and Snyder 2011). We are thus in a situation were democratic gains (overcoming the information advantage) must be weighed against losses in efficiency and good governance.

This paper will not contribute to an understanding of this balancing act in a normative sense, but rather investigate some of its prerequisites empirically. The research mentioned above, which we discuss in more detail in the theory section, makes us assume that administrators have an information advantage over politicians, and that they generally desire larger budgets for their agencies. If politicization is an efficient way to overcome the information advantage, politicians should be more successful in controlling budget processes for agencies managed by a political ally, compared to agencies that are not. The paper tests this hypothesis.

Although the discussion is more then a century old, there are few studies evaluating if political appointees in the administration actually enhance control. The reason is probably that such studies are very demanding concerning data. To the best of our knowledge, we have very unique data set to our disposal. We have collected information
on the political and professional background for Swedish agency heads and budget information of 851 central agencies from 1970 to 2010. This offers an exceptional possibility to study empirical effects of having political cronies in the administration, in the one area that has been most discussed, namely the budget process.

The main results show that agency heads with a political background differ in a systematic way from career bureaucrats. They are, for example, less educated and have less managerial experience from the public sector. We believe this indicates that they are hired for other reasons than formal competence. As a more direct test of our hypothesis we demonstrate that the mean annual growth of agency spending is lower in politicized agencies, and in a time-series-cross-section analysis we show that the political background of the agency head has a deterring effect of agency growth.

This paper proceeds as follows. In the next section we review previous research and our theoretical expectations in more detail. The theoretical section is followed by a section were we, first, discuss the Swedish case in a comparative perspective, second, explain our data-collection and provide some descriptive statistics, and third, describe our estimation strategy. Following this section we present our results, and considers how they are related to our theoretical expectations. The final section concludes.

Political-administrative relations and the “ally principle”

In an ideal typical model of political-administrative relations, decisions are made by politicians, and carried out by administrators. This dichotomy model is often associated with classical writings by public administration scholars in the US, such as Woodrow Wilson’s *The Study of Administration* (1887) and Frank Goodnow’s *Politics and Administration* (1900). Administrative historians have however argued that already Wilson and Goodnow had a much more nuanced view of politics and administration relations than was later attributed to them (Svara 1998; see also Simon 1947 for an early critique of the model). Most administrative scholars today see the dichotomy model as unrealistic, and would agree that it is safer to assume that the roles of politicians and administrators are fuzzy and that tensions between politics and administration therefore are unavoidable (Peters 2001).
This has two implications, important for this paper. First, administrators can be involved in policy decisions, and act on preferences of their own (see Heclo 1974 and Dahlström 2009 for examples of how administrators influence policy). Second, politicians sometimes enter the administrative sphere in order to control administrators or to provide spoils to their supporters (Lewis 2008). This paper is foremost interested in consequences of politicians entering the administrative sphere, which often referred to as politicization of the administration (Rouban 2003).

Scholars and international organizations observe an increasing politicization in several democracies in Western Europe and North America, in countries characterized by Germanic and Napoleonic administrative traditions, as well as in Scandinavia and the Commonwealth (Campbell and Wilson 1995; Eichbaum and Shaw 2007; Matheson et al 2007; Page and Wright 1999; Pierre 2004). The existing literature indicates that there are important differences in how much and when governments politicize, but there are clear expectations of a positive trend (Page and Wright 1999; Peters and Pierre 2004).

This might be surprising as there are well-known risks associated with a politicization of the administration. In a series of influential articles, Gary Miller (2000) has for example demonstrated that moral hazard – that is, the risk that rulers use public goods to make private fortunes – is best avoided if there are barriers between politicians and administrators. Moreover, as mentioned in the introduction, cross-country comparisons have shown that economic growth is higher and corruption is lower in countries with meritocratically recruited administrators (Dahlström, Lapuente and Teorell 2012; Evans and Rauch 1999; Rauch and Evans 2000). Another study, carried out in the US context, has shown that politically recruited bureau chiefs are less successful in managing federal bureaus (Lewis 2007). These results confirm what other authors have argued (Heclo 1977; Light 1995; Suleiman 2003). The same study also demonstrated that we should expect political appointees to be systematically different from career bureaucrats. They have for example less experience from the public sector, and have shorter tenures (Lewis 2007, 1078).
What is more, these negative consequences have been discussed publically for more than a century (Goodnow 1900; Northcote and Trevelyan 1853; Wilson 1887). The question is thus why politicians choose to induce politicization, in spite of its obvious risks. As indicated above, there are, broadly speaking, two potential motives for politicians to still recruit political supporters to the administration. The first is that it provides an opportunity to provide spoils to political supporters. This can have several attractive consequences for politicians, such as increasing the chances of re-election (Folke, Hirano and Snyder 2011). From this point of view, patronage is the prime motive.

In this paper we are however more interested in control. Democratically elected politicians have a perfectly legitimate motive to try to control the administration (Peters and Pierre 2004, 7). As Bergman, Muller and Strom notes in a special issue on delegation in parliamentary democracies, “...only if the whole chain works can the democratic promise be fulfilled” (Bergman, Muller and Strom 2000, 257).

However, bureaucrats and politicians may have very different preferences. The standard assumption regarding politicians is that they wish to stay in office, which in democratic polities often implies vote-maximization. From this primary motive other motives follows, such as the means to alter policy to benefit key constituents, without excessive cost (Waterman and Meier 1998). The standard assumption about the motives of bureaucrats is more controversial, namely that they wish to maximize their budgets. William Niskanen (1968, 293) argued that a large budget may improve among other things the bureaucrat’s “salary, perquisites of the office, public reputation, power, patronage, ease of managing the bureau, and ease of making changes.” Niskanen’s seminal assumption has been criticized for being to simplistic, for instance by proponents of the “bureau-shaping model” (Dunleavy 1992), who argue that bureaucrats not necessarily find a large and potentially heavy-handed bureaucracy desirable (Peters 2001). In this paper, we will still work from the assumption that bureaucrats generally desire larger budgets, or at least not decrease them, which is a more conservative assumption. It is not certain that a bureaucrat in an agency wants to expand the agency, but all bureaucrats currently employed by the agency wants to keep their jobs.
As illustrated by the opening quote by Max Weber, the bureaucrat’s main advantage is that they have information that the politicians do not. In Niskanen’s (1971) terms, politicians have no way of knowing the true production cost of the services or regulation that the bureaucrats produce, and have no alternative producer to turn to. Bureaus will thus according to Niskanen (1971) always produce at a higher cost than desired by the politicians (or the median voter). As resources are scarce, politicians need to overcome this problem, and have several tools at their disposal, which Niskanen (1971) has been criticized for neglecting (Bendor and Moe 1985).

John D. Huber (2000, 398-399) divides these tools into two broad categories: ex ante and ex post controls. Ex ante controls are practices that influence administrators before they take action, including the administrative design, which has been likened to “stacking the deck” (McCubbins, Noll and Weingast 1987), but also strategic appointments of leading personnel (Wood and Waterman 1991). Ex post institutions, on the other hand, denotes oversight, audits and other more direct control mechanisms used to correct for undesirable actions of administrators (Huber 2000, 400-401), or reliance on “fire alarms”, watchful citizens and interest groups (McCubbins and Schwartz 1984).

Our focus is on the tactic of strategic appointments. The delegation literature discusses the circumstances under which it is rational for a principal to delegate to an agent. Delegation decreases the cost of implementing the principal’s preferred policy, but also entails a risk that the agent will try to pull the policy in the direction favored by the agent, in this case the bureaucrat. A consistent result of the theoretical delegation literature is thus that it is rational for the principal to delegate if the agent and principal have similar preferences. This is usually referred to as “the ally principle” (Bendor, Glazer and Hammond 2001, 243). Delegating to an ally may however come at a cost, if one assumes that agents have varying degrees of competence. If the agent is incompetent, an attempt to implement the principal’s preferred policy may fail, which could render the outcome less preferable than a policy implemented by a competent agent with different preferences from the principal. Therefore, Bendor and Meirowitz (2004, 300) argue that “Thus, the ally principle must be understood as a ‘ceteris paribus’
rule: All else equal, a rational boss should choose her closest ally as an agent. If that ally is a dolt, delegating to him is silly.”

In the case of budget-maximization, we assume that politicians have a preference for smaller budgets, and that bureaucrats generally have a preference for larger budgets. By appointing allies and thereby politicizing the administration, politicians should be able to check budgetary growth. It is still likely that lower-level bureaucrats have a preference for higher budgets, but their ability to exaggerate production costs are impaired by the political appointee, who have much less of an information advantage than politicians outside of the administration. By striking at the information advantage, appointment should be a check on budget growth. Indeed, empirical research from the U.S. has shown that presidential appointments are one of the most powerful control mechanisms for influencing agency output (Lewis 2008; Moe 1985; Wood and Waterman 1991).

The effects of appointments on budgetary growth are however considerably less explored. The aim of this paper is thus to investigate whether an important mechanism of political control of the administration can help politicians check budget growth as well as influence policy. Our hypothesis is thus that budgetary growth is slower in agencies headed by political appointees. The reason is that the preferences of political appointees can be assumed to be more closely aligned with those of their political principals (who have preferences for slower growth) than to career bureaucrats.

There are two possible objections to this hypothesis. While political appointees likely not to use the information advantage against politicians, the ally principle would also lead us to believe that politicians are more willing to delegate to them for another reason. As their preferences are closely aligned, it is reasonable that politicians delegate more important policy areas to them, which might grow faster. The negative effect on budget growth stemming from the agent could thus be offset by a positive effect stemming from the political principals increased willingness to delegate. Unfortunately we have no way of disentangling these effects, but will instead be reduced to determining whether one effect is stronger than the other.
The second objection to the hypothesis is that political appointees, once appointed, align their preferences more with the administration than with the political principals, that is, that they would “go native”. This is probably not as important, considering the career prospects of political appointees and other administrators. Since political appointees can be expected to be less qualified, their best chance of furthering their career is probably to play on their comparative advantage against the career bureaucrats – their loyalty to the political principals. In relation to our specific case, Sweden, we also note that the careers between politicians and administrators are rather separated, in comparative perspective (Pollitt and Bouckaert 2004).

**Case, data and methods**

We will trace effects of having political cronies in the administration on agency budgets in a longitudinal study of Swedish administration. The Swedish case fits the purpose of this study very well, as level of politicization in Sweden can be expected to be relatively low, but with a lot of variation both over time and between agencies (Dahlström and Niklasson 2013; Nyman 1976; Statskontoret 1999:21; Sandahl 2003). Sweden is a parliamentary democracy with a *Rechtsstaat* administrative tradition (Pierre 2004, 42). Most previous research has been carried out in the U.S. context. Terry Moe and Michael Caldwell (1994) have argued that we should expect presidential and parliamentary systems to produce different bonds between politics and administration. Very simplified, deliberate inefficiencies in the administrative design, described in Moe’s work on the U.S. (Moe 1989), and widespread politicization, should be more common in presidential systems. Moe and Caldwell (1994, 186) discuss the U.S. and the UK thoroughly, but the explicitly takes Sweden as an example that “…looks a lot like Britain on these scores – and both are poles apart from the United States”. Sweden is therefore a welcome contrasting case, and probably also a least-likely-case for the effects we are studying. Thus, if we can find effects previously only found in the U.S., in Sweden, there are probably some universal merits to the argument.

There are two additional arguments for Sweden as a good test case for our study. First, the central agencies in Sweden are semi-autonomous organizations and have a strong independence protected by law (Niklasson 2012). The authority of the government to
issue orders for the agencies is restricted, which makes it attractive for the government to influence agencies in other ways, for example through recruitments (Instrument of Government, chapter 7, §2). Second, the top-positions in agencies are under the direct control of the Swedish executive (Niklasson 2012). This is not the case in all Parliamentary European democracies. For example in the UK, hiring and firing in the civil service are removed from political influence (Huber 2000, 399), and the same is also true for Denmark (Grønnegaard Christensen 2006). Sweden is therefore a rare case were the institutional pressure to use politicization strategies are low (at least compared to the US) but still existing, while the government formally control recruitments to top-positions in the administration.

On the independent side of our analysis, we have collected data from 1960 to 2010 regarding the political affiliation of Director Generals (DG’s) and other heads of public agencies for a selection of about 310 agencies each year. We have aimed at selecting central agencies, under direct control of the government. The selection criteria for the agencies included are therefore that it: i) is an förvaltningsmyndighet, that is, an agency that is subjected to a particular part of the Swedish law, and ii) is given its directions directly from the government and not from another agency. The second criteria mean that all sub-agencies are excluded from the analysis. When it comes to the heads of agencies our analyses only include the very top-positions, most of them with the title Director General (Generaldirektör). We believe that this is a reasonable limitation, as previous studies have shown that the political appointees at the top of the agency make a significant difference in how the agency performs (Krause, Lewis and Douglas 2006; Lewis 2007). For convenience, we refer to all the heads of public agencies in our sample as DG’s throughout this paper, even though some of them have other titles.2

In Figure 1 we present descriptive data on the extent of politicization of Swedish agencies, 1960-2010. The graph clearly shows that a substantial proportion, between 30 and 50 percent, of all DG’s in Sweden have political background during the period of study. Politicization increased steadily until the middle of the 1980’s. No significant differences can be found in the rate of politicization between Social Democratic and

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2 For example are agency heads with titles like Landshövding (County governor), Rektor (Vice Chancellor), Ordförande (Chair), Direktör (Director), Kanslichef (Administrative Director), and Överintendent (Superintendent) also included in the sample.
centre-right governments in general, although the current centre-right government has the lowest rate of politicization among all governments in the study. It should however be noted that the decrease in politicization at the end of the period started during the final years of Social Democratic Persson Government (Göran Persson was Prime Minister between 1996-2006) (Dahlström and Niklasson 2013).

*** Figure 1 ***

On the dependent side we have also new and unique data. We have collected budget information for a large set of Swedish central agencies between 1970 and 2010. We have data on yearly allocation, saving, and spending for the agencies in the data-set. We are however some missing budget data on two types of agencies. First, we do not have budget-data for the 21 county administrative boards in Sweden. The reason is that their budgets are not reported separately. County administrative boards are headed by the County governor (Landshövding), who is the representative for the central state on the local level. These positions are fairly often given to former politicians, which means that we are losing a category of highly politicized agency heads. 85 percentages of the 136 County governors appointed during our period of study had political background. Second, we do only have budget-data for the Universities and University Colleges after 1991, and thus not for the full time-period. In contrast to the county administrative boards, Universities and University Colleges are very seldom politicized. Only 7 percentages of the 134 Vice Chancellors (Rektorer) appointed during our period of study had political background. Due to the incomplete data, we have excluded these agencies from the analysis in this paper.

There is substantial variation in the amount of funds spent by agencies. Figure 2 shows a histogram over agency spending (in all years) using a logarithmic scale, as well as a scatterplot that shows the development of agency spending over time. The budget data has been adjusted for inflation and are showed in constant 2010 prices.³

*** Figure 2 ***

³ Using consumer price index, obtained from Statistics Sweden.
The histogram demonstrates the extreme variation in the amount of agency spending. At the low end with budgets under a million SEK we find small agencies, for instance responsible for inspection of agriculture. Agencies at the high end mostly deal with infrastructure and spend huge sums, such as the Transportation Authority who in 2008 spent 32 billion SEK, which amounted to close to one percent of Swedish GDP.

The smoothed polynomial line in the right graph in Figure 2 shows a slow but steady increase in the size of budgets, even after controlling for inflation. Regressing the log result of all agency budgets on the year variable yields a coefficient of $0.018 \pm 0.04$, which means that the average growth approximately is between 1.4 and 2.2 percent each year. When agency-specific fixed effects to account for the fact that agencies start and are terminated each year are included, the coefficient estimate is instead $0.023 \pm 0.02$, indicating an approximate yearly growth of between 2.1 and 2.5 percent.

We have been able to obtain information for between 68 and 93 percent of the agency heads each year. In total, the dataset includes 851 agencies and 1860 different heads of public agencies. The data collection is based on several sources. The two main sources for the agency heads are i) a yearly publication including information about all Swedish agencies (Sveriges statskalender, various years), and ii) the Swedish version of the reference publication “Who is Who?” (Vem är det?, various years), which includes biographical information on most agency heads. These sources have been complemented with other sources containing biographical information on heads of public agencies or information on Swedish agencies (e.g. Statsliggaren, various years; Statliga myndigheter, 1975, 1980, 1986, 1989; Fakta om folkvalda, various years; Enkammarriksdagen, various years), as well as with CVs for heads of public agencies provided through personal communications with agencies or former DG’s. For the

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4 We have capped the distribution in the low end to exclude agencies that spend less than 0.5 million SEK each year. These include agencies that normally have no tasks, but are activated in emergencies.

5 It should be noted that the data for each year is registered in March/April. This is important to keep in mind as Swedish elections take place in September. We should, therefore, not expect a change of government in, for example, 1982 to have an impact on the political recruitments in our data until 1983.

6 A brief note should also be made on how we operationalize political affiliation. We consider an agency head to have a political affiliation if he or she has i) served as minister, ii) been elected to Parliament or a

Our theory posits that budget growth in agencies headed by DG’s with a political background will be slower than in agencies headed by non-political DG’s. To test this claim, we need to estimate a dynamic model that controls for other confounding factors. We employ a time-series cross-section design, in which the unit of analysis is agency-years. As our main dependent variable we use the log of funds spent in the year $t+1$.

Budgets are in most circumstances changed incrementally, which mean that there is a large degree of path dependency in the development of budgets over time (Wildavsky 1964). It is therefore necessary to control for spending at $t$. Since we measure the dependent variable in log form, we model change from the preceding year in relation to the size of the budget the preceding year, not change in actual SEK. The rationale for using spent funds instead of allocated funds is that spent funds is more directly related to the behavior of the DG, while allocated funds depend more on governmental decisions. Furthermore, since agencies often are allowed to save unspent funds to following years (which then enter next years budgets as allocated funds), a large allocation could be indicative both of a large budget request (which is indicative of budget-maximization) and economic prudence the preceding year. Spent funds more clearly indicates whether the agency attempts to budget-maximize or not, as agencies who do not spend all of their available funds are more likely to have their budget reduced. We measure the dependent variable at $t+1$ as it is unlikely that a DG, who may for example been appointed in February, significantly could affect the agency’s spending the same year.7

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7 This is even more important before 1997, when the fiscal year started 1 July one year and ended 30 June the next year (Vinde and Petri 1975, 125). After a reform in 1997, the fiscal year is however the same as the calendar year (Mattson 2000, 47).
Agency-specific fixed effects are included in all estimated models to account for unobserved heterogeneity between agencies, as are year-specific fixed effects. The year dummy variables capture effects of macro-economic trends that could affect all agencies simultaneously. Significance tests of regression coefficients are carried out using panel-corrected standard errors (Beck and Katz 1995; 1996). Although it has been pointed out that this estimation strategy renders estimation of the effects of non-changing variables impossible (Plümper, Troeger and Manow 2005), our independent variable of interest varies over time. Inclusion of unit fixed effects should therefore yield the most consistent estimates.

**Results**

According to our hypothesis, politicians appoint DG’s with political background to reduce the information advantage of administrators in the agencies. As a first test of this hypothesis, we test whether the characteristics of DG’s with political background differ significantly from DG’s without political background. If they do not, it would be an indication that the operationalization of our independent variable has little validity, or that politicians choose DG’s with political background for other reasons than control. Table 1 presents descriptive statistics for DG’s with and without political background during their first year of tenure.

*** Table 1 ***

Of the five characteristics, substantial differences are found for two. The mean age is virtually the same, about 52 years, and the proportion men is almost equally high in the same groups, 79% among DG’s without political background and 74% among those with. 10% in both groups have managerial experience from the private sector. The two significant differences are in the proportion that have scientific education (beyond Master’s degrees) and in the proportion that have managerial experience from the public sector. DG’s without political background have substantially higher qualifications in both these regards: 37% have some sort of scientific education and 42% have managerial experience from the public sector, while the same figures are 12% and 26% respectively for DG’s with political background. Both differences are statistically significant at the 95% significance level. A comparison with managers in the U.S. reveals
both differences and similarities. In a study by Lewis (2007, 1078), politically-appointedees had slightly higher levels of education, and a much larger proportion of the politically-appointedees had private sector management experience than their careerist counterparts. In both Sweden and the U.S., however, political appointees had considerably less public sector management experience.

Considering only these formal qualifications, it would thus appear as if DG’s with political background are less qualified than their non-political counterparts. One reason for this discrepancy could obviously be that they have received their positions as a form of patronage, for instance in exchange for political support or past services. As mentioned in the theoretical section political appointments are made for both patronage and control reasons. It is important for this paper to demonstrate that patronage is not the dominating motive. If patronage is the motive, one should according to previous research expect to find political appointees where they are “least able to hurt agency performance” (Horton and Lewis 2010, 1). In a study of Obama administration appointees, Horton and Lewis (2010) find that the political appointees are less likely to work in politically important and technical agencies. They also demonstrate that managers of larger agencies have better formal qualifications, which indicates less patronage in large agencies (Horton and Lewis 2010). This means that if patronage is the motive we should see little political recruitments in large agencies.

However, as can be seen in Table 1, in Sweden the median agency budget is larger in agencies headed by DG’s with political background. Even if the difference is not statistically significant, if anything, this points in opposite direction. If we follow Horton and Lewis (2010) this thus indicates that patronage is not the dominating motive for political appointments in Sweden. If patronage were the dominating reason for appointing DG’s with political background, we should not expect them to lead agencies of comparable size as DG’s without political background.

Instead it is possible that politicians use political appointees to induce allies in agencies in order to exercise control over the agencies, including reducing the information advantage that allow agencies to maximize budgets (Bendor, Glazer and Hammond 2001, 243).
We will now turn to a first test of the success of this ally strategy. We estimate the average annual growth of the log of agency spending in three categories of agencies, 1971-2010: those never headed by DG’s with political background, those always headed by political DG’s, and agencies with a mixture of both. The analysis is run on two samples. First, including all observations, and then excluding agency-years where the log of spending increased or decreased by more than 0.5, indicating increases of over 60 or decreases of about 40 percentages. The reason for excluding very large changes in spending from our sample is that they probably indicate some sort of major re-organization of the agency. Such re-organizations are driven by factors beyond the scope of this paper, and are probably also outside the control of DG’s. Figure 3 displays average growth of ln spending in the three categories of agencies.

*** Figure 3 ***

Both sets of bars show that annual growth of spending is highest in the agencies always headed by non-political DG’s, but the order between “sometimes politicized” and “always politicized” is reversed when excluding outliers. Test of significance reveal that the “never politicized” category is significantly different from the other two, in both samples, while the “sometimes politicized” and “always politicized” categories not are significantly different from each other. The average growth rate of agency spending in “never politicized” agencies about 3.5 percent yearly, while it only is close to 1 percent in “always politicized” agencies. This is a first, rough, indication that agencies without a political ally in top grow faster and are thus in line with what one should expect from theories of bureaucratic information advantage.

However, we should be careful drawing any conclusions yet as these results could be consequences of political DG’s being placed in different types of agencies than non-political DG’s. We therefore conduct a test in which we estimate the effect of political background of the DG on growth of agency spending, controlling for agency-specific and time-specific fixed effects, as well as other DG characteristics, as described in the methods section. The results are presented in Table 2. In the first model, the only control variables are year and unit fixed effects. In agencies headed by DG’s with political
background, growth is about one percent slower than in agencies headed by non-political DG’s.

*** Table 2 ***

Controlling for managerial experience (Model 2) or personal characteristics (Model 3) does not substantially alter the results. The effect of a political background remains estimated at about one percent slower growth and the statistical significance is improved in the final model. Perhaps somewhat surprisingly, none of the personal characteristics of the DG’s seems to matter for agency growth.

Our main hypothesis is thus supported by the empirical results. However, in the results shown in Table 2, agency-years with extremely large changes (increases or decreases) are not included, for the same reasons discusses concerning figure 2 above. Therefore, only changes in ln agency spending between -0.5 and 0.5 are included, to reduce the influence of extreme outliers. We should remind ourselves that the theory does not predict that changes should be of large magnitude in agencies headed by non-political DG’s, but rather that they to a larger extent use the informational advantage to increase spending, which motivates the capping of the dependent variable. There are however no theoretical reasons for choosing the threshold of 0.5. We have therefore rerun Model 3 of Table 2, varying the threshold for included yearly changes between 0.1 and 4, in increments of 0.1. This allows us to see for which thresholds the main results hold. Results are presented in Figure 4.

*** Figure 4 ***

The solid black line represents the estimated coefficient of the main variable of interest, political background of the DG. The dashed vertical line represents the threshold used in Table 2, which is 0.5. The graph clearly shows that the strongest negative effect of political background is found for threshold levels of between 0.2 and 0.8, while coefficients estimated using a sample including changes of the magnitude 0.9 and higher are insignificant. For threshold levels around 3 the coefficient again drops to negative levels, but as very few additional observations are included compared to slightly stricter
threshold levels, this is probably due to a few extreme outliers. A clear indication of the theoretical notion that the political background affects agency-spending changes of small magnitude would have been an observed strong effect at strict threshold levels that diminished as the threshold became more inclusive. However, we do not now observe a substantial effect at the strictest threshold levels, 0.1 and 0.2. The reason may however be that the sample size is considerably smaller at the strictest threshold levels. For instance, at the threshold of 0.1, only 2980 observations are included, while 4459 are included at the 0.5 level. Given that a lagged dependent variable, year and unit fixed effects are all included, there is not much variation left to exploit in such a small sample.

Summing up, the results presented in this section indicate a few things, all of them compatible with our theoretical expectations. First, our analysis makes clear that DG’s with and without political background differ from each other systematically. Political appointees are formally less qualified for their jobs than their counterparts. We take this as an indication that the political appointees are recruited for other reasons than competence. Second, the annual average growth of agency spending is higher in agencies without political appointees. This is a, certainly not perfect, indication that politicians are more able to hinder budget-maximation strategies in agencies were they have an ally. Third, political background of DG’s also has a deterring effect of agency growth when several quite demanding controls are included. Again, this is in line with our theoretical expectations.

Conclusions

Previous research has shown that politicians and administrators sometimes have different preferences, on important issues (Peters 2001). When summarizing five decades of research in this field, one observer recently notes that the exercise of discretion “...gives the administration a political quality” (’t Hart and Wille forthcoming, 3). The size of the budget for government agencies is one matter where politicians and administrators might have different preferences. It is probable that administrators desire larger budgets, than politicians would like to give them. Politicians therefore wish to control the administration, but face a problem. As administrators are experts on their own agency, knows both true production costs and the demand for their services, they
have an information advantage, and consequently politicians need to induce some type of control (Niskanen 1971; Bendor and Moe 1985). Delegation theory suggests that one efficient way of controlling the administration is to put an ally on top of the agency, or in other words to politicize the administration (Bendor, Glazer and Hammond 2001; Peters and Pierre 2004).

This paper studies the effects of such control strategy, on a large set of Swedish agencies between 1970 and 2010. Based on existing scholarship we hypothesize that budgetary growth is smaller in agencies lead by a DG with political background, compared to agencies lead by a career bureaucrat. Our empirical results are compatible with our theoretical expectations. The main results show that the annual average growth of agency spending is lower in agencies run by a political appointee. A time-series cross-section analysis, including quite demanding controls, confirms this finding. The last analysis is indeed in line with our theoretical expectations, and probably our strongest indication that politicians are more able to control budgets if they have an ally in top of the agency.

Empirical studies of the effects of political recruitment as means of control are scarce, especially outside the U.S. context. What is more, even the most advanced studies that exist often analysis only few cases, and have no single dependent variable (see however Krause, Lewis and Douglas 2006 for an important exception). For example, Wood and Waterman (1991) truly advanced our knowledge in this field, with their study of political control strategies of the American administration. However, even their study only includes seven agencies and has no dependent variable common for all of them. Through our design and thanks to our broad dataset we overcome such problems. What is more, we make the test outside the U.S., which is important, as we know that the dynamics in presidential and parliamentary democracies are probably different (Moe and Caldwell 1994). Finally, and on a more general level our study can hopefully contribute to the discussion on democratic governance. We know from previous studies that politicization of the administration has negative effects on efficiency and good governance (Evans and Rauch 1999; Rauch and Evans 2000). This is well known, but politicization still exists. This study can help to understand the rationale behind its existence, which is important even for those who wish to reform it.
Tables and Figures

Figure 1. Proportion newly appointed DG’s with party political background each year (bars), and the total proportion of DG’s with political background in all agencies each year (dashed line).
Figure 2. Distribution (all years) and development over time of agency budget results.
Figure 3. Average annual growth of ln agency spending in never, sometimes and always politicized agencies, for all observations (dark bars) and excluding outliers (light bars).
Figure 4. Sensitivity analysis of main model. Solid line represents estimated coefficient of political background. Solid gray line represents the sample size (second y-axis). The dashed line marks 0.5, the threshold used in Table 2.
Table 1. Characteristics of DG’s with and without political background during first year of tenure.

<table>
<thead>
<tr>
<th></th>
<th>No political background</th>
<th>Political background</th>
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<tbody>
<tr>
<td>Mean age</td>
<td>52.1</td>
<td>51.8</td>
</tr>
<tr>
<td>Man</td>
<td>79%</td>
<td>74%</td>
</tr>
<tr>
<td>Scientific education</td>
<td>37%</td>
<td>12%</td>
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<tr>
<td>Public sector managerial experience</td>
<td>42%</td>
<td>26%</td>
</tr>
<tr>
<td>Private sector managerial experience</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Median budget result</td>
<td>54 million</td>
<td>71 million</td>
</tr>
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</table>

Comment: n=590-772. The differences in scientific education, public sector managerial experience and agency budget result are significant at the 95% level.
Table 2. Estimation results. OLS with panel-corrected standard errors. Only changes between -0.5 and 0.5 included.

<table>
<thead>
<tr>
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<th>Model 1</th>
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<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ln(Budget result)</td>
<td>0.95***</td>
<td>0.95***</td>
<td>0.95***</td>
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<tr>
<td></td>
<td>(0.0063)</td>
<td>(0.0063)</td>
<td>(0.0064)</td>
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<tr>
<td>Party background</td>
<td>-0.0098*</td>
<td>-0.0098*</td>
<td>-0.013**</td>
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<tr>
<td></td>
<td>(0.0056)</td>
<td>(0.0057)</td>
<td>(0.0060)</td>
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<td>0.0070</td>
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<tr>
<td></td>
<td>(0.0056)</td>
<td>(0.0059)</td>
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<tr>
<td>Private sector managerial experience</td>
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<td>-0.011</td>
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<tr>
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<td>(0.0092)</td>
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<td>Scientific education</td>
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<td></td>
<td>(0.0079)</td>
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<tr>
<td>Age</td>
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<td></td>
<td>(0.00037)</td>
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<tr>
<td>Man</td>
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<td></td>
<td>(0.0071)</td>
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